



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2004

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* for identification purpose only

HIGHLIGHTS

- Turnover for the six months ended 30 June 2004 increased by approximately 12% of the previous corresponding period to approximately HK\$29,621,000.
- Gross profit margin for the six months ended 30 June 2004 remained steady at 24%, same as the previous corresponding period.
- Earnings from continuing operations before interest, taxes, depreciation and amortisation, EBITDA, amounted to approximately HK\$3,419,000 and HK\$5,593,000 for the six months ended 30 June 2004 and 2003 respectively.

BUSINESS REVIEW AND PROSPECTS

The period under review was challenging and difficult for the Group. The results of the Group were adversely affected by unfavourable factors, such as shortage of electricity supply in Mainland China, the austerity measures implemented in Mainland China, rising raw material prices and upward trend cycle of interest rates, which may undermine the short-term economic growth. Furthermore, competition within both tooling and plastic injection industries is keen while the global economy has not fully been recovered. Despite these challenging market conditions, the Group achieved satisfactory growth in sales revenue. Turnover increased by 12% to HK\$29,621,000 for the six months ended 30 June 2004 and gross profit margin remained steady at 24% compared with the previous corresponding period. Earnings from continuing operations before interest, taxes, depreciation and amortisation (“EBITDA”)^{Note} for the period ended 30 June 2004 decreased by HK\$2,174,000 to HK\$3,419,000 comparing with HK\$5,593,000 in the previous corresponding period. The Group’s selling and distribution costs maintained at approximately 6% to turnover amounting to HK\$2,013,000 for the six months ended 30 June 2004. The aggregate of administrative and other operating expenses to turnover slightly increased to 23% from 20% in the previous corresponding period. The slight increase in the aggregate of administrative and other operating expenses was mainly attributable to the increase in repair and maintenance expenses on plant and machinery for the Group’s commitment to quality, improving the quality of its operation and enhancement of its productivity.

Looking ahead, the market potentials for tooling and plastic injection industries, especially in Mainland China market will continue to be enormous. In view of booming Mainland China economy and its cost effectiveness, foreign manufacturers will continue to invest and operate in Mainland China. With a view to capture market potentials and business growth in the Mainland China market, on 2 July 2004 (“Acquisition Date”) the Group acquired (“Acquisition”) an additional 87% of the share capital of a limited company (“Bestwin”) in Hong Kong which owns the entire equity interest in the new production facilities in Suzhou, Mainland China, namely Suzhou New Universe Tooling and Plastic Limited (the “Factory”), for boosting the Group’s production capacity, at a consideration of HK\$16.5 million. The Factory with a gross floor area of approximately 34,000 square meters 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 Changjiang River Delta in order to further expand its market share in Mainland China.

Note: EBITDA refers to operating profit/(loss) from continuing operations before interest, taxes, depreciation and amortisation. EBITDA is an useful indicator to measure the profitability of a company with intensive machinery investments and a way of judging how a company’s assets are performing. A summary of reconciliation is presented under the note (19) “Reconciliation from operating profit/(loss) from continuing operations to EBITDA” in this announcement.

The principal business activities of the Factory is the manufacture and sale of small and simple molds. The Board believes that the investment in Bestwin is in line with the principal business activities of the Group, which are the manufacture and sale of molds and tooling products. Upon Acquisition Date, Bestwin became a 97% indirectly-owned subsidiary of the Company. Accordingly, the assets and liabilities of Bestwin will be consolidated into the Group's balance sheet.

During the period under review, the Company raised new equity funding of approximately HK\$21.3 million, before expenses, by way of issue of 425.6 million new ordinary shares ("Rights Shares") at a subscription of HK\$0.05 per share, which was completed on 24 June 2004. Of the HK\$21.3 million equity funding raised as aforesaid, approximately HK\$16.5 million was applied by the Group for Acquisition, which was completed on 2 July 2004, and the remaining HK\$4.8 million was used for general working capital.

