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## **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)*

### **ANNOUNCEMENT ON UPDATE OF CERTAIN TRANSACTIONS**

The Board wishes to provide an update on the status of certain transactions of the Group as disclosed in the annual report of the Company for the year ended 31st December, 2002.

The Board wishes to make this announcement pursuant to Rule 17.10 of the GEM Listing Rules in relation to the status of certain transactions of the Group referred to in notes (5) and (8) to the financial statements as contained in the annual report of the Company for the year ended 31st December, 2002.

**(a) Discontinued operation as disclosed under note (5) of the financial statements as contained in the annual report of the Company for the year ended 31st December, 2002**

Further to the disclosure of the information made in relation to the operation of the data centre by the Company in the previous announcements and under note (5) to the financial statements as contained in the annual report of the Company for the year ended 31st December, 2002, an update of the data centre operation is set out as follows:

#### **Data centre operation**

As announced by the Company on 2nd January, 2002 and disclosed in the annual report of the Company for the year ended 31st December, 2001, Sky Datamann (HK), a former subsidiary of the Company, which carried on the business of internet data centre, ceased its operations in 2002.

Subsequent to the Acquisition, the Old Board was advised in December 2001 by a practising architect who is also an Authorised Person (as defined under Section 2 of the Buildings Ordinance, Chapter 123 of The Laws of Hong Kong) that there was no consent nor approval given by the Building Department for the installation works of the back-up diesel generator exclusively for the data centre, which was installed on the roof of the building where Sky Datamann (HK) was situated. Therefore, the back-up diesel generator was considered as unauthorised building works which were subject to be ordered for removal by the Building Department. Furthermore, the Old Board was advised by the practicing architect that no retrospective approval would be entertained by the Building Department and the generator should be removed before making approval submission for the re-installation works of the back-up diesel generator. In order to rectify the said unauthorised building works and carry on business of the data centre, the Old Board had tried to re-locate the back-up diesel generator to a safe location within the building but no suitable location could be identified within the building for such purpose. If a new data centre would

have to be set up in another premises which would accommodate the back-up diesel generator, a substantial investment cost of not less than HK\$25 million was expected to be incurred. In view of the financial position of the Group, there would be a financial problem to the business operation of the Group as a whole if the Group needed to spend another HK\$25 million to rectify the generator problem. If the Group was to continue the data centre operation with the back-up diesel generator which was considered as unauthorised building works, there would be a potential business risk to the Group as the Building Department would order the Group to remove the unauthorised building works which could result in a possible interruption of the business operation of the customers of the data centre and the Group could be claimed for loss and damages by such customers. The Remaining Old Board considered the issue and resolved that the cessation of the business of Sky Datamann (HK) would minimise the loss of the Group and was in the best interests of the Shareholders. Following the cessation of the business operation of Sky Datamann (HK) in 2002, it is expected that the Group would no longer be exposed to the risks arising from the unauthorised building works and the possible interruption of the business operation of the data centre.

At the time of the Acquisition, the Group did not have any knowledge whatsoever of the back-up diesel generator being unauthorised building works. As disclosed in the announcement of the Company dated 2nd January, 2002, the Company is now seeking advice from its legal adviser on the illegality of the back-up diesel generator and appropriate actions will be taken against the vendor and the vendor's guarantor under the sale and purchase agreement dated 12th January, 2001 in relation to the Acquisition as the Group is entitled to claim or rescind the sale and purchase agreement because of misrepresentation or breach of warranties by the vendor. Further announcement will be made in due course in this regard.

**(b) Investments fully provided for in the financial statements of the Group for the year ended 31st December, 2001 as disclosed under note (8) of the financial statements as contained in the annual report of the Company for the year ended 31st December, 2002**

Further to the disclosure of the following projects made by the Company under note (8) to the financial statements as contained in the annual report of the Company for the year ended 31st December, 2002, an update of these projects is set out as follows:

**DMI**

On 8th January, 2001, the Group entered into an agreement with DMI and the DMI Shareholder whereby the Group (i) acquired from the DMI Shareholder 374 shares in DMI for a consideration of HK\$3.3 million, and (ii) subscribed 57 shares in DMI at a subscription price of HK\$0.5 million. Following the completion of the acquisition and the subscription, the Group has been holding 26% equity interest in DMI.

