



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)

(Stock Code: 8068)

FIRST QUARTERLY RESULTS ANNOUNCEMENT

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

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This announcement, for which the directors of NEW UNIVERSE INTERNATIONAL GROUP LIMITED 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 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 announcement 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 announcement misleading; and*
- (3) 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.*

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

** for identification purpose only*

HIGHLIGHTS

- Turnover for the three months ended 31 March 2004 increased by approximately 20% of the previous corresponding period to approximately HK\$14,300,000.
- Gross profit margin for the three months ended 31 March 2004 increased to approximately 32% from approximately 22% in the previous corresponding period.
- Profit from operating activities in continuing operations for the three months ended 31 March 2004 amounted to HK\$567,000, representing an increase of 291% as compared with the previous corresponding period.

BUSINESS REVIEW

The business environment in the Group's major markets has generally been affected by the political and economic uncertainty during the period under review. The softening United States economy has still led to the fact that customers are more cautious when placing orders. During the period under review, the Group put full efforts to endeavour to minimise the adverse effects of the unfavourable US economy. The Group has extended the sales networks to the Europe, capitalised high-margin customers and increased its market share on a steady basis. The Group has also strengthened the internal controls to further implement a series of measures to control over the operation costs, such as consumption of raw materials and administrative expenses.

The Board is proud of the achievement of the Group's performance with a steady increase in turnover and gross profit during the period under review. The Group's turnover and gross profit for the three months ended 31 March 2004 amounted to approximately HK\$14,300,000 and HK\$4,566,000, representing an increase of 20% and 74% respectively as compared with the previous corresponding period. The profit from operating activities in continuing operations for the three months ended 31 March 2004 amounted to approximately HK\$567,000, representing an increase of 291% as compared with the previous corresponding period. During the period under review, no gain on disposal of a subsidiary in the discontinued operation as compared to HK\$9,322,000 of the previous corresponding period. Coupling with no significant change in operating costs as compared to the previous corresponding period, the Group made a net profit from ordinary activities attributable to shareholders for the three months ended 31 March 2004 of approximately HK\$412,000. Earnings per share for the three months ended 31 March 2004 was approximately HK0.04 cent.

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of New Universe International Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in 2003, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the three months ended 31 March	
		2004	2003
	<i>Notes</i>	Unaudited	Unaudited
		HK\$'000	HK\$'000
TURNOVER			
Continuing operations	(2)	14,300	11,900
Cost of sales		(9,734)	(9,280)
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Gross profit		4,566	2,620
Other revenue and gains	(3)	400	912
Gain on disposal of a subsidiary (Discontinued operation)	(4)	–	9,322
Selling and distribution costs		(864)	(808)
Administrative expenses		(3,017)	(2,431)
Other operating expenses		(518)	(148)
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PROFIT FROM OPERATING ACTIVITIES			
Continuing operations		567	145
Discontinued operation		–	9,322
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Finance costs		567	9,467
		(155)	(128)
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PROFIT BEFORE TAX			
Continuing operations		412	17
Discontinued operation		–	9,322
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Tax	(5)	412	9,339
		–	–
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NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS			
		412	9,339
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EARNINGS PER SHARE (CENTS)			
Basic	(6)	0.04	1.99
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Diluted		N/A	N/A
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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>	Contributed surplus (Note) <i>HK\$'000</i>	Retained profits/ (accumu- lated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2001 and 1 January 2002	23,500	30,373	12	31,929	(42,231)	43,583
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>23,500</u>	<u>30,373</u>	<u>601</u>	<u>31,929</u>	<u>(73,422)</u>	<u>12,981</u>
Issue of shares	29,700	(1,707)	–	–	–	27,993
Net profit for the year	–	–	–	–	11,703	11,703
At 31 December 2003	<u>53,200</u>	<u>28,666</u>	<u>601</u>	<u>31,929</u>	<u>(61,719)</u>	<u>52,677</u>
Net profit for the period	–	–	–	–	412	412
At 31 March 2004	<u>53,200</u>	<u>28,666</u>	<u>601</u>	<u>31,929</u>	<u>(61,307)</u>	<u>53,089</u>

Note:

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

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

(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 Statements of Standard Accounting Practice issued by Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention.

These condensed quarterly accounts should be read in conjunction with the 2003 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed quarterly accounts are consistent with these used in the annual accounts for the year ended 31 December 2003.

