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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

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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 Rules Governing the Listing of Securities on GEM of The Stock Exchange 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.

HIGHLIGHTS

Turnover for the year ended 31 December 2004 was approximately HK$85,741,000, representing an increase of 22% over the previous year.

Loss attributable to shareholders for the year ended 31 December 2004 was approximately HK$32,814,000, whereas profit attributable to shareholders was approximately HK$11,703,000 in previous year.

The basic loss per share for the year ended 31 December 2004 was HK2.55 cents, whereas earnings per share was HK1.68 cents in previous year.

The Board do not recommend the payment of any dividend for the year ended 31 December 2004.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of New Universe International Group Limited (the "Company"), I hereby present to the shareholders the results announcement of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2004.

BUSINESS REVIEW

The Group has a turnover of HK$85.74 million in 2004 increased by 22% comparing to HK$70.11 million in 2003. The Group made a loss attributable to shareholders of HK$32.81 million in 2004, whereas a net profit of HK$11.70 million was recorded in 2003.

After the completion of the acquisition of Bestwin (China) Limited ("Bestwin") and Suzhou New Universe Tooling and Plastic Limited ("Suzhou Factory") on 2 July 2004, the two 97% owned subsidiaries have contributed turnover of HK$14,921,000 to the Group for the year ended 31 December 2004. Suzhou Factory was operated in relatively lower profit margin in current year that slightly affected the overall profit margin of the Group.

The net loss attributable to shareholders was mainly attributable to loss on revaluation of property, plant and equipment of HK$24,863,000 for the year ended 31 December 2004.

The net asset value of the Group decreased to HK$40.14 million as at 31 December 2004 from HK$52.68 million in the previous year. During the year under review, the Board continued its effort on improving the Group's operations through (i) fundraising exercise, (ii) acquisition of a factory in Suzhou, (iii) effective cost control, (iv) settlement of legal dispute in mainland China and (v) streamlining the business operations.

(i) Fundraising exercise

During the year, the Company raised new equity funding of approximately HK$20.46 million, after expenses, by way of issue of 425.6 million new ordinary shares at a subscription price of HK$0.05 per share on the basis of two rights shares for every five shares then held by the shareholders, of which the transaction was completed on 24 June 2004. Of the HK$20.46 million equity funding raised as aforesaid, approximately HK$16.5 million was applied by the Group for the acquisition of an additional 87% interests of a factory in Suzhou, China, of which the transaction was completed on 2 July 2004, and the balance of HK$3.96 million was being used as general working capital of the Group.

(ii) Acquisition of a factory in Suzhou

With a view to capture business opportunities surrounding Shanghai and the region of Changjiang River Delta, to strengthen the customer network and to enlarge the customer base, on 2 July 2004 the Group acquired ("Acquisition") an additional 87% of the share capital of a limited company, Bestwin in Hong Kong, the sole asset of which is the entire equity interest in the new production facilities of Suzhou Factory at a consideration of HK$16.5 million. The Suzhou Factory is located and operated in Suzhou near Shanghai and in the region of Changjiang River Delta. The property of Suzhou Factory, completed in 2003, comprises six blocks of 1 to 3-storey buildings erected on a site with area of 33,333 square metres and has a total gross floor area of 11,963 square metres. The principal business of the Suzhou Factory is the manufacture and sale of high precision molds and plastic products. 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 plastic products. Upon completion of the Acquisition, Bestwin became a 97% indirectly owned subsidiary of the Company.

(iii) Effective cost control

During the year under review, the Group persisted in its cost control measures and bettered its inventory management. In October 2004, the Company's executive directors have invited management consultant seconded by the Company's ultimate holding company, New Universe Enterprises Limited, (free of charge) to review the operations of the Group's factories and to advise on alternatives for further improvement of cost control and productivity. The preliminary suggestions provided to the top management were found to be useful for reference and further application.

