



NEW UNIVERSE INTERNATIONAL GROUP LIMITED

新宇國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

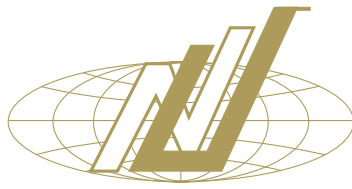
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HIGHLIGHTS

Turnover for the nine months ended 30 September 2002 amounted to HK\$42,588,000, representing a decrease of 47% as compared with approximately HK\$80,855,000 for the same period in last year.

Administrative expenses for the nine months ended 30 September 2002 amounted to HK\$19,810,000, representing a decrease of 48% as compared with approximately HK\$38,220,000 for the same period in last year.

Loss attributable to shareholders for the nine months ended 30 September 2002 amounted to HK\$16,413,000 compared to loss attributable to shareholders of HK\$14,698,000 for the same period in last year.

BUSINESS REVIEW

Tooling and plastic injection business

During the nine months ended 30 September 2002, New Universe International Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were dedicated in strengthening its core business. However, the decrease in consumer demand as affected by the global economic downturn, and the financial difficulties the Group previously encountered have depressed the Group’s performance significantly. For the nine months ended 30 September 2002, turnover decreased 47% to HK\$42,588,000 and gross profit margin declined to 16% from 34% in the last corresponding period. Price pressures from both customers and suppliers inevitably affected the gross profit margin of the tooling and moulding business. Besides, the production costs did not drop to the same extent as the

decrease in turnover since the Group has to bear certain fixed overheads such as direct labour, factory rental and depreciation expenses in the period under review.

As disclosed in the announcement of the Group dated 27 September 2002, the management has been reviewing the performance of the individual companies within the Group with an objective to improving the overall performance of the Group since the new management joined the Board in June 2002. For the North American market, the overall market sentiment is less optimistic, in particular following the “911” incident in the United States. The management is of the view that the subsidiaries, Smartech Limited (Canada) and Smartech Manufacturing Limited (Canada) were underperformed and the closing down of the overseas subsidiaries can improve the performance of the Group and divert more resources to more cost effective aspect. Therefore, the Group has liquidated all assets and disposed of all the issued share capital of its subsidiaries. Nevertheless, the management reckoned that there remains business opportunities for the Group in North America and intended to maintain its presence in the region. The management has already set up a sales team, comprising of experienced sales staff, in particular, with molds selling experience in North America, Hong Kong and China to serve the customers of the Group in North America. In addition, more and more North American customers are sourcing tooling directly from China and they may have representatives in China, it would be more cost effective to deal with the customers in Hong Kong and China. Thanks to the accession of China into the World Trade Organization and its plan to develop the western region, the management has envisaged that more and more customers in North America would be sourcing moulds and toolings directly in China.

The Directors do not consider it appropriate to disclose gain/loss on disposal of subsidiaries during the period as these overseas subsidiaries of the Group are still in the process of liquidation. Without the information of sales proceeds on liquidation of assets the Directors were unable to arrive at an assessment of gain/loss on disposal of subsidiaries. The disposal of overseas subsidiaries will be finalized in early December.

The Group implemented certain cost saving measures to reduce the administrative expenses by 48%. This achievement was the result of redesigning administrative process and no further administrative expenses being incurred by data centre business which closed down in December 2001.

Professional Injection Mold System

The Professional Injection Mold System programme jointly developed by the Department of Mechanical Engineering of the University of Hong Kong and the Group with the support of the Hong Kong Innovation and Technology Fund is on schedule. Several exhibitions and seminars have been arranged to introduce the system to industrialists in Hong Kong and China.

PROSPECTS

New management has been put in place to enhance operating efficiencies and redefine the corporate strategy in delivering shareholder value in the long run. In addition, the existing business of group companies of New Universe Enterprises Limited (which includes trading and manufacturing of chemicals and plastic materials), the single largest shareholder of the Company, would compliment to the business of the Group. The Directors believe that with the direction of the new management and the synergy with group companies of New Universe Enterprises Limited, a better prospect will be brought to the Group in the foreseeable future.

In the coming quarters, the Group will implement an ERP system with live run in November 2002. The system will provide us more timely and accurate material and capacity planning. With the aid of the system, the Group will plan and execute manufacturing to achieve shorter order lead-time for customer orders. The Group will take every measure to enhance its operating efficiency and to control operating costs so as to increase its competitiveness.

