



## **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)*

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2002**

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#### **HIGHLIGHTS**

Turnover for the year ended 31 December 2002 was approximately HK\$50,390,000.

Administrative expenses for the year ended 31 December 2002 was approximately HK\$21,162,000, representing a decrease of 58% over the previous year.

Other operating expenses for the year ended 31 December 2002 was approximately HK\$13,338,000, representing a decrease of 58% over the previous year.

Loss attributable to shareholders for the year ended 31 December 2002 was approximately HK\$31,191,000 compared to loss attributable to shareholders of HK\$77,620,000 for the previous year.

The Board do not recommend the payment of dividend for the year ended 31 December 2002.

#### **CHAIRMAN'S STATEMENT**

On behalf of the board of directors (the "Board") of New Universe International Group Limited (the "Company"), I am pleased to present to the shareholders the annual results of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2002.

#### **BUSINESS REVIEW**

##### **Overall**

The business in 2002 was adversely affected by the alleged departure of Mr. Law Man Ming, a former executive Director, from Hong Kong. The reputation of the Group and confidence of the bankers, suppliers and customers of the Group was affected. The Group has been facing pricing pressures from both customers and suppliers and the competitive profit margin of the tooling and molding business.

Under such financially difficult circumstances, New Universe Enterprises Limited ("NUEL") acquired a 29% equity interest in the Company from the original controlling shareholder, Diamonds and Pearls Limited in May 2002. Since NUEL has become the single largest shareholder, new management has been introduced into the Board since June 2002. The new management team, together with the support of

NUEL, has taken the following measures and strategies to relieve the financial difficulties and revive the business operations of the Group:

*(i) Inject cash in the form of shareholder's loans*

NUEL has injected cash in the form of shareholder's loans of HK\$25.0 million in aggregate to the Group to repay part of its borrowings and settle legal claims from or litigation with creditors.

*(ii) Corporate guarantee in favour of the Company*

NUEL, through its associate company, provided a corporate guarantee of HK\$10.0 million in favour of the Company to secure the banking facilities to the Company of the same amount.

*(iii) Streamlining the business operations and improving operating efficiency of the Group*

The new management has been endeavoured to streamline the business operations and improve operating efficiency of the Group; therefore the new management has been reviewing the performance of the individual companies within the Group with an objective to improving the overall performance of the Group.

After the review, the new management of the Company is of the view that Smartech Limited (Canada) and Smartech Manufacturing Limited (Canada), two wholly-owned subsidiaries of the Company, underperformed and the closing down of these two subsidiaries can generally improve the performance of the Group and the resources released can be diverted to the more cost effective aspect of the operations. Therefore, the Group has liquidated all assets and disposed of all the issued share capital of these two subsidiaries. Nevertheless, the new management of the Company reckoned that there remains business opportunities for the Group in North America and intended to maintain the presence of the Group in the tooling market in the region by serving its customers there through a sales team, comprising experienced sales staff, in particular, with molds selling experience in North America, Hong Kong and the People's Republic of China, specially set up in Hong Kong for this purpose. In addition, as more and more North American customers are sourcing tooling directly from the People's Republic of China and they may have procurement offices in the People's Republic of China, it would be more cost effective to deal with the customers in Hong Kong and the People's Republic of China.

Subsequent to the balance sheet date, on 19 March 2003, the Group entered into a sales and purchase agreement to dispose a wholly-owned subsidiary of the Company, Sky Datamann (Hong Kong) Limited for a total consideration of HK\$1.00 to an independent third party, resulting in a gain on the disposal of a subsidiary approximately HK\$10 million. The gain will be reflected in the consolidated financial statements of the Company for the quarterly ended 31 March 2003.

