

NEW UNIVERSE

International Group Limited

(Incorporated in the Cayman Islands with limited liability)

新宇國際集團（集團）有限公司

（於開曼群島註冊成立之有限公司）

New Universe

2005
First Quarterly Report



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

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.*

HIGHLIGHTS

- Turnover for the three months ended 31 March 2005 was approximately HK\$14.83 million; increased by 3.7% as compared with the first quarter in 2004.
- Gross profit margin for the three months ended 31 March 2005 was 21.7% decreased from 31.9% in the previous corresponding period.
- Profit from operating activities for the three months ended 31 March 2005 amounted to HK\$543,000; decreased by 4.3% as compared with the first quarter in 2004.
- Net profit from ordinary activities attributable to shareholders for the three months ended 31 March 2005 was approximately HK\$369,000 slightly decreased by 10.4% as compared with the first quarter in 2004.
- Earnings per share of the Group was approximately HK cents 0.02 for the three months ended 31 March 2005.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of New Universe International Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2005, together with the comparative unaudited figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March	
		2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
	Notes		
TURNOVER	(2)	14,831	14,300
Cost of sales		(11,604)	(9,734)
Gross profit		3,227	4,566
Other revenue and gains	(3)	2,502	400
Selling and distribution expenses		(1,107)	(864)
Administrative expenses		(3,344)	(3,017)
Other operating expenses		(735)	(518)
PROFIT FROM OPERATING ACTIVITIES		543	567
Finance costs		(174)	(155)
PROFIT BEFORE TAXATION		369	412
Income tax expenses	(4)	-	-
PROFIT FOR THE PERIOD		369	412
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		369	412
EARNINGS PER SHARE (HK cents)	(5)		
Basic		0.02	0.04
Diluted		N/A	N/A

Notes:

1 Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with the applicable disclosure provisions of Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention.

The unaudited consolidated financial statement incorporates the financial statements of the Company and its subsidiaries for the three months ended 31 March 2005 and the corresponding period in 2004. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2 Turnover

Turnover represents the net invoiced value of goods sold, after sales returns and discounts, value added tax and other taxes related to sales where applicable.

3 Other revenue and gains

	Three months ended	
	31 March	
	2005	2004
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Exchange gains, net of losses	–	(19)
Interest income	5	4
Gain on deregistration of subsidiaries	2,124	–
Over-provision for doubtful debts	–	398
Scrap sales	351	–
Sundry income	22	17
	2,502	400

4 Income tax expenses

No 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 three months ended 31 March 2005 and 31 March 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on the existing legislation, interpretations and practices in respect thereof.

The PRC enterprise income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech", a wholly-owned subsidiary established in Mainland China ("PRC")) is 24%. No provision for PRC enterprise income tax has been made for the periods in the financial statements of Dongguan Smartech as it sustained losses for taxation purposes.

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe Tooling and Plastic Limited ("Suzhou New Universe", a 97% owned subsidiary established in Mainland China) is eligible for a 100% relief from PRC enterprise income tax for the first two years from its first profit-making year of operation and thereafter, and it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. However, Suzhou New Universe sustained losses since incorporation.

The Group has no significant potential deferred tax assets and liabilities to be recognized for the three months ended 31 March 2005 and 2004.

5 Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the three months ended 31 March 2005 of approximately HK\$369,000 (2004: HK\$412,000), and the weighted average number of 1,489,600,000 (2004: 1,064,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the three months ended 31 March 2005 and 2004 have not been presented as the effect of any dilution is anti-dilutive.

6 Reserves

Condensed consolidated statement of changes in equity (unaudited)

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus (Note) <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	53,200	28,666	601	31,929	(61,719)	52,677
Net profit for the period	-	-	-	-	412	412
At 31 March 2004	53,200	28,666	601	31,929	(61,307)	53,089

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus (Note) <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	74,480	27,847	416	31,929	(94,533)	40,139
Translation differences arising on consolidation of overseas subsidiaries	-	-	255	-	-	255
Net profit for the period	-	-	-	-	369	369
At 31 March 2005	74,480	27,847	671	31,929	(94,164)	40,763

Note:

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

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

FINANCIAL REVIEW

Turnover of the Group for three months ended 31 March 2005 was HK\$14,831,000, representing an increase of 3.7% from HK\$14,300,000 in the first quarter of last year. Two factories of the Group in Dongguan and Suzhou have contributed with 78% and 22% respectively of the Group's turnover in the first quarter of 2005. The gross profit of the Group for three months ended 31 March 2005 decreased by 29.3% to HK\$3,227,000 as compared to the first quarter in 2004 of HK\$4,566,000. Gross margin and profit margin of the Group were restored to 21.8% and 2.5% respectively in the first quarter of 2005.

