



**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**

**2006**

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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 (“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

- Turnover for the nine months ended 30 September 2006 was HK\$53,282,000 representing an increase of 18.0% as compared to HK\$45,158,000 for the corresponding period in 2005.
- Net sales of plastic injection molds for nine months ended 30 September 2006 was HK\$42,138,000, an increase of 20.7% over the corresponding period in 2005; and net sales of plastic products for nine months ended 30 September 2006 was HK\$11,144,000, an increase of 8.7% as compared to the corresponding period in 2005.
- Gross profit for the nine months ended 30 September 2006 was HK\$10,877,000, increased by 35.5% from HK\$8,027,000 for the corresponding period in 2005, and the current gross profit margin was 20.4% as compared to 17.8% for the corresponding period in 2005.
- Net loss attributable to the equity holders for the nine months ended 30 September 2006 was HK\$5,955,000 as compared to net loss of HK\$3,295,000 for the previous corresponding period in 2005.
- Loss per share for the nine months ended 30 September 2006 was HK cents 0.40 as compared to loss per share of HK cents 0.22 in corresponding period in 2005.

## 2006 THIRD 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 (collectively referred to as the “Group”) for the nine months ended 30 September 2006, together with the comparative unaudited figures for the corresponding period in 2005.

### Condensed consolidated income statement

	Note	Three months ended 30 September		Nine months ended 30 September	
		2006 Unaudited HK\$'000	2005 Unaudited HK\$'000	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
<b>Turnover</b>	2	<b>19,954</b>	16,134	<b>53,282</b>	45,158
Cost of sales		<b>(15,596)</b>	(14,178)	<b>(42,405)</b>	(37,131)
<b>Gross profit</b>		<b>4,358</b>	1,956	<b>10,877</b>	8,027
Other income	2	<b>233</b>	399	<b>623</b>	3,652
Selling and distribution expenses		<b>(2,325)</b>	(1,348)	<b>(4,440)</b>	(3,314)
Administrative expenses		<b>(3,245)</b>	(3,159)	<b>(10,039)</b>	(9,567)
Other operating expenses		<b>(880)</b>	(353)	<b>(2,217)</b>	(1,516)
<b>Loss from operations</b>		<b>(1,859)</b>	(2,505)	<b>(5,196)</b>	(2,718)
Finance costs		<b>(281)</b>	(210)	<b>(759)</b>	(577)
<b>Loss before taxation</b>		<b>(2,140)</b>	(2,715)	<b>(5,955)</b>	(3,295)
Income tax	3	–	–	–	–
<b>Loss for the period</b>		<b>(2,140)</b>	(2,715)	<b>(5,955)</b>	(3,295)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(2,140)</b>	(2,715)	<b>(5,955)</b>	(3,295)
Minority interests		–	–	–	–
		<b>(2,140)</b>	(2,715)	<b>(5,955)</b>	(3,295)
<b>Dividends</b>	4	–	–	–	–
<b>Loss per share</b> for loss attributable to the equity holders of the Company (expressed in HK cents per share)					
Basic	5	<b>(0.14)</b>	(0.18)	<b>(0.40)</b>	(0.22)
Diluted	5	<b>N/A</b>	N/A	<b>N/A</b>	N/A

**Note:**

**1. Basis of preparation and accounting policies**

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of precision molds and plastic products.

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.

These financial statements comply with the applicable disclosure provisions of GEM Listing Rules.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of this condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005 except that the Group has adopted certain new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2006. The adoption of these new HKFRSs relevant to the Group's operations did not result in substantial changes to the Group's accounting policies.

**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 2006	2005 Unaudited	30 September 2006	2005 Unaudited
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
<b>Turnover</b>				
Sales of mold products	14,612	13,305	42,138	34,909
Sales of plastic products	5,342	2,829	11,144	10,249
	19,954	16,134	53,282	45,158
<b>Other income</b>				
Interest income	10	6	32	17
Exchange gains/(losses), net	-	-	-	(100)
Waiver of a director's remuneration	-	-	-	503
Gain on deregistration of subsidiaries	-	100	-	2,224
Sundry income	223	293	591	1,008
	233	399	623	3,652
<b>Total</b>	<b>20,187</b>	<b>16,533</b>	<b>53,905</b>	<b>48,810</b>

### 3. Income tax

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. No provision for Hong Kong profits tax had been made in the previous corresponding period, as the Group had no assessable profits arising in Hong Kong during that 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 PRC enterprise income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited, a wholly owned subsidiary established in Mainland China, is 15%.