*(iv) Open offer and the loan capitalisation*

On 11 February 2003, the Company proposed to raise approximately of HK\$3,500,000, after expenses, by way of the open offer of 94 million shares at a subscription price of HK\$0.05 per share. and capitalisation of HK\$10.0 million shareholder's loan to subscribe 200 million new shares at a subscription price of HK\$0.05 per share. Upon completion of the open offer and the loan capitalisation, gearing ratio are expected to be reduced from 538% to 213% and the net tangible asset value is expected to be enlarged from HK\$12,981,000 to HK\$26,481,000. With an enhancement in the financial position of the Group, the Board believe that the Company will be placed in a better position to secure additional financial resources for the business development of the Group.

## **Tooling and plastic injection business**

The new management was dedicated to strengthening its core business although the Group has been experiencing financial difficulty, loss of the reputation and confidence of the bankers, suppliers and customers in 2002. However, industry keen competition and 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 year ended 31 December 2002, turnover of the Group decreased by 51% to HK\$50,390,000 from HK\$102,089,000 and gross profit margin of the Group declined to 10.5% from 26%. Price pressures from both customers and suppliers inevitably affected the gross profit margin of the tooling and molding business of the Group. Besides, the production costs of the Group did not drop to the same extent as the decrease in its turnover since the Group has to bear certain fixed overheads such as direct labour, factory rental and depreciation expenses in the period under review.

During the year of 2002, the Group had implemented certain cost saving measures by redesigning some administrative process to reduce the administrative and other operating expenses.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group achieved a turnover of approximately HK\$50,390,000 (2001: HK\$102,089,000) which represented a decrease of 51% over the previous year. During the year, revenue generated from mold products accounted for 67% (2001: 75%) of the Group turnover while plastic products contributed the remaining 33% (2001: 25%).

A majority of the Group turnover is derived from the mold products. For the year ended 31 December 2002, mold products reported a turnover of HK\$33,793,000, a 56% decrease from HK\$76,849,000 in the previous year. The decrease was mainly attributable to the dropping of selling price by average 8%-10% as compared to previous year and loss of sales orders from customers, especially in North America.

Plastic products experienced a decrease in turnover of 34% from HK\$25,240,000 in 2001 to HK\$16,597,000 in 2002. Such decrease was mainly due to the dropping of sales orders from customers under the negative market sentiment.

Due to the slow recovery of the market, the Group turnover decreased by 51% in 2002 when compared with last year. The major sales regions of the Group in year 2001 – Hong Kong, North America and Japan have decreased by 34%, 73% and 62% respectively. In year 2002, Hong Kong, People's Republic of China and North America were the major sales regions of the Group. The sales from these regions constituted over 73% (2001: 71%) of the Group turnover.

Cost of sales for the year ended 31 December 2002 amounted to approximately HK\$45,122,000, representing a decrease of 40.4% from HK\$75,666,000 in the previous year. The production costs did not drop to the same extent as the decrease on turnover since the Group has to bear certain fixed overheads, such as direct labour, factory rental and depreciation expenses.

The gross profit margin of the Group has been declining to approximately 10.5% (2001: 25.9%).

The aggregate of administrative expenses, other operating expenses and loss on abandonment of a discontinued operation, net of the Group decreased by 67% to HK\$34,500,000 in 2002 from HK\$105,444,000 in 2001. The sharp decrease was mainly attributable as follows:

- (i) no further administrative expenses nor impairment of goodwill were incurred by data centre business, which resulted in the decrease by approximately HK\$38.6 million;
- (ii) no further administrative expenses were incurred after close down the business in North America which resulted in the decrease by approximately HK\$3.8 million;
- (iii) no provision against investments which resulted in decrease by HK\$17.6 million; and
- (iv) effective control by the new management and decrease in staff employed in both production and administrative departments which resulted in decrease of salary and allowances by approximately HK\$7.0 million.

## **PROSPECTS**

Since NUEL became the single largest shareholder in May 2002, new management has been introduced to the Board to enhance operating efficiency and to redefine the corporate strategy of the Group with an objective to delivering shareholder value in the long run. In addition, the existing business of the group companies of NUEL (which includes trading and manufacturing of chemicals and plastic materials) would compliment to the existing business of the Group. The Board believes that with the direction of the new management and the synergy with group companies of NUEL, a better prospect will be brought to the Group in the foreseeable future.