Meanwhile, the Group will adhere to its strict cost control measures and inventory management. The inventory level will be closely monitored in order to achieve cost-effectiveness. With continuous enhancement of productivity and production capacity, provision of high quality products as well as our service commitment, the Group is expected to embrace a promising future.

The Group has consistently applied a vertical integration strategy to diversify production bases and its new component manufacturing operations in the plastic product division. The Group has formed a team within the plastic product division to introduce a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved a turnover of approximately HK\$29.6 million for the six months ended 30 June 2004 (2003: HK\$26.5 million) which represented a slight increase of 12% over the previous corresponding period. During the period under review, revenue generated from mold products accounted for 56% (2003: 67%) of the Group's turnover while plastic products contributed the remaining 44% (2003: 33%).

Cost of sales for the period ended 30 June 2004 amounted to approximately HK\$22.4 million, representing an increase in line with the sales by 12%, from HK\$20.0 million in the previous corresponding period.

The gross profit margin of the Group has remained steady at 24% (2003: 24%).

The Group's selling and distribution costs maintained at 6% to turnover amounting to HK\$2.0 million for the six months ended 30 June 2004.

The aggregate of administrative and other operating expenses to turnover slightly increased to 23% from 20% in the previous corresponding period. The slight increase in the aggregate of administrative and other operating expenses was mainly attributable to the increase in repair and maintenance expenses on plant and machinery for the Group's commitment to quality, improving the quality of its operation and enhancement of its productivity.

EBITDA amounted to HK\$3.4 million for the period ended 30 June 2004 compared with HK\$5.6 million in the previous corresponding period.

For the period ended 30 June 2004, mold products reported a turnover of HK\$16.5 million, a 7% slight decrease from HK\$17.8 million in the previous corresponding period due to the fact that customers are still cautious in placing orders while the global economy has not been recovered.

Plastic products experienced a sharp increase in turnover of 51% to HK\$13.1 million for the period ended 30 June 2004 from HK\$8.7 million in the previous corresponding period. Such increase was mainly due to the increase of sales orders from reputable international customers.

The major sales regions of the Group for the period ended 30 June 2004 and 2003 were Hong Kong, Europe and Mainland China. Turnover to Hong Kong increased by 31% to HK\$14.1 million, representing 48% of the Group's turnover (2003: 41% of the Group's turnover). Turnover to Europe increased by 169% to HK\$7.3 million, representing 25% of the Group's turnover (2003: 10% of the Group's turnover). The Group has successfully expanded its customer bases in Europe. The sales in the European market has also been benefited from stronger Euro currency compared to the US dollars, which led to a relatively higher purchasing power of the European customers as most of the Group's sales to them are denominated in US dollar. Turnover to Mainland China decreased by 33% to HK\$6.7 million, representing 23% of the Group's turnover (2003: 38% of the Group's turnover). The decrease of turnover to Mainland China was mainly attributable to the fact that the Group has diverted more resources, such as time, labour and production capacity to capture more customer orders from existing reputable international customers in order to maintain opportunities on high growth in both sales and gross profit.

Investment

Save as disclosed in "Business Review and Prospects" of this announcement, there were no material change in the investment during the period under review.

Net Loss from Ordinary Activities Attributable to Shareholders

The Group was incurred a net loss from ordinary activities attributable to shareholders of HK\$1.3 million for the period ended 30 June 2004, whereas a net profit of HK\$9.9 million was recorded in the previous corresponding period.

Depreciation of property, plant and equipment in cost of inventory sold amounting to HK\$4.0 million (2003: HK\$4.5 million), in administrative expenses amounting to HK\$0.4 million (2003: HK\$0.3 million) and finance costs amounting to HK\$0.3 million (2003: HK\$0.3 million) were fully charged to the results of the Group for the period ended 30 June 2004 and 2003.

Liquidity and Financial Resources

Save as equity fund raising of HK\$21.3 million for Acquisition disclosed in "Business Review and Prospects" of this announcement, the Group generally financed its operations and investing activities with internally generated cash flows and trade facilities granted by a banker.