The Group's selling and distribution expenses increased by 28.1% to HK\$1,107,000 for the three months ended 31 March 2005, representing 7.5% to the Group's turnover in the current period, as compared to HK\$864,000 for the first quarter of last year, which representing 6.0% to the turnover for the corresponding period.

The Group's administrative expenses increased by 10.8% to HK\$3,344,000 for the three months ended 31 March 2005, representing 22.5% to the Group's turnover in the current period, as compared to HK\$3,017,000 for the first quarter of last year, which representing 21.1% to the turnover for the corresponding period.

The Group's other operating expenses increased by 41.9% to HK\$735,000 for the three months ended 31 March 2005, representing 5.0% to the Group's turnover in the current period, as compared to HK\$518,000 for the first quarter of last year, which representing 3.6% to the turnover for the corresponding period.

The increases in the Group's expenses for the current period as comparing to that in last year's corresponding period were mainly owing to the consolidation of the operations of the factory in Suzhou New Universe. The increases in the ratios of expenses to the Group's turnover during the period were mainly due to the operations of Dongguan Smartech have experienced seasonal and internal adjustments at that time. During the period under review, the Group persisted in ensuring its quality management and upkeep of its overall productivity and efficiency. The Group would continue its effort on cost control and inventory management in the coming seasons.

The Group's net profit from ordinary activities attributable to shareholders for the three months ended 31 March 2005 was HK\$369,000 as compared to HK\$412,000 in the first quarter of 2004. Earnings per share of the Group was Hong Kong cents 0.02 in the first quarter of 2005.

The Group's liquidity position remained healthy during the three months ended 31 March 2005. The Group's gearing ratio, representing total liabilities divided by capital employed, was 119% at 31 March 2005 as compared to 138% at 31 December 2004.

BUSINESS REVIEW

Overview

During the period under review, the Group continued its effort on streamline of its organizational structure, especially the operations of the factory in Dongguan. The headcount of the factory in Dongguan has reduced in the first quarter of 2005, though the factory's productivity has remained steady. New members have been invited into the Company's board of directors to refresh and reinforce the strength of the Group's top management. The Group expected that fine-tuning on the Group's operations would be completed in the second quarter of 2005.

Turnover of the Group in the first quarter of 2005 was HK\$14.83 million, of which 72% representing sales of molding products and 28% representing sales of plastic products, as compared to 54% and 46% respectively for the whole year of 2004. In order to minimize the seasonal factors that would affect the two core business lines of the Group, the Group would undertake to strengthen the molding sales and production by continuous injection of new machineries to the factories and to re-position the Group's strength of plastic injection.

Performance of two factories

The performance of Dongguan Smartech has dropped slightly in the first quarter of 2005 during which its operations has been under review and restructured, but its performance is expected to improve aggressively in the coming seasons. The operations of Suzhou New Universe has expanded steadily since its commencement of business in 2003, and its performance is expected to grow steadily in current year.

Investments

The Group's plan on establishing a new factory in Pearl River Delta has been underway. Feasibility studies on the choices of different locations have been discussed. Though no legally binding documents in respect of the intended investment have yet been signed, the Board intends to finance the investment by the Group's own internal resources, the support of the Group's ultimate holding company, New Universe Enterprises Limited, and the bankers.

Prospects

Plastic injection orders are expected to increase in the coming seasons. As a strategy to strengthen sales performance and foreign customer base, the Group has entered into not legally binding documents with certain major customers for manufacture and assembly of patent plastic products. Currently, the Group has started negotiations with renowned sourcing agents from foreign countries, and intended to establish long-range co-operative relation with buyers in the plastic molding industry. The Group remains confident and optimistic in its future growth and has a vision to be one of the best corporation in the plastic molding industry in the Asian Pacific Region.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2005 (2004: Nil).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the interests and short positions of the directors of the Company and their associates in the shares, underlying shares or debentures of the Company or any of 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 shares of the Company