### **Enterprise Resource Planning system**

The Group has partially implemented an Enterprise Resource Planning system. The Enterprise Resource Planning system is a computer software which integrates computer software used in different departments within a company to a single, integrated software program that runs on a single database so that various departments can share the information on the database and communicate with each other. It is expected that full implementation will be completed in September 2003. Upon full implementation, the system will provide the Group with more timely and accurate information on material and production capacity planning. With the aid of the system, the Group will be able to handle customer orders within a shorter period of order lead-time. The Group will take every measure to enhance its operating efficiency and to control operating costs so as to increase its competitiveness.

### **Investment in Changjiang River Delta**

Given that the People's Republic of China has been admitted to the World Trade Organisation, the new management anticipate that business opportunities for the Group in the People's Republic of China will increase. The Group will put all its efforts to expand the market in the People's Republic of China to further strengthen its customer base, especially in the region of the Changjiang River Delta. The new management plans to capitalise on the customer network and connection of NUEL and its group companies to enlarge the customer base of the Group and to develop business opportunities for the Group around Shanghai and the Changjiang River Delta in order to further expand its market share in the People's Republic of China market.

## **Professional Injection Mold System**

The Professional Injection Mold System programme jointly developed by the Group and the Department of Mechanical Engineering of the University of Hong Kong with the support of the Hong Kong Innovation and Technology Commission (formerly known as the Hong Kong Innovation and Technology Fund) is on schedule. The Professional Injection Mold System is a software application linking between mold making operations and the computer-aided design system. With the aid of the software, molds can be designed directly from the computer-aided design models. It offers a fast and reliable solution for mold design and is able to shorten the design time and enhance the production quality. A seminar was arranged to introduce the system to industrialists in Hong Kong and the People's Republic of China. The Group is planning to conduct research on the potential commercial market in respect of the Professional Injection Mold System Project and exhibitions and seminars will be arranged to introduce the system to industrialists in Hong Kong and the People's Republic of China.

## **Streamlining the business operations and improving operating efficiency of the Group**

The new management will continue to streamline the business operations and the new management improve operating efficiency of the Group. Certain cost control measures and reallocated its resources have been implemented in order to increase the shareholders' values in the long run.

The Board is confident in rebuilding the Group as one of the leaders in the tooling and plastic injection business in the Asia Pacific Region and it is anticipated that the Group will benefit from the coming economic recoveries.

## **APPRECIATION**

On behalf of the Board, I would like to extend my sincere gratitude to all supportive customers of the Group and to all employees for their continuing dedication and efforts throughout 2002.

By order of the Board  
**Hua Zhixiang**  
*Chairman*

Hong Kong, 27 March 2003

## FINANCIAL RESULTS

The Board of the Company announces the audited consolidated results of the Group for the year ended 31 December 2002 together with the comparative audited figures for the corresponding year ended 31 December 2001 as follows:

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 (Restated)
<b>TURNOVER</b>			
Continuing operations	(2)	<b>50,390</b>	102,089
Cost of sales		<u>(45,122)</u>	<u>(75,666)</u>
Gross profit		<b>5,268</b>	26,423
Other revenue and gains		<b>990</b>	5,447
Selling and distribution costs		<b>(1,435)</b>	(2,851)
Administrative expenses		<b>(21,162)</b>	(50,157)
Other operating expenses	(3)	<b>(13,338)</b>	(31,990)
Loss on abandonment of a discontinued operation, net	(4)	<u>–</u>	<u>(23,297)</u>
<b>LOSS FROM OPERATING ACTIVITIES</b>	<b>(5)</b>	<b>(29,677)</b>	<b>(76,425)</b>
Finance costs		<u>(1,521)</u>	<u>(1,567)</u>
<b>LOSS BEFORE TAX</b>			
Continuing operations		<b>(31,198)</b>	(43,116)
Discontinued operation		<u>–</u>	<u>(34,876)</u>
		<b>(31,198)</b>	<b>(77,992)</b>
Tax			
Continuing operations	(6)	<u>–</u>	<u>364</u>
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(31,198)</b>	<b>(77,628)</b>
Minority interests		<u>7</u>	<u>8</u>
<b>NET LOSS FROM ORDINARY ACTIVITIES</b> <b>ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>(31,191)</b></u>	<u><b>(77,620)</b></u>
<b>LOSS PER SHARE (cents)</b>	<b>(7)</b>		
Basic		<u><b>(6.64)</b></u>	<u>(17.12)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