As at 30 June 2004, the Group had total cash and bank balances of approximately HK\$7.3 million. The Group had outstanding borrowings of approximately HK\$4.6 million, comprising secured trust receipt loans of approximately HK\$2.1 million and finances lease payables of approximately HK\$2.5 million. Out of the total indebtedness, approximately HK\$3.6 million is repayable within one year.

Gearing Ratio

The gearing ratio was 58% as at 30 June 2004 (31 December 2003: 82%), representing total liabilities of HK\$41.8 million (31 December 2003, HK\$43.2 million) divided by capital employed of HK\$71.8 million (31 December 2003, HK\$52.7 million).

Capital Structure

Save as disclosed in “Business Review and Prospects” of this announcement, there were no material change in the capital structure of the Company for the period ended 30 June 2004.

Material Acquisition and Disposals of Subsidiaries

Save as disclosed in “Business Review and Prospects” of this announcement, there were no significant investments nor material acquisition and disposals of subsidiaries and affiliated companies of the Company during the period under review.

Employee Information

As at 30 June 2004, the Group had 595 (30 June 2003: 569) full-time employees. Staff costs, excluding directors’ remuneration but including amount capitalised as work-in-progress was HK\$7.1 million for the six months ended 30 June 2004 (2003: HK\$7.6 million). Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

Charges on Assets

As at 30 June 2004, with the net book value of fixed assets of the Group of HK\$51.7 million (31 December 2003: HK\$56.1 million), the net book value of fixed assets held under finance leases amounted to HK\$7.5 million (31 December 2003: HK\$10.4 million). Apart from the finance lease arrangement, there were no charges on assets as at 30 June 2004.

Exposure to Exchange Rate Fluctuations

During the period ended 30 June 2004, the Group experienced only immaterial exchange rates fluctuations as most of the Group’s monetary assets and liabilities were denominated and most of the business were conducted in Hong Kong Dollars, US Dollars and Renminbi, and all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

As at 30 June 2004 and 30 June 2003, the Group had no material contingent liabilities.

Dividend

The Board does not recommend the payment of dividend for the six months ended 30 June 2004 (2003: Nil).

INTERIM 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 and six months ended 30 June 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2004 Unaudited HK\$'000	2003 Unaudited HK\$'000	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
TURNOVER	(3)	15,321	14,579	29,621	26,479
Cost of sales		(12,688)	(10,779)	(22,422)	(20,059)
Gross profit		2,633	3,800	7,199	6,420
Other revenue and gains	(4)	399	509	799	1,421
Gain on disposal of a subsidiary (Discontinued operation)	(5)	-	-	-	9,322
Selling and distribution costs		(1,149)	(830)	(2,013)	(1,638)
Administrative expenses		(2,841)	(2,487)	(5,858)	(4,918)
Other operating expenses		(608)	(306)	(1,126)	(454)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(6)	(1,566)	686	(999)	831
Continuing operations		(1,566)	686	(999)	831
Discontinued operation		-	-	-	9,322
Finance costs		(142)	(129)	(297)	(257)
PROFIT/(LOSS) BEFORE TAX		(1,708)	557	(1,296)	574
Continuing operations		(1,708)	557	(1,296)	574
Discontinued operation		-	-	-	9,322
Tax	(7)	-	-	-	-
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,708)	557	(1,296)	9,896
Earnings/(LOSS) PER SHARE (CENTS)	(8)				
Basic		(0.16)	0.08	(0.12)	1.64
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	(9)	51,743	56,070
Long term investment	(10)	1,500	1,500
		53,243	57,570
CURRENT ASSETS			
Inventories		19,387	15,732
Trade receivables	(11)	10,248	8,397
Prepayments, deposits and other receivables		22,042	3,662
Tax recoverable		1,401	1,401
Cash and bank balances		7,329	9,102
		60,407	38,294
CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,080	5,330
Trade and bills payables	(12)	14,435	14,948
Deposits received		10,889	8,118
Accrued liabilities and other payables		6,376	6,954
Finance lease payables		1,567	2,839
Due to a related company	(13)	1,887	–
Tax payable		2,124	2,124
		39,358	40,313
NET CURRENT ASSETS/(LIABILITIES)		21,049	(2,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		74,292	55,551
NON-CURRENT LIABILITIES			
Finance lease payables		(970)	(1,379)
Due to a director		(500)	(515)
Deferred tax liability	(14)	(980)	(980)
		(2,450)	(2,874)
		71,842	52,677
CAPITAL AND RESERVES			
Issued capital	(15)	74,480	53,200
Reserves		(2,638)	(523)
		71,842	52,677