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe Tooling and Plastic Limited, 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, it will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

### 4. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2006 (2005: Nil).

### 5. Loss per share

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the nine months ended 30 September 2006 of HK\$5,955,000 (2005: net loss of HK\$3,295,000) and for the three months ended 30 September 2006 of HK\$2,140,000 (2005: net loss of HK\$2,715,000) and the weighted average of 1,489,600,000 ordinary shares in issue during the periods respectively.

Diluted loss per share for the periods ended 30 September 2006 and 2005 have not been presented as the effect of any dilution is anti-dilutive.

## 6. Reserves

Unaudited consolidated statement of changes in equity showing movement of reserves of the Group is as follows:

	Attributable to equity holders of the Company							
	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	74,480	27,847	416	31,929	(94,533)	40,139	926	41,065
Translation differences arising on consolidation of overseas subsidiaries	-	-	1,404	-	-	1,404	-	1,404
Net loss for the period	-	-	-	-	(3,295)	(3,295)	-	(3,295)
At 30 September 2005	74,480	27,847	1,820	31,929	(97,828)	38,248	926	39,174

	Attributable to equity holders of the Company							
	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

## BUSINESS REVIEW

### Overview

The Group's core business on production of plastic injection molds for domestic appliance, office equipment, medical equipment, automobile parts and kiddy wares sustains satisfactory growth during the period under review. Overall production flows on mold making and plastics injection were smooth and efficient. Sales of mold products and plastic products represented 79.1% and 20.9% respectively of the Group's turnover for the nine months ended 30 September 2006, as compared to 77.3% and 22.7% respectively for the corresponding period in 2005.

### Quality Control

The Board is committed to enhance the quality control of its existing production facilities. Training and assessments to gain certification to ISO/TS16949 standard is underway in Suzhou New Universe Tooling and Plastic Limited ("Suzhou New Universe").

### Performance of Smartech

Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") is the Group's factory situated at the Pearl River Delta, Mainland China, which manufactures export goods for Smartech Manufacturing Limited ("HK Smartech"). HK Smartech and Dongguan Smartech (collectively referred to as "Smartech") are wholly owned subsidiaries of the Group. The consolidated turnover of Smartech for the nine months ended 30 September 2006 was HK\$38,102,000 representing an increase of 11.9% as compared to the corresponding period in 2005. Mold sales represented 72.3% of the total turnover of Smartech for the nine months ended 30 September 2006, of which 79.1% was sales to Hong Kong and overseas customers and 20.9% was sales in Mainland China. Plastics sales represented 27.7% of the turnover of Smartech in current period, of which 84.5% was sales to Hong Kong and overseas customers, and 15.5% was sales in Mainland China. Core competence of Dongguan Smartech on production of precision molds remained robust. Mold making order backlogs were relieved in the third quarter of 2006. In order to assure quality of the Group's products, certain old machineries of Dongguan Smartech have been replaced during the period.

### Performance of Suzhou New Universe

Suzhou New Universe is the Group's factory situated at Changjiang River Delta, Mainland China, which confines mainly on manufacture and sale of plastic injection molds and has started out to setup production lines on plastics injection in current period. Turnover of Suzhou New Universe for the nine months ended 30 September 2006 was HK\$15,180,000 representing an increase of 36.5% as compared to the corresponding period in 2005. Mold sales and injection plastics sales represented 96.1% and 3.9% respectively of the turnover of Suzhou New Universe in current period. Export sales and local sales in Mainland china represented 53.6% and 46.4% respectively of the turnover of Suzhou New Universe. Suzhou New Universe is expected to sustain stable growth in Changjiang River Delta of Mainland China.



## Investments and finance

During the period, the Group has increased its capital expenditure for enhancing productivity of the factories in Mainland China. In the second and third quarters of 2006, certain old machineries of Dongguan Smartech have been replaced; and amongst the others, a high precision computer-numeric-control wire-cutting machine was acquired.