The Group will put all its effort to expand the China market to further strengthen its customer base, especially the Changjiang River Delta. With the alliance with New Universe Enterprise Limited, the management is planning to develop business opportunities around Shanghai's area and the Changjiang River Delta to achieve cost controls and further expand its market share to develop the China market. The management is confident in rebuilding the Group as one of the leaders in the tooling and plastic injection business. All of these will prepare the Group to benefit from the coming economic recoveries.

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of New Universe International Group Limited is pleased to announce the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2002 together with the unaudited comparative figures for the corresponding periods in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the three months ended 30 September		For the nine months ended 30 September	
		2002	2001	2002	2001
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)*	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)*
TURNOVER	(2)	10,150	29,893	42,588	80,855
Cost of sales		<u>(9,400)</u>	<u>(21,013)</u>	<u>(35,810)</u>	<u>(53,139)</u>
Gross profit		750	8,880	6,778	27,716
Other revenue		139	2,461	1,763	3,109
Distribution costs		(333)	(942)	(1,380)	(2,600)
Administrative expenses		(4,226)	(14,373)	(19,810)	(38,220)
Other operating expenses		(823)	(769)	(1,778)	(2,880)
Loss on a discontinued operation (note)		<u>—</u>	<u>—</u>	<u>(821)</u>	<u>—</u>
LOSS FROM OPERATING ACTIVITIES		(4,493)	(4,743)	(14,427)	(12,875)
Continuing operations		(4,493)	(4,743)	(14,427)	(12,875)
Discontinued operations		<u>—</u>	<u>—</u>	<u>(821)</u>	<u>—</u>
		(4,493)	(4,743)	(15,248)	(12,875)
Finance costs		<u>(320)</u>	<u>(265)</u>	<u>(1,247)</u>	<u>(1,220)</u>
LOSS BEFORE TAX		(4,813)	(5,008)	(16,495)	(14,095)
Tax	(3)	<u>75</u>	<u>(403)</u>	<u>75</u>	<u>(597)</u>
LOSS BEFORE MINORITY INTERESTS		(4,738)	(5,411)	(16,420)	(14,692)
Minority interests		<u>—</u>	<u>15</u>	<u>7</u>	<u>(6)</u>

		For the three months ended 30 September 2002	2001	For the nine months ended 30 September 2002	2001
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
			(Restated)*		(Restated)*
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(4,738)</u>	<u>(5,396)</u>	<u>(16,413)</u>	<u>(14,698)</u>
LOSS PER SHARE (cents)					
Basic	(4)	<u>(1.01)</u>	<u>(1.20)</u>	<u>(3.49)</u>	<u>(3.28)</u>
Diluted	(4)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

* In previous period, the payment of HK\$2,628,000 for the use of an industrial plant was included in other operating expenses. During the current period, the Group considered it more appropriate to include the account in the Group's cost of sales to better reflect the underlying nature of the balance. The comparative amount of cost of sale and other operating expenses have been restated to conform with the current period's presentation.

Note: In December 2001, the Group abandoned its business of provision of an internet server co-location centre.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Group

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2000	1	—	147	—	31,929	25,265	57,342
Translation differences arising on consolidation of overseas subsidiaries	—	—	(45)	—	—	—	(45)
Issue of shares	19,999	45,000	—	—	—	—	64,999
Capitalisation issue of shares	—	(14,999)	—	—	—	—	(14,999)
Share issue expenses	—	(14,328)	—	—	—	—	(14,328)
Goodwill eliminated on consolidation	—	—	—	(3,761)	—	—	(3,761)
Net profit for the year	—	—	—	—	—	10,124	10,124
Balance at 1 January 2001	20,000	15,673	102	(3,761)	31,929	35,389	99,332
Translation differences arising on consolidation of overseas subsidiaries	—	—	(90)	—	—	—	(90)
Issue of shares	3,500	14,700	—	—	—	—	18,200
Impairment of goodwill	—	—	—	3,761	—	—	3,761
Net loss for the year	—	—	—	—	—	(77,620)	(77,620)
Balance at 31 December 2001	23,500	30,373	12	—	31,929	(42,231)	43,583
Translation differences arising on consolidation of overseas subsidiaries	—	—	(91)	—	—	—	(91)
Net loss for the period	—	—	—	—	—	(16,413)	(16,413)
Balance at 30 September 2002	<u>23,500</u>	<u>30,373</u>	<u>(79)</u>	<u>—</u>	<u>31,929</u>	<u>(58,644)</u>	<u>27,079</u>

Notes:

(1) Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

These condensed quarterly accounts should be read in conjunction with the 2001 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed quarterly accounts are consistent with those used in the annual accounts for the year ended 31 December 2001.

Certain comparative figures have been reclassified to conform with current period's presentation.

(2) **Turnover**

Turnover represents the net invoiced value of goods sold, less sales returns and discounts.