Name of director	Number of ordinary shares			% of shares in issue
	Personal interest	Family interest	Corporate interest	
Xi Yu ("Mr. XI")	-	-	1,020,481,000*	68.51

Note:

- * Mr. XI is the beneficial owner of 16,732 shares of US\$1.00 each in New Universe Enterprises Limited ("NUEL"), representing 83.66% of the issued share capital of NUEL, which, in turn holds 1,020,481,000 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, NUEL

Name of director	Number of ordinary shares			Total	% of shares in issue
	Personal interest	Family interest	Corporate interest		
CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14

Save as disclosed above and the interests of a director in share options of the Company as disclosed in the section headed "Share Option Schemes" below, as at 31 March 2005, none of the directors of the Company and 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 entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors under the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes", at no time for the three months ended 31 March 2005 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a pre-IPO share option plan ("Pre-IPO Plan") and a share option scheme adopted by the Company's shareholders on 10 December 2003 ("Scheme") (collectively the "Share Option Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

1 The Pre-IPO Plan

On 4 May 2000, options to subscribe for 40,000,000 shares of the Company at an exercise price of HK\$0.50 per share were granted under the Pre-IPO Plan, with a vesting period from 4 May 2002 to 3 May 2005. Eligible participants of the Pre-IPO Plan include the Company's executive directors and other employees of the Group. At 31 March 2005, the number of shares issuable under share options granted under the Pre-IPO Plan was 8,000,000, which represented approximately 0.54% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO Plan is limited to 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Pre-IPO Plan. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. No share options have been granted nor exercised nor lapsed under the Pre-IPO Plan during the period and up to the date of approval of this announcement. Share options do not confer rights on the holders to dividends or to vote at shareholder meetings. The following share options were outstanding under the Pre-IPO Plan during the period:

Name or category of participant	Number of share options			Date of grant of share options**	Exercise period of share options	Exercise price of share options**	Price of the Company's shares	
	At 1 January 2005	Lapsed during the period	At 31 March 2005				At grant date of options	At exercise date of options
Director								
TANG Kwok Yuen [†]	8,000,000	-	8,000,000	4 May 2000	4 May 2002 to 3 May 2005	HK\$0.5 per share	N/A	N/A

[†] Mr. TANG Kwok Yuen resigned as the Company's director with effect from 30 April 2005.

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

As at 31 March 2005, the Company had 8,000,000 share options outstanding under the Pre-IPO Plan, and no such outstanding share options granted have yet been exercised before it lapsed on 3 May 2005.

2 The Scheme

Eligible participants of the Scheme include employees, executive and non-executive directors of the Group (including independent non-executive directors), suppliers of the Group, customers of the Group, professional advisers and consultants of the Group. The Scheme became effective on 10 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of exercisable share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and

ends on a date which is not later than 10 years from the date of the offer of the share options. The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share. No share option had been granted under the Scheme during the period and up to the date of approval of this announcement.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, 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

Name	Number of ordinary shares			Total	% of shares in issue
	Beneficial interest	Family interest	Corporate interest		
NUEL	1,020,481,000	-	-	1,020,481,000	68.51
Mr. XI	-	-	1,020,481,000*	1,020,481,000	68.51

Save as disclosed above, as at 31 March 2005, 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.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the three months ended 31 March 2005, the Group purchased raw materials amounting to HK\$230,100 from a related company, China (HK) Chemical & Plastics Co. Limited ("China HK Chemical"). The Company's directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of China HK Chemical. The Board considered that the aforementioned purchases were in the ordinary and usual course of business of the Group and were transacted on normal commercial terms no less favourable to the Group than those available from other independent third parties.

Save for the aforementioned, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

The Group did not have transaction with connected parties as defined in the GEM Listing Rules during the period ended 31 March 2005.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the three months ended 31 March 2005, none of the directors of the Company or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business which competed with the Company or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company's audit committee has been established since May 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules, which comprises three independent non-executive directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. During the three months ended 31 March 2005, the audit committee has held two meetings and has performed the following duties:

1. reviewed and commented on the Company's annual report for the year ended 31 December 2004;
2. reviewed and commented on the unaudited consolidated quarterly results of the Group for the three months ended 31 March 2005; and
3. reviewed and commented on the internal control and financial reporting procedures of the Group, and other matters in compliance with the GEM Listing Rules.

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

Hong Kong, 10 May 2005