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(190)	1,434
Net cash outflow from investing activities	(17,114)	(1,448)
Net cash inflow from financing activities	<u>15,531</u>	<u>1,278</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,773)	1,264
Cash and cash equivalents at beginning of period	<u>9,102</u>	<u>1,850</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>7,329</u>	<u>3,114</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>7,329</u></u>	<u><u>3,114</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	<i>Note</i>	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus <i>(Note)</i> <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003		23,500	30,373	601	31,929	(73,422)	12,981
Issue of shares	<i>(15a)</i>	14,700	(1,245)	–	–	–	13,455
Net profit for the period		–	–	–	–	9,896	9,896
At 30 June 2003		<u>38,200</u>	<u>29,128</u>	<u>601</u>	<u>31,929</u>	<u>(63,526)</u>	<u>36,332</u>
						Retained profits/ (accumulated losses)	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004		<u>53,200</u>	<u>28,666</u>	<u>601</u>	<u>31,929</u>	<u>(61,719)</u>	<u>52,677</u>
Issue of Rights Shares	<i>(15b)</i>	21,280	(819)	–	–	–	20,461
Net loss for the period		–	–	–	–	(1,296)	(1,296)
At 30 June 2004		<u>74,480</u>	<u>27,847</u>	<u>601</u>	<u>31,929</u>	<u>(63,015)</u>	<u>71,842</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 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 accounting standards issued by Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

These condensed interim 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 interim 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) Segment information

(a) Business segments

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

Group

	Mold products		Six months ended 30 June		Plastic products		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	16,488	17,805	13,133	8,674	29,621	26,479		
Other revenue	655	230	140	368	795	598		
Total	17,143	18,035	13,273	9,042	30,416	27,077		
Segment expenses	(19,593)	(17,879)	(11,826)	(9,190)	(31,419)	(27,069)		
Segment results	(2,450)	156	1,447	(148)	(1,003)	8		
Unallocated other revenue								
Continuing operations					4	823		
Discontinued operation					-	9,322		
Profit/(loss) from operating activities								
Continuing operations					(999)	831		
Discontinued operation					-	9,322		
Finance costs					(297)	(257)		
Profit/(loss) before tax								
Continuing operations					(1,296)	574		
Discontinued operation					-	9,322		
Tax					-	-		
Net profit/(loss) from ordinary activities attributable to shareholders					(1,296)	9,896		

(b) *Geographical segments*

The following tables present turnover and other revenue for the Group's geographical segments:

	Turnover		Other revenue	
	Six months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
Hong Kong	14,075	10,777	407	903
European Union*	7,323	2,723	–	–
Mainland China	6,689	10,031	392	518
North America **	1,527	1,164	–	–
Others	7	1,784	–	–
	<u>29,621</u>	<u>26,479</u>	<u>799</u>	<u>1,421</u>

* *European Union principally relates to the United Kingdom, Germany and Turkey.*

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

The Group is organised on a worldwide basis into two main business segments; mold products and plastic products for the six months ended 30 June 2004 and 2003. There are no sales or other transactions between the business segments.