The Old Board entered into the transaction after discussion of the profit forecast as provided by the management of DMI. It was expected that the investment in DMI was to be held by the Company on a short term basis and to be realised by the Group upon the listing of the shares of DMI or its other vehicles on GEM in the third quarter of 2001. Accordingly, the Old Board had not nominated any representatives to the board of directors of DMI. The Old Board considered that the investment would bring to the Group a capital gain within a short period of time. In view of the collapse of the tech boom in mid-2001, there was a significant downturn and a change in the investment enthusiasm in the information technology industry and the listing plan of DMI was suspended. The Remaining Old Board did not expect that the Group's investment in DMI would be recovered and a full provision was then made in the accounts for the year ended 31st December, 2001. The investment in DMI was brought to the attention of the INEDs by the Remaining Old Board at the Audit Committee Meeting. According to the minutes of the Audit Committee Meeting, no issues were raised by the INEDs during the Audit Committee. According to the Remaining Old Board, DMI ceased business at the end of December 2001.

According to the Old Board, DMI was principally engaged in the development of software application which might assist in the use of various software and internet applications for high quality design works in tooling. The Old Board considered that the investment in DMI did not change the principal activities of the Group. The investment in DMI was funded by the internal resources of the Group.

The New Management will not inject any further funding nor commit any further financial resources in DMI in the foreseeable future. The New Management believes that this will be in the best interests of the Group and the Shareholders.

### **Technology transfer of double injection technology**

On 1st December, 2000, the Group entered into the Agreement with a Japanese vendor whereby the vendor agreed to grant a non-exclusive license to the Group to use the technology know-how in connection with the manufacture of double injection products at the Group's production plant in Dongguan, the PRC for a consideration of HK\$8.8 million. The Japanese vendor was an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates. The principal activity of the Japanese vendor was trading of technology. The technology was developed by the Japanese vendor. The consideration was paid as instructed by the vendor to a nominated solicitor firm in September 2001. The consideration was determined with reference to the profit and cashflow forecast provided by the Old Board.

As set out in the section headed "Business objectives and implementation plans" in the Prospectus, the Group would commence the double injection production during the six-month period ended 31st December, 2001. The Old Board considered that if the Group could acquire the technology from the Japanese vendor, the Group would be able to commence such production sooner. As the profit margin of the double injection products was higher, it would be in the interest of the Group if the Group could capture a market share in the industry as soon as possible. The Old Board had discussed about the transaction and considered that the acquisition of the double injection manufacturing technology by the Group from the Japanese vendor would facilitate the Group to master the production of plastic double injection products more effectively. Furthermore, it was stipulated in the Agreement that (i) the Japanese vendor would supply technical training services at its factory in Japan; and (ii) the Japanese vendor would despatch its technical staff to the production plant of the Group in Dongguan, the PRC for providing guidance and training services to the Group's technical staff necessary for the manufacture of the double injection products. According to Mr. Tang, the Japanese vendor would introduce customers to the Group on the production of the plastic double injection products. Given that the Japanese vendor would (i) provide training to the staff of the Group at the production plant in Dongguan, the PRC; and (ii) introduce new customers to, and place orders with, the Group, the Old Board considered that the consideration of the software of HK\$8.8 million was reasonable to the Group. Training had been provided to the Group's technical staff in Dongguan, the PRC by the staff of the Japanese vendor during the period from February 2001 to April 2001. Based on the records of the Group, the Japanese vendor had introduced four Japanese customers to the Group for the production of double injection products but no businesses had been concluded between the Group and these customers for the year ended 31st December, 2002. However, since the acquisition of the software by the Group, there was a change in the business environment, including the plunge in the price of the shares of the Company, the "911" incident in the United States of America, the disappearance of Mr. Law, the call for repayment of the banking facilities of the Group and the suspension of the trading of the Shares on GEM pending the release of further announcement on the clarification of the working capital and financial position of the Group. After the double injection technology had been transferred to the Group, and as the Japanese vendor only granted a non-exclusive license to the Group to use the technology know-how in connection with the manufacture of double injection products, the Group was required to carry out further development on the technology. Accordingly, the Remaining Old Board had adopted a cautious approach and no further resources were applied on the

capital investment of the plastic double injection production. Since the acquisition of the technology, no revenue has been generated to the Group. However, the Old Board was of the view that the concepts and the training provided to the technical staff of the Group in relation to the application of the technology enhanced the quality of the production staff of the Group and in turn, increase the production efficiency and improve the quality of the mold products produced by the Group.

The Remaining Old Board had provided all the information that they had in relation to the transaction to the auditors of the Company for their audit. However, certain information, including the original execution copy of the Agreement and the license, was in the hand of Mr. Law who was the contact person responsible for dealing with the Japanese vendor and has not been contactable since January 2002. Accordingly, the auditors of the Company were of the opinion that there had been a limitation on their scope of work and they were not able to assess or confirm the underlying nature of the transaction.