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

In July 2006, a co-operative agreement (“Co-operative Agreement”) was entered into between the Company and China parties (comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to a property investment and development project to establish wholly foreign owned enterprises in Mainland China with total registered capital of USD25,000,000 (equivalent approximately to HK\$194,000,000) (“Project”) to undertake the construction of dock infrastructure and operation and development of dock and depot facilities in a parcel of vacant land with site area of around 3,100 mu (equivalent to approximately 2,066,665 sq. m.) in the Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China. The Co-operative Agreement constituted a very substantial acquisition of the Company under the GEM Listing Rules. At an extraordinary general meeting of the Company held on 18 September 2006 (“EGM”), the implementation of the Cooperative Agreement and the Project has been approved by the Company’s shareholders. Further details are set out in the announcement dated 3 August 2006, the circular dated 25 August 2006, and the announcement of the EGM results dated 18 September 2006 of the Company.

On 18 September 2006, the Company was granted an interest free loan of USD3,000,000 (equivalent approximately to HK\$23,280,000) from NUEL (“Loan”). Pursuant to the Co-operative Agreement and using the entire proceeds of the Loan as initial capital contributions, the Group established two wholly foreign owned enterprises in Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司). On 28 September 2006, New Universe International (Zhenjiang) Port Company Limited has made payment of RMB20,000,000 (equivalent approximately to HK\$19,324,000) to the Zhenjiang Jingkou local authority as deposit for the acquisition of land use rights.

The Board's plan to establish a new factory in Pearl River Delta has been pending; though feasibility studies on the choice of different factory locations have been carrying on until a suitable site could be located.

In view of the continuing competitive operating environment of the mold making industry, the Directors have been formulating business strategies to diversify the business portfolio of the Group with an objective to broaden its revenue base in the long run. Once any plan to diversify the Group's business becomes concrete, the Board intends to finance the project(s) by the Group's internal resources, support of the Group's ultimate holding company, NUEL, and the Group's current bankers.

### **Prospects**

The business environment for the mold making and plastics production business has been competitive in the recent years. The Board sees optimism on the continuous economic growth in Mainland China and the stability of global economic environment in 2006 and the coming year. Given a marketing and management platform in Hong Kong and the timely backup by NUEL, improvement of Group's performance in 2006 and beyond will be closely tied to (i) the continuous betterment of the productivity and technology of both Dongguan Smartech and the Suzhou New Universe, and (ii) the feasible plan of business diversification to be implemented.

The Group's mold making facilities of Dongguan Smartech and Suzhou New Universe contain the latest state-of-the-art mold making equipment and technology with core competence on production of plastic injection molds for automobile parts, office equipment, medical equipment and domestic appliance. The Group's experienced production teams provide sophisticated engineering, design services and project management. Quality in-house control of manufacturing of our own molds ensures competitive pricing and reduced lead times. The factories' quality systems have to pass periodical internal audits. From conceptual prototype to final product shipment, the Group's facilities provide complete value chain to satisfy customers' need.

The Board believes the production facilities in Dongguan Smartech and Suzhou New Universe will strengthen the Group's customer base and network surrounding the Pearl River Delta and the Changjiang River Delta respectively in Mainland China. The Board considers that the two factories of the Group are complimentary to each other and enable the Group to become the best molds supplier in Mainland China in the future. The Board remains confident of the Group's sustainable growth and that the Group's performance will be continuously improved.

## **FINANCIAL REVIEW**

### **Turnover and gross profit**

The Group's turnover was HK\$53,282,000 for the nine months ended 30 September 2006, reflecting an increase of 18.0% from HK\$45,158,000 for the corresponding period in 2005. Smartech and Suzhou New Universe have contributed 71.5% and 28.5% respectively of the Group's turnover for the nine months ended 30 September 2006 as compared to 76.3% and 23.7% respectively for the corresponding period in 2005. The Group's gross profit for the nine months ended 30 September 2006 increased by 35.5% to HK\$10,877,000 as compared to HK\$8,027,000 for the corresponding period in 2005. The gross profit margin was 20.4% for the nine months ended 30 September 2006 as compared to 17.8% for the corresponding period in 2005. Facing risks of increasing materials costs, increasing statutory minimum wages and change in tax regulations in Mainland China, the Group's gross profit margin would be inevitably affected in the future notwithstanding most production costs were generally under control in the current period.

### **Other income**

The Group's other income was HK\$623,000 for the nine months ended 30 September 2006, as compared to HK\$3,652,000 for the corresponding period in 2005, representing a significant decrease of income from non-core business in current period.