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

(2) **Turnover**

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

(3) **Other revenue and gains**

	For the three months ended 31 March	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Exchange gains, net	(19)	40
Interest income	4	2
Over-provision for doubtful debts	398	301
Sunday income	17	569
	<u>400</u>	<u>912</u>

(4) **Gain on disposal of a subsidiary**

	For the three months ended 31 March	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net liabilities disposed of		
Trade payables and accrued liabilities	<u>—</u>	<u>9,322</u>
Sales proceeds	<u>—</u>	<u>—</u>
Gain on disposal of a subsidiary	<u>—</u>	<u>9,322</u>

In December 2001, the Group abandoned its operation of an Internet server co-location centre, which was solely operated in Hong Kong. On 19 March 2003, a sale and purchase agreement was entered into between the Group and Centapoint Limited ("Centapoint"), an independent third party, whereby the Group agreed to dispose of its entire issued share capital in Sky Datamann (Hong Kong) Limited, the subsidiary of the Group involved in the above discontinued business, to Centapoint for a consideration of HK\$1.

(5) **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 ended 31 March 2004 and 31 March 2003. 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 applicable corporate income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited, a wholly-owned subsidiary established in Mainland China, is 24%.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2004

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>896</u>		<u>(484)</u>		<u>412</u>	
Tax at the statutory/applicable tax rate	157	17.5	(116)	(24.0)	41	10
Expenses not deductible for tax	558		116		674	
Tax losses utilised from previous periods	<u>(715)</u>		<u>–</u>		<u>(715)</u>	
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Group – 2003

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>10,634</u>		<u>(1,295)</u>		<u>9,339</u>	
Tax at the statutory/applicable tax rate	1,701	16.0	(311)	(24.0)	1,390	14.9
Effect on opening deferred tax of increase in tax rate	3				3	
Income not subject to tax	(1,492)		–		(1,492)	
Expenses not deductible for tax	712		311		1,023	
Tax losses utilised from previous periods	<u>(924)</u>		<u>–</u>		<u>(924)</u>	
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group's provision for deferred tax represents timing differences arising from accelerated depreciation allowances.

As at 31 March 2004, the Group has tax losses arising in Hong Kong of HK\$3,744,000 (2003: HK\$12,701,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or a joint venture company as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(6) Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period ended 31 March 2004 of HK\$412,000 (2003: HK\$9,339,000), and the weighted average of 1,064,000,000 (2003: 470,000,000) ordinary shares in issue during that period.

Diluted earnings per share for the three months ended 31 March 2004 and 2003 have not been presented as to the effect of any dilution is anti-dilutive.

PROSPECTS

The Group's success has been made under the leadership and guidance of our professional management with extensive experience in both molding and plastic industries.

The Group's two business divisions, molding and plastic product trading are each executing business plans that emphasise a combination of increasing sales turnover to existing and new customers. The prospects for improvements in the coming year are also positive despite a general decline in selling prices under keen competition.

Capitalisation on customer networks in Mainland China

The Board anticipates that business opportunities for the Group around Shanghai and the region of the Changjiang River Delta will increase. As announced by the Company on 20 April 2004, the Group intends to further acquire an additional 87% of the shares capital of a limited company in Hong Kong ("Acquisition") which owns the entire equity interest in a factory in Suzhou, Mainland China, namely as Suzhou New Universe Tooling and Plastic Limited (the "Factory"), with a gross floor area of approximately 34,000 square meters in order to further capture the business growth opportunities and further explore Mainland China market. The Factory is located and operates in Suzhou near Shanghai and in the region of Changjiang River Delta. The management plans to capitalise on customer networks to further enlarge customer base in Mainland China and to develop business opportunities for the Group around Shanghai and Changjing River Delta in order to further expand its market share in Mainland China. The Company proposed to raise approximately HK\$20.58 million, after expense, by way of issue of 425.6 million shares ("Rights Issues") at a subscription of HK\$0.05 per share. The net proceeds from the Rights Issue as to HK\$16.5 million is intended for the Acquisition and the balance of approximately HK\$4.08 million is intended for general working capital of the Group.

Vertical integration strategy in plastic product division

The Group continued to diversify its vertically integrated production bases and its new component manufacturing operations. The Group has formed a new team within plastic product division to introduce a new technology-know-how, "Smart Color" to provide the complete value chain in plastic products, which allows the customers by using liquid colorants in the dyeing plastic products. While achieving effective cost and quality controls, full vertical integration also helps enhance capabilities to provide convenient one-stop services to its valuable customers.