Although the Agreement was concluded by the Group in December 2000, the transaction was brought to the attention of the INEDs by the Remaining Old Board at the Audit Committee Meeting. For the purpose of investigating the existence of the software which was purported to be acquired under the Agreement, the Audit Committee visited the production plant of the Group in Dongguan, the PRC on 26th March, 2002. Based on the expert opinion of Dr. Chan, the software, for which the Company had paid HK\$8.8 million, was in existence and could be applied for double injection models. According to the minutes of the Audit Committee, apart from the issue on making a trip to the production plant of the Group in Dongguan, the PRC as aforesaid, no issues were raised by the INEDs during the Audit Committee. According to the Agreement, the Group shall have no sublicensing right under the license provided.

According to the Old Board, the Agreement was concluded in accordance with the business objectives set out in the Prospectus in relation to the upgrade of the application software under the business plan on “Design and development” as the acquisition of the technology would enhance the progress of double injection development of the Group. As such, a funding of HK\$1.5 million planned to use in 2002 was invested in 2001 in order to cope with the development of advanced technique on plastic double injection molds production process. The remaining balance of the consideration of HK\$7.3 million under the Agreement was funded by the internal resources of the Group.

The New Management will not inject any further funding nor commit any further financial resources in the project in the foreseeable future. The New Management believes that this will be in the best interests of the Group and the Shareholders.

### **Water saviour project**

Pursuant to the MOU dated 15th December, 2000 signed between the Group and the Investor Company whereby the Group and the Investor Company intended to establish a joint venture company and jointly develop and manufacture a water saviour project. Under the terms of the MOU, the Investor Company was to inject the water saviour patent into the joint venture company and the Group was required to pay HK\$5 million as a deposit, and to issue 225,000,000 shares of the Company of HK\$0.10 each, to the Investor Company in return for 70% interests in the joint venture company.

The water saviour project was developed in the United Kingdom on the technology to purify water for recycling for commercial and residential use. The Investor Company had provided a business plan and a market research report of the water saviour project dated February 2000 and April 2000 respectively to the Old Board for its review in July 2000. The Old Board had discussed about the proposed water saviour project with the Investor Company and considered that the Group had the capability and resources to produce such products. According to the Old Board, based on the existing machinery and staff of the Group, an amount of approximately HK\$6 million would be required to invest as working capital of the

joint venture company for prototype, mold making and plastic resin for injection to develop the products. However, no orders have been received by the Group and there has not been any trial run nor feasibility study done by the Group as the joint venture company referred to in the MOU or the Revised MOU has not been established by the Group and the Investor Company. As the Group is principally engaged in the design, manufacturing and trading of molds and plastic products, the Old Board was of the view that the investment was in line of the business with the Group as the Group would produce the molds and plastic parts for the manufacturing of the products under the proposed water saviour project. As the terms and conditions in relation to the establishment of a joint venture company had yet to be finalized between the Group and the Investor Company, the MOU was signed by the two parties. The deposit of HK\$5 million was also made direct to the chief executive officer of the Investor Company on behalf of the Investor Company as instructed by the Investor Company on 24th April, 2001. Following the plunge in the price of the shares of the Company on 6th March, 2001, the Old Board had re-assessed the Group's commitment under the MOU and continued negotiations with the Investor Company in respect of the water saviour project. The Revised MOU was signed between the Group and the Investor Company on 28th January, 2002 whereby all the terms in the MOU were agreed to be cancelled and that (i) the Investor Company would inject a model of the water saviour project known as "Greywater Recycling Unit" to the joint venture company; (ii) the Investor Company would inject the Greywater Recycling product together with the patent (pending registration) into the joint venture company at a consideration of HK\$5 million which was satisfied by the conversion of the HK\$5 million deposit paid by the Group to the Investor Company in April 2001; (iii) the joint venture company would be owned by the Investor Company and the Group in equal proportion; (iv) the Group would be responsible for the product design, making of prototype, soft and hard tooling for the finished products and the Investor Company would be responsible for the technical support, development of synthetic Greywater recipe; and (v) the patent of the model would be owned by the joint venture company.

No announcements were made by the Old Board on 15th December, 2000 and 28th January, 2002 when the MOU and the Revised MOU were entered into by the Group and the Investor Company as the MOU and the revised MOU were not legally binding and the Old Board was of the view that both MOU and the Revised MOU did not constitute price sensitive information of the Group.

Although the terms of the MOU had been revised under the Revised MOU and, having regard to the financial difficulty faced by the Group, the Old Board considered that the Group might not be able to fulfill the future funding requirements for the water saviour project (which was estimated to be approximately HK\$6 million as the working capital of the joint venture company and the share of the Group thereof would be approximately HK\$4.2 million) and accordingly, the project was fully provided for in the accounts of the Group for the year ended 31st December, 2001. As the Revised MOU was not legally binding, the non-fulfillment of the terms under the Revised MOU by the Group did not have any consequential effects on the Group other than the forfeiture of the HK\$5 million deposit paid to the Investor Company. As the Old Board could not fulfill its commitment under the MOU nor under the Revised MOU, the deposit of HK\$5 million paid could not be refunded by the Investor Company despite the negotiations and discussions made by Mr. Tang with the Investor Company.