### **Selling and distribution expenses**

The Group's selling and distribution expenses were HK\$4,440,000 for the nine months ended 30 September 2006, an increase of 34.0% from HK\$3,314,000 for the corresponding period in 2005. During the current period, the ratio of selling and distribution expenses to the Group's turnover for the nine months ended 30 September 2006 was 8.3%, as compared to the ratio of 7.3% for the corresponding period in 2005. The current increase in selling and distribution expenses was mainly attributable to increase in sales commission accrued to independent sales agencies and increase in expenditure on overseas promotion affairs as compared to the last corresponding period in 2005.

### **Administrative expenses**

The Group's administrative expenses were HK\$10,039,000 for the nine months ended 30 September 2006, an increase of 4.9% from HK\$9,567,000 for the corresponding period in 2005. During the current period, the ratio of administrative expenses to the Group's turnover for the nine months ended 30 September 2006 was 18.8%, as compared to the ratio of 21.2% for the corresponding period in 2005. The current increase in administrative expenses as compared to last corresponding period in 2005 was mainly attributable to increase in incentive welfare provided to key management staffs in Mainland China, but the overall administration expenses were well-controlled during the current period.

### **Other operating expenses**

The Group's other operating expenses were HK\$2,217,000 for the nine months ended 30 September 2006, an increase of 46.2% from HK\$1,516,000 for the corresponding period in 2005. During the current period, the ratio of other operating expenses to the Group's turnover for the nine months ended 30 September 2006 was 4.2%, as compared to the ratio of 3.4% for the corresponding period in 2005. The current increase in other operating expenses as compared to last corresponding period in 2005 was mainly attributable to increase in repairs and maintenance expenses on production facilities.

### **Finance costs**

The total finance costs of the Group was HK\$759,000 for the nine months ended 30 September 2006 as compared to HK\$577,000 for the corresponding period in 2005. The ratio of finance costs for the nine months ended 30 September 2006 to the total interest-bearing borrowings as of 30 September 2006 was 3.8%, which remained the same as compared to a ratio of 3.8% for last corresponding period to 30 September 2005.

### **Net loss from ordinary activities attributable to equity holders**

The Group's net loss from ordinary activities attributable to equity holders was HK\$5,955,000 for the nine months ended 30 September 2006 as compared to net loss of HK\$3,295,000 for the last corresponding period in 2005.

### **Liquidity and financial resources**

In the current period, the Group financed its operations and investing activities with internally generated cash flows, trade facilities granted by a bank, short term revolving bank loans, and loans from NUEL and a related company. The Group had total cash and bank balances of HK\$7,270,000 as at 30 September 2006. As of 30 September 2006, the Group had outstanding interest-bearing borrowings of approximately HK\$19,971,000, comprising unsecured bank loans of HK\$10,266,000, secured bank loans of HK\$8,696,000, and finances lease payables of HK\$1,009,000. As of 30 September 2006, the Group also had outstanding non-interest bearing loans from NUEL of HK\$33,197,000. Out of the total indebtedness, approximately HK\$19,961,000 is repayable within one year.

### **Gearing ratio**

The gearing ratio was 257% as at 30 September 2006 (31 December 2005: 148%), representing total liabilities of HK\$79,389,000 (31 December 2005, HK\$54,460,000) divided by total equity of HK\$30,883,000 (31 December 2005, HK\$36,830,000).

### **Capital structure**

There was no material change in the capital structure of the Company for the nine months ended 30 September 2006.

At the EGM of the Company held on 18 September 2006, a proposed capital reorganisation was duly approved by the shareholders of the Company and a proposed rights issue was duly approved by the independent shareholders of the Company. Further details are set out in the announcement dated 3 August 2006, the circular dated 25 August 2006, and the announcement of the EGM results dated 18 September 2006 of the Company.

### **Material acquisition and disposals of subsidiaries**

Save as disclosed herein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the nine months ended 30 September 2006.

### **Employee information**

As at 30 September 2006, the Group had 633 (30 September 2005: 666) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as inventory was HK\$8,381,000 for the nine months ended 30 September 2006 (30 September 2005: HK\$10,900,000). Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

### **Charges on Group assets**

As at 30 September 2006, the Group pledged the land use rights with a carrying value of HK\$2,133,000 (31 December 2005: HK\$2,158,000), and property, plant and equipment with carrying value of HK\$8,473,000 (31 December 2005: HK\$8,460,000) to a bank in Mainland China to secure banking facilities to the extent of HK\$8,696,000 (31 December 2005: HK\$8,654,000) granted to the Group. As at 30 September 2006, the Group's property, plant and equipment with carrying value of HK\$3,748,000 (31 December 2005: HK\$4,584,000) were held under finance leases amounted to HK\$1,009,000 (31 December 2005: HK\$2,368,000).