(3) **Tax**

The amount of taxation charged to the consolidated profit and loss account for quarterly period and nine month period represents over provisions in prior years amounting to HK\$75,000.

No provision for profits tax has been made as the Group had no assessable profits arising in Hong Kong or elsewhere for the nine months ended 30 September 2002. In last corresponding period, provision for Hong Kong profits tax has been calculated at the rate of 16 per cent; whereas provision for profits tax of subsidiaries operation elsewhere has been calculated at the rates applicable in the respective jurisdictions based on existing tax law, interpretations and practices in respect thereof. No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation assets is uncertain.

There were no significant unprovided deferred tax for the Relevant Periods.

(4) **Loss per Share**

The calculation of basic loss per share of the Company (the “Share(s)”) is based on the net loss from ordinary activities attributable to shareholders for the nine months ended 30 September 2002 of HK\$16,413,000 (2001: HK\$14,698,000) and for the three months ended 30 September 2002 of HK\$4,738,000 (2001: HK\$5,396,000) and the weighted average of 470,000,000 (2001: 447,948,718 and 470,000,000) ordinary Shares in issue during the periods.

Diluted loss per Share for the nine months ended and three months ended 30 September 2002 and 2001 has not been presented as the effect of any dilution is anti-dilutive.

The comparative amounts of loss per Share have been adjusted for the share consolidation of the Company’s shares on the basis of every ten issued shares of HK\$0.005 each into one existing Share of HK\$0.05 each on 12 July 2002.

DIVIDEND

The Directors do not recommend the payment of dividend for the period ended 30 September 2002 (2001: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	No. of Ordinary Shares held (Corporate Interest)	Percentage of Interest	No. of Shares entitled under the share option scheme (note iii)
Mr. Xi Yu ("Mr. Xi")	136,300,000 (note i)	29.00%	-
Mr. Chan Ngai Sang, Kenny ("Mr. Chan")	53,550,000 (noteii)	11.39%	8,000,000

Notes:

- (i) Mr. Xi is the beneficial owner of 16,350 shares of US\$1.00 each in New Universe Enterprises Limited, representing 81.75 per cent. of the issued share capital of New Universe Enterprises Limited, which in turn holds 136,300,000 Shares representing about 29 per cent. of the issued share capital of the Company.
- (ii) Mr. Chan is the beneficial owner of 13,445 shares of US\$1.00 each in Joyful Way Holdings Limited, representing 26.9 per cent. of the issued share capital of Joyful Way Holdings Limited, which in turn holds 53,550,000 Shares representing about 11.39 per cent. of the issued share capital of the Company.
- (iii) The share options were granted under a Pre-IPO Share Option Plan, which was approved by the written resolution of all shareholders of the Company dated 4 May 2000. The share options entitle Mr. Chan to subscribe for 8,000,000 Shares of HK\$0.05 per Share at HK\$0.5 each in various stages from 4 May 2002 to 3 May 2005.

Save as disclosed above, at 30 September 2002, none of the Directors or any of their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Other than the Share Options as described below, at no time during the nine months ended 30 September 2002 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Company's Directors to acquire such rights in any other body corporate.

SHARE OPTIONS

As at 30 September 2002, the Company adopted two share option schemes, namely the Pre-IPO Share Option Plan and the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

i) Pre-IPO Share Option Plan

On 4 May 2000, options to subscribe for an aggregate of 20,000,000 shares with par value of HK\$0.1 each at an exercise price of HK\$1.00 per share were conditionally granted by the Company. Subsequent to the subdivision of shares on the basis of every one share of HK\$0.10 each into twenty subdivided share of HK\$0.005 each on 24 November 2000 and subsequent to the share consolidation on the basis of every ten issued and unissued shares of HK\$0.005 each into one existing Share of HK\$0.05 each on 12 July 2002, these options can subscribe for an aggregate of 40,000,000 Shares (representing approximately 8.5% of the issued share capital of the Company as at 30 September 2002) at an exercise price of HK\$0.5 per Share. The exercise period of these options is from 4 May 2000 to 3 May 2005. At as 30 September 2002, two executive Directors and one employees of the Group are still holding such unexercised options. Details of such grant to the executive Directors are set out in the section headed "Directors' Interests in Shares" and as follows:

Since the date of grant of the options, no change in the number of options and exercise period is made except that

- (i) 12,000,000 Shares had been lapsed for the period from 4 May 2000 up to 30 June 2002 as three of the grantees ceased their employment;

(ii) 10,000,000 Shares had been lapsed for the period from 1 July 2002 to 30 September 2002 as two of the grantees ceased their employment.