The MOU and the Revised MOU were brought to the attention of the INEDs by the Remaining Old Board at the Audit Committee Meeting. According to the minutes of the Audit Committee Meeting, no issues were raised by the INEDs during the Audit Committee. The Old Board was of the view that, the investment in the water saviour project was related to the principal activities of the Group. The product design, prototype making and the soft and hard tooling for finished products from the water saviour project were within the scope of business of the Group. The deposit of HK\$5 million paid was funded by the internal resources of the Group.

The New Management will not inject any further funding nor commit any further financial resources in the transaction under the Revised MOU in the foreseeable future. The New Management believes that this will be in the best interests of the Group and the Shareholders.

Since New Universe Enterprises Limited became the single largest Shareholder in May 2002, Mr. Hua and Mr. Xi were appointed to the Board in June 2002. The New Management has been carrying out an internal review on the business operation and the financial position of the Group. In order to speed up the progress of the internal review, a committee with members comprising Mr. Hua, Mr. Xi, Mr. Chan, Dr. Chan and Mr Yuen, was formed to monitor the progress of the internal review and to follow up on all findings and to report to the Board. The committee will also closely monitor any further development of the transactions as referred to in this announcement and take all necessary actions with an objective to safeguard the interests of the Group. Further announcement will be made as and when appropriate in due course.

### **Terms used in this announcement**

“Acquisition”	the acquisition of (i) the entire issued share capital of Sky Datamann and (ii) the loans made by the Sky Citi-Link ATNT (Holdings) Limited to Sky Datamann and its subsidiaries pursuant to the sale and purchase agreement entered into between the Group and Sky Citi-Link ATNT (Holdings) Limited dated 12th January, 2001
“Agreement”	the agreement entered into between the Group and a Japanese vendor dated 1st December, 2000 in relation to the transfer of technology on double injection manufacturing
“Audit Committee”	the audit committee of the Company
“Audit Committee Meeting”	the meeting of the Audit Committee held on 25th March, 2002 in relation to the review of the results of the Group for the year ended 31st December, 2001 and members of which included Dr. Chan and Mr. Lee Kwan Hung, Eddie (who resigned as an INED and a member of the Audit Committee on 26th March, 2002)
“Board”	the board of Directors, including Mr. Hua, Mr. Tang, Mr. Xi and Mr. Chan
“Company”	New Universe International Group Limited, an exempted company incorporated in the Cayman Islands with limited liabilities, the shares of which are listed on GEM
“Directors”	directors of the Company
“DMI”	Dragon Media Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“DMI Shareholder”	a shareholder of DMI and an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates

“Dr. Chan”	Dr. Chan Yan Cheong, an INED and a member of the Audit Committee
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INED(s)”	the independent non-executive Director(s)
“Investor Company”	an investor company incorporated in the United Kingdom and an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates
“MOU”	the memorandum of understanding entered into between the Group and the Investor Company on 15th December, 2000 in relation to the establishment of a joint venture company for the development of a water saviour project
“Mr. Chan”	Mr. Chan Loong Sang, Tommy, an executive Director
“Mr. Hua”	Mr. Hua Zhixiang, an executive Director
“Mr. Law”	Mr. Law Man Ming, a former executive Director
“Mr. Tang”	Mr. Tang Kwok Yuen, an executive Director
“Mr. Xi”	Mr. Xi Yu, an executive Director
“Mr. Yuen”	Mr. Yuen Kim Hung, an INED and a member of the Audit Committee
“New Management”	Mr. Hua and Mr. Xi who were appointed to the Board in June 2002
“Old Board”	the board of executive Directors comprised of Mr. Tang, Mr. Law (who had not been contactable since January 2002) and Mr. Chan Ngai Sang, Kenny (who resigned as the executive Director on 1st November, 2002) during the period from the date of listing of the shares of the Company on GEM on 18th May, 2000 to January 2002
“PRC”	the People’s Republic of China excluding Hong Kong and the Macau Special Administrative Region of the PRC
“Prospectus”	prospectus of the Company dated 9th May, 2000
“Remaining Old Board”	the board of executive Directors comprised of Mr. Tang and Mr. Chan Ngai Sang, Kenny (who resigned as the executive Director on 1st November, 2002) during the period from February 2002 to October 2002

“Revised MOU”	the revised memorandum of understanding entered into between the Group and the Investor Company on 28th January, 2002 in relation to the establishment of a joint venture company for the development of a water savour project known as “Greywater Recycling Unit”
“Shares”	shares of HK\$0.05 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sky Datamann”	Sky Datamann International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sky Datamann (HK)”	Sky Datamann (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 8th April, 2003

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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\* *for identification purpose only*