(iv) Settlement of legal dispute in mainland China

The Board considered a rental agreement dated 31 January 2000 and a factory rental agreement dated 9 August 2003 ("Rental Agreements") entered into between Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") and Changan Enterprises General Company ("Changan Enterprises"), and a co-operative joint-venture agreement dated 9 November 1999 to operate Dongguan Smartech as supplemented by a supplemental agreement dated 25 February 2000 ("Joint Venture Agreements") entered in between Smartech Manufacturing Limited ("Smartech Manufacturing") as the foreign partner and Changan Enterprises as the PRC partner were needed to be reviewed and re-negotiated. Since early 2004, Dongguan Smartech has not settled all rentals and fees according to the Rental Agreements and the Joint-Venture Agreements, though all outstanding amounts under those agreements have been accounted for in the Group's financial statements. After series of legal proceedings and applications for arbitration between the Group and Changan Enterprises during the year, the dispute between the Group and Changan Enterprises on the Rental Agreements and the Joint Venture Agreements were finally settled by both parties on 8 December 2004. Pursuant to the settlement agreement entered into between both parties ("Settlement Agreement"), it was agreed, amongst other things, that (i) the mode of operations of Dongguan Smartech shall be changed from co-operative joint venture to foreign investment enterprise solely owned by Smartech Manufacturing, (ii) the original Rental Agreements shall be terminated on 30 November 2004, and (iii) new rental agreement shall be effective from 1 December 2004 at a combined rental of RMB290,000 (approx. HK$273,585) per month. On 14 December 2004, final judgement on arbitration was also issued by The China International Economic and Trade Arbitration Commission, South China Sub Commission, pursuant to which, amongst other things, (i) arbitration judgement was made according to the Settlement Agreement, (ii) Dongguan Smartech was required to settle rentals outstanding from 1 January 2004 to 30 November 2004 at RMB302,763 (approx. HK$285,625) per month totally amounted to RMB3,330,396 (approx. HK$3,141,883), and (iii) Smartech Manufacturing was required to pay compensation for arbitration and legal proceedings to Changan Enterprises of RMB250,000 (approx. HK$235,849) and arbitration application fees of HK$134,120.

On 8 December 2004, a new rental agreement was entered into between Changan Enterprises as leasor and Dongguan Smartech as the leasee, pursuant to which Dongguan was allowed to use a total area of about 21,793 square metres of existing property located at Changan Town Industrial District in Dongguan, China, which comprises the existing two factory buildings with total gross floor area of 16,200 square metres, the dormitory buildings with gross floor area of 4,500 square metres, and equipped facilities with area of 1,093 square metres ("New Rental Agreement"). The New Rental Agreement is effective from 1 December 2004 and to be expired on 30 November 2009 at a monthly rental of RMB290,000 (approx. HK$273,585).

(v) Streamlining the business operations

The Group continues its exercise on streamlining its organizational structure. The Board will confine the Group's resources on further development of its core business. Effort shall be put on enhancing production efficiency, creating new and improved products to meet market demand. The Group has engaged with an independent valuer to assess the value of fixed assets of Dongguan Factory. The Board finally decided to re-assess the value of the Group's property, plant and equipment as of 31 December 2004 to realize loss on revaluation of property, plant and equipment amounted to HK$24.86 million in order to reflect the actual utilization and present conditions of the Group's production facilities in two factories. With the Group's internal resources and the continued support of the Company's ultimate holding company, New Universe Enterprises Limited, plans on enhancing and up keeping the Group's production facilities and capacity are continually underway.

PROSPECTS

The growing interaction between Hong Kong and mainland China signifies the future growth of the Group is increasingly influenced by mainland factors. The mainland China has overtaken the United States as Hong Kong's biggest export market become the dominant force driving the Group to enhance investments in the mainland. Given a business administration and management services platform in Hong Kong, the Group's performance in 2005 and beyond will be closely tied to the continuous betterment of the productivity and technology know-how of Dongguan Factory and the Suzhou Factory.

The Group's mold making facilities in Dongguan Factory and Suzhou Factory contain the latest state-of-the-art mold making equipment and technology. Capabilities include the strong digital designing and building of precision custom production molds, stack molds, over molds, two-shot molds, rapid tooling and prototypes for injection. Using updated design software and high speed machining, we can expedite the complex 3D core and cavity shapes. Our experienced staff can provide sophisticated engineering and design services. The factories' quality systems have to pass periodical internal audits. Quality in-house control of manufacturing of our own molds ensures competitive pricing and reduced lead-times.

In addition, both Dongguan Factory and Suzhou Factory have full range of production capabilities for plastic injection. Color dyeing plastic materials, silkscreen printing and imprinting capabilities are available for all plastic products. "Smart Color" technique using liquid colorants in the plastic materials dyeing has been developed to add value both on resale of plastic materials and production. The production processes are constantly monitored through a variety of testing and gauging techniques to assure the highest quality products and services. From conceptual mold prototype to final plastic product packaging, the Group's facilities provide complete value chain to satisfy customers' need.

In order to strengthen sales performance in the future, the Group has entered into not legally binding letters of intent or legally binding supply agreements with certain major customers for manufacture and assembly of patent plastic products in the future.

During the year under review, over 21% (2003: 36%) of the Group's turnover was export sales to overseas markets, 38% (2003: 37%) of the turnover was sales in Hong Kong, and 41% (2003: 27%) of the turnover was sales in mainland China. The Board believes the existing production facilities situated at Dongguan will continue to strengthen the customer network surrounding the Pearl River Delta, and the new production facilities situated at Suzhou will capture new customer base surrounding the Changjiang River Delta in the mainland China. The Board considers that the two production facilities of the Group are complimentary to each other, and will enhance the overall customer networks in the market of mainland China.