(3) **Turnover**

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

(4) **Other revenue and gains**

	Six months	
	ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Gain on disposal of fixed assets	64	–
Exchange gains/(losses), net	(32)	79
Interest income	4	2
Over-provision for doubtful debts	398	301
Sundry income	365	1,039
	<u>799</u>	<u>1,421</u>

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

	Six months	
	ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Net liabilities disposed of trade payables and accrued liabilities	–	9,322
Sales proceeds	–	–
Gain on disposal of a subsidiary	<u>–</u>	<u>9,322</u>

(6) Profit/(loss) from operating activities

Profit/(loss) from operating activities is stated after crediting and charging the following:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Exchange gains/(losses), net	(32)	79
Charging		
Depreciation	4,418	4,762
Cost of inventory sold	22,422	20,059

The charging of depreciation to profit/(loss) from operating activities for the six months ended 30 June 2004 is the aggregate of the depreciation of property, plant and equipment in cost of inventory sold and in administrative expenses amounting to HK\$4,026,000 (2003: HK\$4,450,000) and HK\$392,000 (2003: HK\$312,000) respectively but excluded from depreciation capitalised as work-in-progress in inventories amounting to HK\$586,000 (2003: HK\$158,000).

(7) Tax expense

No provision for Hong Kong profits tax has been made as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax had been made in the previous corresponding period as the Group had accumulated tax losses brought forward from prior years to offset the estimated profits arising in Hong Kong during the previous corresponding period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The 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:

30 June 2004

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>1,252</u>		<u>(2,548)</u>		<u>(1,296)</u>	
Tax at the statutory/applicable tax rate	219	17.5	(612)	(24.0)	(393)	(30.3)
Income not subject to tax	(12)		-		(12)	
Expenses not deductible for tax	578		612		1,190	
Tax losses utilised from previous periods	<u>(785)</u>		<u>-</u>		<u>(785)</u>	
Tax charge at the Group's effective rate	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-

30 June 2003

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>9,896</u>		<u>-</u>		<u>9,896</u>	
Tax at the statutory/applicable tax rate	1,732	17.5	-		1,732	17.5
Effect on opening deferred tax of increase in tax rate	84		-		84	
Income not subject to tax	(1,663)		-		(1,663)	
Expenses not deductible for tax	800		-		800	
Tax losses utilised from previous periods	<u>(953)</u>		<u>-</u>		<u>(953)</u>	
Tax charge at the Group's effective rate	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-

(8) Earnings/(loss) per share

The calculation of basic loss per share (2003: earnings per share) is based on the net loss from ordinary activities attributable to shareholders for the six months ended 30 June 2004 of HK\$1,296,000 (2003: net profit from ordinary activities attributable to shareholders of HK\$9,896,000) and for the three months ended 30 June 2004 of HK\$1,708,000 (2003: net profit from ordinary activities attributable to shareholders of HK\$557,000) and the weighted average of 1,080,369,231 and 1,096,738,462 (2003: 604,817,680 and 738,153,846) ordinary shares in issue during the periods respectively.

Diluted earnings/loss per share for the period ended 30 June 2004 and 2003 have not been presented as the effect of any dilution is anti-dilutive.

(9) Fixed assets

	<i>HK\$'000</i>
Net book value as at 1 January 2004	56,070
Additions	678
Disposals	(1)
Depreciation	<u>(5,004)</u>
Net book value as at 30 June 2004	<u><u>51,743</u></u>

The net book value of the fixed assets of the Group held under finance leases included in the total amount of plant and machinery as at 30 June 2004 amounted to HK\$7,489,000 (31 December 2003: HK\$10,407,000).

(10) Long term investment

	30 June 2004	31 December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity investment, at cost	<u><u>1,500</u></u>	<u><u>–</u></u>

(11) Trade receivables

The Group's trading terms with its customers are mainly on credit. For mold products segment, the credit period is generally granted to customers for a period of one month. For plastic products segment, the credit period is generally for a period of two months, extending up to three months for major customers.

An aged analysis of the trade receivables as at 30 June 2004 and 31 December 2003, based on invoice date and net of provisions, are as follows:

	30 June 2004	31 December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	3,534	2,847
1 to 2 months	2,269	3,600
2 to 3 months	2,506	1,160
Over 3 months	<u>1,939</u>	<u>790</u>
	<u><u>10,248</u></u>	<u><u>8,397</u></u>

(12) Trade and bills payables

An aged analysis of the trade payables as at 30 June 2004 and 31 December 2003, based on invoice date, are as follows:

	30 June 2004	31 December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	3,435	2,055
1 to 2 months	1,414	2,592
2 to 3 months	1,597	2,441
Over 3 months	<u>7,989</u>	<u>7,860</u>
	<u><u>14,435</u></u>	<u><u>14,948</u></u>

(13) Due to a related company

The amount due to a related company of which Mr. Xi Yu, an executive director of the Company, is a director and beneficial shareholder, is unsecured, interest-free and payable on demand.