Save as the aforesaid, no option pursuant to the Pre-IPO Share Option Plan had been exercised, cancelled or lapsed during the nine months ended 30 September 2002.

During the nine months ended 30 September 2002, no options have been granted by the Company or any of its subsidiaries.

The following share options were outstanding under the Pre-IPO Share Option Plan as at 30 September 2002:

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 HK\$	Price of Company's shares	
					At grant date of options HK\$	At exercise date of options HK\$
Directors						
Tang Kwok Yuen	8,000,000	4 May 2000	4 May 2002 to 3 May 2005	HK\$0.5 per Share	N/A	N/A
Chan Ngai Sang, Kenny	<u>8,000,000</u>	4 May 2000	4 May 2002 to 3 May 2005	HK\$0.5 per Share	N/A	N/A
	<u>16,000,000</u>					
Other employees						
In aggregate	<u>2,000,000</u>	4 May 2000	4 May 2002 to 3 May 2005	HK\$0.5 per Share	N/A	N/A

* 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 share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. 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.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period to the executive Directors and employees, because in the absence of a readily market value of the share options on the ordinary shares of the Company, Directors were unable to arrive at an assessment of the value of these share options.

ii) **Share Option Scheme**

The Company also has a Share Option Scheme conditionally adopted by a written resolution of all shareholders of the Company dated 4 May 2000. Under such scheme, full-time employees of any member of the Group, including any executive directors, can take up options to subscribe for Shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The maximum number of Shares which can be granted under the Pre-IPO Share Option Plan and the Share Option Scheme must not exceed 30 per cent. of the issued share capital of the Company from time to time. The Share Option Scheme became effective for a period of ten years commencing on the listing of the Shares on 18 May 2000. No option had been granted under the Share Option Scheme during the period from 4 May 2000 to 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

According to the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were interested in 10 per cent. or more of the issued share capital of the Company as at 30 September 2002:

Name	Number of Shares	Percentage of holding
New Universe Enterprises Limited (note i)	136,300,000	29.00 per cent.
Mr. Xi (note i)	136,300,000	29.00 per cent.
Joyful Way Holdings Limited (note ii)	53,550,000	11.39 per cent.

Notes:

- (i) New Universe Enterprises Limited is beneficially owned as to 81.75 per cent. by Mr. Xi. Mr. Xi is an executive director of the Company.
- (ii) Joyful Way Holdings Limited is beneficially owned as to approximately 73.1 per cent. by Mr. Yaw Chee Weng and as to approximately 26.9 per cent. by Mr. Chan. Mr. Chan is an executive director of the Company.

Save as disclosed above, no persons, the Directors of the Company are not aware of any person having an interest in 10 per cent. or more of the issued share capital of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2002.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the nine months ended 30 September 2002, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with the Company or might compete with the business of the Group.

SPONSOR'S INTERESTS

As at 30 September 2002, the Company's sponsor, Asia Investment Capital Limited ("Asia Investment Capital") had confirmed that (i) neither it nor its associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any members of the Group (including options or rights to subscribe for such securities); and (ii) none of its Directors or employees had any interests in any class of securities (including options or rights to subscribe for such securities) of the Company or any members of the Group.

Pursuant to the agreement dated 21 October 1999 entered into between the Company and Asia Investment Capital, Asia Investment Capital has received and will receive a fee for acting as the Company's retained sponsor for the period from 18 May 2000 to 31 December 2002.

AUDIT COMMITTEE

The Group has established an audit committee in May 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing the financial reporting process and internal control system of the Group. The audit committee has two members comprising the two independent non-executive directors, Dr. Chan YanCheong and Mr. Yuen Kim Hung, Michael.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practice and Procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since listed on GEM.

CONTINUING DISCLOSURE REQUIREMENTS PURSUANT TO THE RULE 17.23 OF THE GEM LISTING RULES

As disclosed in the announcement of the Company dated 30 May 2002, the banking facilities granted to the Group were withheld by bankers and accounts balances of the Group held with certain banks were frozen. In addition, certain credit facility/ lease agreements entered into by the Group were breached and/or terminated due to the Group's non-payment of the overdue amounts under these agreements. Subsequent to 30 May 2002, the Group has settled the amounts due to the bankers and hence the balances with banks which had been

frozen previously were released. Besides, the Group has made payment to the lessors according to the agreed repayment schedules and hence all lease agreements which had been terminated previously were re-activated. As at date of this report, there is no breach of loan agreement by the Company which is discloseable under Rule 17.21 of the GEM Listing Rules.

By order of the Board
New Universe International Group Limited
Hua Zhixiang
Chairman

Hong Kong, 13 November 2002

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