SIGNIFICANT INVESTMENT PLANS

As at 31 March 2004, the Group did not have any significant investment plans, except the plan of Acquisition set out in the section headed "PROSPECTS" to this announcement.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2004 (2003: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to Rule 5.40 of the GEM Listing Rules, were as follows:

Name of director	Number of ordinary shares held (Corporate interest)
Mr. Xi Yu ("Mr. Xi")	(Note) 728,915,000

The interests of the directors in the share options of the Company are separately disclosed in the section headed "SHARE OPTION SCHEMES" to this announcement.

Note: Mr. Xi is the beneficial owner of 16,350 shares in New Universe Enterprises Limited ("New Universe"), representing approximately 81.75 per cent. of the issued share capital of New Universe, which in turn holds 728,915,000 shares in the Company, representing approximately 68.51 per cent. of the issued share capital of the Company.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Share Option Schemes to this announcement, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2004, the following interests of 5 per cent. or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
New Universe (Note i)	Directly beneficially owned	728,915,000	68.51
Mr. Xi (Note i)	Through a controlled corporation	728,915,000	68.51

Note:

- (i) New Universe is beneficially owned as to approximately 81.75 per cent. by Mr. Xi who is an executive director of the Company.

Save as disclosed above, no persons had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEMES

The Company operates a Pre-IPO Share Option Plan (the "Pre-IPO Plan") and a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

(i) The Pre-IPO Plan

On 4 May 2000, options to subscribe for 40,000,000 shares of the Company at an exercise price of HK\$0.50 per share (as adjusted for the Share Consolidation) were granted under the Pre-IPO Plan, with a vesting period from 4 May 2002 to 3 May 2005. Eligible participants of the Pre-IPO Plan include the Company's executive directors and other employees of the Group.

At 31 March 2004, the number of shares issuable under share options granted under the Pre-IPO Plan was 8,000,000 (as adjusted for the Share Consolidation), which represented approximately 0.75% of the Company's shares in issue as at that date.

The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO Plan is limited to 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Pre-IPO Plan. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

No share option had been granted or exercised under the Pre-IPO Plan during the period and up to the date of approval of this announcement.

The following share options were outstanding under the Pre-IPO Plan during the period:

Name or category of participant	Number of share options (as adjusted for the Share Consolidation)			Date of grant of share options*	Exercise period of share options	Exercise price of share options** (as adjusted for the Share Consolidation)	Price of the Company's shares	
	At 1 January 2004	Lapsed during the period	At 31 March 2004				At grant date of options	At exercise date of options
Director Tang Kwok Yuen	8,000,000	-	8,000,000	4 May 2000	4 May 2002 to 3 May 2005	HK\$0.50 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.*

*** *Pursuant to an extraordinary general meeting passed on 11 July 2002, every ten issued and unissued ordinary shares of HK\$0.005 each of the Company were consolidated into one ordinary share of HK\$0.05 each (the "Share Consolidation").*

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

At 31 March 2004, the Company had 8,000,000 share options outstanding under the Pre-IPO Plan. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,000,000 additional ordinary shares of the Company and additional share capital of HK\$400,000 and share premium of HK\$3,600,000 (before issue expenses).

(ii) The Scheme

Eligible participants of the Scheme include employees, executive and non-executive directors of the Group (including independent non-executive directors), suppliers of the Group, customers of the Group, professional advisers and consultants of the Group. The Scheme became effective on 10 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of exercisable share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

No share option had been granted under the Scheme during the period and up to the date of approval of this announcement.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the period under review and up to the date of this announcement, none of the directors of the Company nor the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee since 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, half-yearly and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors of the Company, who are Dr. Chan Yan Cheong and Mr. Yuen Kim Hung, Michael. The audit committee has held a meeting during the period and has performed the functions specified in the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Board, the Company has complied with the requirements of Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the accounting period covered by this announcement.

As at the date of this announcement, the Board comprises Mr. Hua Zhixiang, Mr. Tang Kwok Yuen, Mr. Xi Yu and Mr. Chan Loong Sang, Tommy (all of whom are the executive Directors); Dr. Chan Yan Cheong and Mr. Yuen Kim Hung, Michael (both are the independent non-executive Directors).

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

Hong Kong, 14 May 2004