Notes:

**(1) Segment Information**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the mold products segment engages in the manufacture and sale of high precision molds;
- (b) the plastic products segment engages in the manufacture and sale of plastic products; and
- (c) the data centre segment engages in the operation of an Internet server co-location centre.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

During the current and prior years, there were no intersegment transactions.

*(a) Business segments*

The following tables present revenue and loss information for the Group's business segments.

**Group**

	Continuing operations				Discontinued operation		Consolidated	
	Mold products		Plastic products		Data centre		2002	2001
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<b>33,793</b>	76,849	<b>16,597</b>	25,240	–	–	<b>50,390</b>	102,089
Other revenue	<b>492</b>	2,288	<b>81</b>	11	–	2,241	<b>573</b>	4,540
Total	<b>34,285</b>	79,137	<b>16,678</b>	25,251	–	2,241	<b>50,963</b>	106,629
Segment results	<b>(21,966)</b>	(23,439)	<b>(6,163)</b>	(10,003)	–	(34,876)	<b>(28,129)</b>	(68,318)
Unallocated other revenue							<b>417</b>	907
Unallocated expenses							<b>(1,965)</b>	(9,014)
Loss from operating activities							<b>(29,677)</b>	(76,425)
Finance costs							<b>(1,521)</b>	(1,567)
Loss before tax							<b>(31,198)</b>	(77,992)
Tax							–	364
Loss before minority interests							<b>(31,198)</b>	(77,628)
Minority interests							<b>7</b>	8
Net loss from ordinary activities attributable to shareholders							<b>(31,191)</b>	(77,620)

(b) *Geographical segments*

The following tables present revenue information for the Group's geographical segments.

**Group  
Segment revenue**

	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(i) Sales to external customers		
Hong Kong	<b>14,179</b>	21,450
Elsewhere in the People's Republic of China	<b>13,205</b>	15,009
North America*	<b>9,831</b>	36,383
Japan	<b>9,207</b>	24,177
Others	<b>3,968</b>	5,070
	<hr/>	<hr/>
Total	<b>50,390</b>	102,089
(ii) Other revenue		
Hong Kong	–	2,307
Elsewhere in the People's Republic of China	<b>263</b>	652
North America*	<b>310</b>	1,581
	<hr/>	<hr/>
Total	<b>573</b>	4,540
	<hr/>	<hr/>
Segment revenue	<b>50,963</b>	106,629
	<hr/> <hr/>	<hr/> <hr/>

\* *North America principally relates to United States and Canada.*

(2) **Turnover**

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

(3) **Other operating expenses**

The Group's other operating expenses include the following items:

	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Provision for doubtful debts	<b>3,068</b>	6,245
Impairment of goodwill	–	3,761
Fixed assets written-off	<b>5,770</b>	–
Loss on liquidation of subsidiaries	<b>1,717</b>	–
Provision against other investment	–	3,800
Provision against payments for a transfer of technology know-how	–	8,800
Provision against a deposit paid for a proposed investment	–	5,000
	<hr/>	<hr/>

(4) **Loss on abandonment of a discontinued operation, net**

In March 2001, the Group completed the acquisition of the entire equity interest in and shareholder's loans to Sky Datamann International Limited from an independent third party, further details were contained in the Company's circular dated 26 February 2001. Sky Datamann (Hong Kong) Limited ("Sky Datamann") is a wholly-owned subsidiary of Sky Datamann International Limited. Sky Datamann was engaged in the provision of an Internet server co-location centre solely operated in Hong Kong.