(14) Deferred tax liabilities

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Balance at beginning and end of period	<u>980</u>	<u>980</u>

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

The Group has tax losses arising in Hong Kong of HK\$3,674,000 (2003: HK\$4,459,000) 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 30 June 2004, there is no significant unrecognised deferred tax liability (31 December 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.

(15) Share capital

Shares

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Authorised: 20,000,000,000 (2003: 20,000,000,000) ordinary shares of HK\$0.05 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 1,489,600,000 (2003: 1,064,000,000) ordinary shares of HK\$0.05 each	<u>74,480</u>	<u>53,200</u>

A summary of the above movements in the issued share capital of the Company is as follows:

	Number of issued ordinary shares of HK\$0.05 each	Par value HK\$'000
At 1 January 2004	1,064,000,000	53,200
Issues of Right Shares on 24 June 2004	<u>425,600,000</u>	<u>21,280</u>
At 30 June 2004	<u>1,489,600,000</u>	<u>74,480</u>

- (a) On 9 April 2003, the Company raised HK\$4,700,000, before expenses, by way of an open offer of 94,000,000 new ordinary shares of HK\$0.05 each of the Company at HK\$0.05 per share in the proportion of one offer share for every five existing ordinary shares in issue and allotted and issued 200,000,000 new ordinary shares of HK\$0.05 each, with the subscription price of HK\$10,000,000, to New Universe Enterprises Limited (“New Universe”), the substantial shareholder, at par.
- (b) On 24 June 2004, the Company raised HK\$21,280,000 before expenses by way of issue of 425,600,000 Right Shares of HK\$0.05 each of the Company at HK\$0.05 per share in the proportion of two offer shares for every five existing ordinary shares in issue.

(16) Commitments

At 30 June 2004, the Group had the following commitments:

(a) Capital commitment

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Capital commitment in respect of Acquisition contracted for	<u>16,500</u>	<u>–</u>
Capital commitment in respect of fixed assets contracted for	<u>–</u>	<u>114</u>

(b) Operating lease commitments

The Group leases all of its office premises and an industrial plant in Mainland China under operating lease arrangements. Lease for the office premises are negotiated for terms ranging from one to three years. Lease for the industrial plant in Mainland China are negotiated for a term of 16.25 years.

At 30 June 2004, the Group has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Within one year	3,393	2,618
In the second to fifth years, inclusive	8,361	5,312
After five years	8,043	11,301
	<u>19,797</u>	<u>19,231</u>

In addition to the above commitments, the Group has committed to pay a sum of approximately HK\$9.7 million (31 December 2003: HK\$10 million) to Changan Enterprises General Company (“Changan”), the Mainland China co-operative joint venture partner of Dongguan Smartech and the landlord of the industrial plant, as compensation for the construction costs thereof. The payment is to be made by monthly installments of approximately HK\$63,868 each for a period of 16 years commencing on 1 January 2001. In addition, the Group has also committed to pay a sum of approximately HK\$5.1 million (31 December 2003: HK\$5.2 million) to Changan as a land management fee. The payment is to be made by monthly installments of approximately HK\$28,302 each for a period of five years commencing on 1 January 2000, subject to an increment of 15% for every five years. The commitments will end on 21 March 2016.

(17) Related party transaction

During the period ended 30 June 2004, the Group did not purchase any raw materials (30 June 2003: HK\$309,000) from a related company of which Mr. Xi Yu, an executive director of the Company, is a director and beneficial shareholder.