**Exposure to exchange rate fluctuations**

During the period ended 30 September 2006, 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 considered to be minimal. The Group did not employ any financial instruments for hedging purposes.

**Contingent liabilities**

There were no significant contingent liabilities of the Group as at 30 September 2006 (31 December 2005: Nil).

**Commitments**

As at 30 September 2006, the Group had capital commitments authorised and contracted for in relation to the Co-operative Agreement and the Project amounted to approximately HK\$194,000,000 of which HK\$19,324,000 has been paid as deposit (31 December 2005: Nil). As at 30 September 2006, the Group also had 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\$11,043,000 (31 December 2005: HK\$13,714,000).

**Interim dividend**

The Board does not recommend the payment of dividend for the nine months ended 30 September 2006 (2005: Nil).

**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.

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

As at 30 September 2006, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company 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 HK\$0.05 each				% of total shares in issue
	Personal interest	Family interest	Corporate interest	Total no. of shares held	
XI Yu ("Mr. XI")	-	-	1,020,481,000*	1,020,481,000	68.51

*Note:*

- \* Mr. XI is the beneficial owner 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 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 of USD1.00 each				% of total shares in issue
	Personal interest	Family interest	Corporate interest	Total no. of shares held	
CHEUNG Siu Ling	1,214	1,214	-	2,428	12.14

Save as disclosed above, as at 30 September 2006, none of the directors and chief executive of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors under the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial 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 of HK\$0.05 each				Total number of share held	% of total shares in issue
	Personal 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

*Note:*

\* The interest disclosed by Mr. XI is the same as the 1,020,481,000 shares disclosed by NUEL.

Save as disclosed above, as at 30 September 2006, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## 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 2006 was 148,960,000 shares which represented the current scheme mandate limit given to the directors to issue 10 per cent. of the Company's shares as refreshed by the Company's members on 28 April 2006.

At 30 September 2006, no options have been granted under the Company's Share Option Scheme.

## DIRECTOR'S INTERESTS IN CONTRACTS

During the nine months ended 30 September 2006, the Group purchased raw materials amounting to HK\$1,409,000 (corresponding period in 2005: HK\$230,000) from a related company, China (HK) Chemical & Plastics Co. Limited ("China HK Chemical"). The executive directors, Mr. XI and Ms. CHEUNG Siu Ling, and the non-executive directors, Mr. SUEN Ki, of the Company 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.

On 9 January 2006, a loan agreement was entered into between HK Smartech, an indirectly wholly owned subsidiary of the Company, and China HK Chemical, pursuant to which China HK Chemical granted HK Smartech an interest-bearing loan of HK\$2,000,000. The loan is repayable within 6 months from the date of the agreement in 5 equal monthly instalments of HK\$400,000 each and bears interest at prime lending rate (as quoted by HSBC in Hong Kong) minus 2% per annum. The loan was fully settled on 10 July 2006. The loan constituted as a connected transaction and, in the opinion of the Directors, was exempted transaction under the GEM Listing Rules.

Save as enclosed herein, 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.

## **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

None of the Company's directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **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 to the accounting period covered by this report. 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.

## **NOMINATION COMMITTEE**

The Company's nomination committee was established in 2005 with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company. The current members of the nomination committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

In September 2006, the nomination committee has reviewed the nomination of Mr. SUEN Ki as non-executive director and Mr. HON Wa Fai, Kenneth as the executive director of the Company.

## REMUNERATION COMMITTEE

The Company's remuneration committee was established in 2005 with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company. The current members of the remuneration committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

In September 2006, the remuneration committee has reviewed the emolument relating to the appointment of Mr. SUEN Ki as non-executive director and Mr. HON Wa Fai, Kenneth as executive director of the Company.

## 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 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 the unaudited consolidated third quarterly results of the Group for the nine months ended 30 September 2006.

By order of the Board  
**New Universe International Group Limited**

**XI Yu**  
*Chairman*

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>
Ms. KUNG May Lan	<i>(Executive Director)</i>
Mr. HON Wa Fai, Kenneth	<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>

Hong Kong, 9 November 2006