In December 2001, the Group abandoned its operation of such business due to the installation of unauthorized building works which are subject to be ordered for removal by the relevant authority. As substantial investment costs were expected to be incurred to rectify the said unauthorized building works in order to enable the Group to continue the business of the data centre, the Group finally decided to abandon the data centre business in December 2001 in order to minimize the financial impact to the Group.

The loss on abandonment of a discontinued operation included impairment in value of fixed assets of HK\$32,261,000, the write-off of various deposits of HK\$1,198,000 and negative goodwill recognised of HK\$10,162,000.

**(5) Loss from operating activities**

The Group's loss from operating activities is arrived at after charging/(crediting):

	<b>2002</b> <b>HK\$'000</b>	2001 <b>HK\$'000</b>
Depreciation	<b>11,842</b>	17,763
Cost of inventories sold	<b>44,680</b>	71,278
Exchange gains, net	<b>(191)</b>	(1,064)
Negative goodwill recognised as income <sup>(i)</sup>	<b>(16)</b>	(11,955)
Interest income	<b>(13)</b>	(391)
	<u><b>          </b></u>	<u><b>          </b></u>

(i) The movements in negative goodwill recognised in the profit and loss account of HK\$11,955,000 in the prior year were included in "Other revenue" and "Loss on abandonment of a discontinued operation" of HK\$1,793,000 and HK\$10,162,000, respectively, on the face of the profit and loss account.

**(6) Tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2001: Nil). 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.

	<b>2002</b> <b>HK\$'000</b>	2001 <b>HK\$'000</b>
Provision for tax in respect of profits for the year:		
Elsewhere other than Hong Kong	–	8
Overprovision in prior years	–	(572)
Deferred tax	–	200
	<u><b>          </b></u>	<u><b>          </b></u>
Tax credit for the year	<u><b>          </b></u>	<u><b>(364)</b></u>

**(7) Loss per share**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$31,191,000 (2001: HK\$77,620,000), and the weighted average of 470,000,000 (2001: 453,506,849) ordinary shares in issue during the year, as adjusted for the share consolidation of the Company's shares on the basis of every ten existing shares of HK\$0.005 each into one new share of HK\$0.05 each (the "Share Consolidation") on 11 July 2002.

Diluted loss per share for the years ended 31 December 2002 and 2001 have not been presented as the effect of any dilution is anti-dilutive.

The comparative amount of the loss per share has been adjusted for the Share Consolidation.

## (8) Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2002 (2001: Nil).

## (9) Reserves

	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>
At 1 January 2001	15,673	102	(3,761)	31,929	35,389	79,332
Translation differences arising on consolidation of overseas subsidiaries	–	(90)	–	–	–	(90)
Issue of shares	14,700	–	–	–	–	14,700
Impairment of goodwill	–	–	3,761	–	–	3,761
Net loss for the year	–	–	–	–	(77,620)	(77,620)
At 31 December 2001 and 1 January 2002	30,373	12	–	31,929	(42,231)	20,083
Translation differences arising on consolidation of an overseas subsidiary	–	601	–	–	–	601
Release on liquidation of subsidiaries	–	(12)	–	–	–	(12)
Net loss for the year	–	–	–	–	(31,191)	(31,191)
At 31 December 2002	<u>30,373</u>	<u>601</u>	<u>–</u>	<u>31,929</u>	<u>(73,422)</u>	<u>(10,519)</u>

### Net Loss from Ordinary Activities Attributable to Shareholders

The Group recorded a net loss after taxation and minority interests of HK\$31,191,000 for 2002, whereas a net loss of HK\$77,620,000 was recorded for the year ended 2001.