(18) Movement of reserves

	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus <i>(Note)</i> <i>HK\$'000</i>	Retained profits/ (accumu- lated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	30,373	601	31,929	(73,422)	(10,519)
Issue of shares	(1,245)	–	–	–	(1,245)
Net profit for the period	–	–	–	9,896	9,896
At 30 June 2003	<u>29,128</u>	<u>601</u>	<u>31,929</u>	<u>(63,526)</u>	<u>(1,868)</u>
	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus <i>(Note)</i> <i>HK\$'000</i>	Retained profits/ (accumu- lated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	28,666	601	31,929	(61,719)	(523)
Issue of Rights Shares	(819)	–	–	–	(819)
Net loss for the period	–	–	–	(1,296)	(1,296)
At 30 June 2004	<u>27,847</u>	<u>601</u>	<u>31,929</u>	<u>(63,015)</u>	<u>(2,638)</u>

(19) Reconciliation from operating profit/(loss) from continuing operations to EBITDA

	Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit/(loss) from continuing operations	(999)	831
Depreciation in cost of inventory sold	4,026	4,450
Depreciation in administrative expenses	392	312
EBITDA	<u>3,419</u>	<u>5,593</u>

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.58 of Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("the GEM Listing Rules"), relating to the required standard of dealing by Directors, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Capacity/ Nature of interest	Number of ordinary shares held <i>(Note 1)</i>	Percentage of the Company's issued share capital
Mr. Xi Yu ("Mr. Xi")	Interest of a controlled corporation	1,020,481,000 <i>(L)</i> <i>(Note 2)</i>	68.51%

Notes:

1. The letter "L" denotes a long position in shares.
2. 1,020,481,000 shares are beneficially owned by New Universe. By virtue of Mr. Xi's 81.75% shareholding in New Universe, Mr. Xi is deemed or taken to be interested in 1,020,481,000 shares owned by New Universe, representing approximately 68.51% of the issued share capital of the Company.

Save as disclosed above and the interests of a director of the Company in the share options of the Company as disclosed in the section headed "SHARE OPTION SCHEMES" below, as at 30 June 2004, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.58 of the GEM Listing Rules, relating to the required standards of dealing by Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "SHARE OPTION SCHEMES", at no time for the six months ended 30 June 2004 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their associates, 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 or their associates to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a Pre-IPO Share Option Plan (the “Pre-IPO Plan”) and a Share Option Scheme (the “Scheme”) (collectively the “Share Option Schemes”) 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 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 30 June 2004, the number of shares issuable under share options granted under the Pre-IPO Plan was 8,000,000, which represented approximately 0.54% 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 options have been granted nor exercised nor lapsed under the Pre-IPO Plan during the period and up to the date of approval of this announcement. Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

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

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**	Price of the Company’s shares	
	At 1 January 2004	Lapsed during the period	At 30 June 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\$0.5 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 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.

As at 30 June 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.

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

As at 30 June 2004, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
New Universe (<i>Note</i>)	Directly beneficial owned	1,020,481,000	68.51
Mr. Xi Yu (<i>Note</i>)	Interest of a controlled corporation	1,020,481,000	68.51

Note: By virtue of Mr. Xi's 81.75% shareholding in New Universe, Mr. Xi is deemed or taken to be interested in 1,020,481,000 shares owned by New Universe, representing approximately 68.51% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2004, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

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 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.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

For the period under review, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and code of conduct regarding directors' securities transactions for the period under review.

AUDIT COMMITTEE

The Group established an audit committee in May 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual, interim 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, Dr. Chan Yan Cheong and Mr. Yuen Kim Hung, Michael. The audit committee has held two meetings during the period and has performed the functions specified in the GEM Listing Rules. The Group's unaudited interim results for the period under review have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group and there were no material adverse affairs in the operation of the Group. During the period under review, no material matters were identified and reported by the Board to the audit committee.

BOARD PRACTICES AND PROCEDURES

In the opinion of the directors, the Company has complied with the requirements of Board Practice and Procedure as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the accounting period covered by the interim report.

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

Hong Kong, 13 August 2004

The Board comprises of Mr. Hua Zhixiang, Mr. Tang Kowk 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.)

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