### Liquidity and Financial Resources

The Group generally financed its operations and investing activities with internally generated cash flows, balance of proceeds from IPO, shareholder's loans and trade facilities granted by a banker.

In the foreseeable future, the Group intends to finance its operations with the funds injected from deposits received from customers and banking facilities.

As at 31 December 2002, unsecured and interest free shareholder's loans of HK\$25.0 million was granted by NUEL to the Company. Subsequent to the balance sheet date, HK\$10.0 million shareholder's loans of the Company will be capitalised to its share capital. The remaining of the unsecured and interest free shareholder's loans amounting to HK\$15 million shall be repaid in one lump sum upon 31 May 2004. As at 31 December 2002, the Group had total cash and bank balances of approximately HK\$1,850,000. The Group had outstanding borrowings of approximately HK\$32 million, comprising secured trust receipt loans of approximately HK0.8 million, finances lease payables of approximately HK\$6.2 million and unsecured shareholder's loans of HK\$25 million. Out of the total indebtedness, approximately HK\$15,734,000 is repayable within one year. The gearing ratio was 538% as at 31 December 2002, representing total liabilities of HK\$69,876,000 divided by capital employed of HK\$12,981,000.

## **Capital Structure**

No material change in the capital structure of the Company for the year ended 31 December 2002.

## **Material Acquisition and Disposals of Subsidiaries**

Save as disclosed in the Section of “Business Review”, there were no significant investments nor material acquisition and disposals of subsidiaries and affiliated companies of the Company during the year.

## **Employee Information**

As at 31 December 2002, the Group had 475 (2001: 556) full-time employees. Staff costs, excluding directors’ remuneration but including amount capitalized as work-in-progress was HK\$16,176,000 (2001: HK\$28,153,000) for the year. Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

## **Charges on Assets**

With the net book value of fixed assets of the Group of HK\$59,945,000 (2001: HK\$77,582,000), the net book value of fixed assets held under finance leases amounted to HK\$15,337,000 (2001: HK\$16,961,000) as at 31 December 2002. Apart from the finance lease arrangement, there were no charges on assets as at 31 December 2002.

## **Plans for Material Investments or Capital Assets**

The Group’s future plans for material investments or capital assets shall be in line with what have been stated in the section of “Comparison of Business Objectives with Actual Business Progress” of the Company’s annual report as at 31 December 2002. Save as disclosed in the section of “Prospects”, up to the date of this announcement, there have been no other plans for investments or capital assets that will require sources of funding from the internal resources of the Group.

## **Exposure to Exchange Rate Fluctuations**

During the year ended 31 December 2002, 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, Canadian 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

At the balance sheet date, the Company had the following contingent liabilities not provided for in the financial statements:

	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Corporate guarantees on liabilities of subsidiaries in respect of:		
Bank borrowings granted to and utilised	–	5,682
Obligations under finance leases	<u>7,019</u>	<u>5,572</u>
	<u><b>7,019</b></u>	<u>11,254</u>

In addition to the above, the Company had contingent liabilities as at 31 December 2002 in relation to a cross guarantee between the Company and a related company, of which Mr. Xi Yu, an executive director of the Company, is a director and beneficial shareholder, up to a total facility amount of HK\$10 million (the “Facility”). Upon default of any obligation from the related company under the Facility, the guarantee given by the Company will be satisfied through the offset against part of the Shareholder’s Loan of HK\$15 million, which was classified as a non-current liability as at 31 December 2002, up to HK\$10 million, pursuant to a deed of repayment dated 13 June 2002 entered into between the Company and the shareholder of the Company. On 27 February 2003, the cross guarantee was released and replaced by a corporate guarantee solely provided by the related 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 year ended 31 December 2002.

## BOARD PRACTICES AND PROCEDURES

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

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting.*

\* *For identification purpose only*