The Board keeps reviewing the market positioning of the Group, and will consider investing on expansion of its capacity and productivity, if necessary. The Board intends to establish a new factory in the Pearl River Delta. Though no legally binding documents in respect of the intended investment have yet been signed, the Board intends to finance the new investment by the Group's internal resources, support of NUEL and the bankers.

We remain confident and optimistic in our future growth that it will better its performance in 2004. The Board is still confident in strengthening the Group to become one of the leaders of tooling and plastic injection business in the Asia Pacific Region.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, and suppliers for their continuing supports and to all employees of the Group for their continuing dedication and efforts throughout the year 2004.

RESULTS

The Board of the Company announces the audited consolidated results of the Group for the year ended 31 December 2004 together with the comparative audited figures for the year ended 31 December 2003 as follows:

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER			
Continuing operations	3	**85,741**	70,106
Cost of sales		**(71,316)**	(52,944)
Gross profit		**14,425**	17,162
Other revenue	3	**4,153**	1,682
Selling and distribution costs		**(5,028)**	(3,946)
Administrative expenses		**(13,259)**	(11,532)
Other operating expenses		**(7,499)**	(2,116)
Revaluation deficit on property, plant and equipment		**(24,863)**	–
Gain on disposal of a subsidiary (Discontinued operation)		**–**	11,060
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	4	**(32,071)**	12,310
Finance costs		**(827)**	(527)
(LOSS)/PROFIT BEFORE TAXATION			
Continuing operations		**(32,898)**	723
Discontinued operation		**–**	11,060
		(32,898)	11,783
Taxation			
Continuing operations	5	**50**	(80)
(LOSS)/PROFIT AFTER TAXATION		**(32,848)**	11,703
Minority interests		**34**	–
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	6	**(32,814)**	11,703
(LOSS)/EARNINGS PER SHARE (cents)	7		
Basic		**(2.55)**	1.68
Diluted		**N/A**	N/A

Note:

1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by HKICPA.

2. SEGMENT INFORMATION

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

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

(a) the mold products segment engages in the manufacture and sale of high precision molds; and

(b) the plastic products segment engages in the manufacture and sale of plastic products.

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

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

(a) Business segments

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

Group

	Continuing operations				**Discontinued operation**			
	Mold products		**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	**46,048**	41,358	**39,693**	28,748	**–**	–	**85,741**	70,106
Other revenue and gains	**1,340**	496	**470**	210	**–**	11,060	**1,810**	11,766
Total	**47,388**	41,854	**40,163**	28,958	**–**	11,060	**87,551**	81,872
Segment results	**(28,880)**	1,113	**4,759**	1,411	**–**	11,060	**24,121**	13,584
Unallocated other revenue and gains							**2,343**	976
Unallocated expenses							**(10,293)**	(2,250)
(Loss)/profit from operating activities							**(32,071)**	12,310
Finance costs							**(827)**	(527)
(Loss)/profit before taxation							**(32,898)**	11,783
Taxation							**50**	(80)
(Loss)/profit before minority interests							**(32,848)**	11,703
Minority interests							**34**	–
Net (loss)/profit from ordinary activities attributable to shareholders							**(32,814)**	11,703

The following tables present certain asset, liability and expenditure information for the Group's business segments.

Group

	Mold products		Plastic products		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	63,850	58,871	27,296	32,063	91,146	90,934
Unallocated assets					5,406	4,930
Total assets					96,552	95,864
Segment liabilities	38,773	21,507	4,112	6,455	42,885	27,962
Unallocated liabilities					12,602	15,225
Total liabilities					55,487	43,187
Other segment information:						
Depreciation	7,231	6,587	2,559	3,221	9,790	9,808
Other non-cash expenses:						
– Revaluation deficit on property, plant and equipment	24,074	–	789	–	24,863	–
– Provision for doubtful debts	2,441	538	–	–	2,441	538
– Capital expenditure	1,857	3,589	569	2,920	2,426	6,509

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		North America*		Japan		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**32,514**	26,154	**34,784**	18,612	**1,457**	15,522	**3,967**	1,608	**13,019**	8,210	**85,741**	70,106
Other revenue	**2,588**	140	**1,565**	566	**–**	–	**–**	–	**–**	–	**4,153**	706
	35,102	26,294	**36,349**	19,178	**1,457**	15,522	**3,967**	1,608	**13,019**	8,210	**89,894**	70,812

	Hong Kong		Mainland China		Others		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*
Other segment information:								
Segment assets	**19,043**	20,640	**77,509**	73,823	**–**	–	**96,552**	94,463
Capital expenditure	**40**	146	**2,426**	6,509	**–**	–	**2,466**	6,655

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

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, less sales returns and discounts. An analysis of turnover, revenue and gains is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Turnover – sale of goods	**85,741**	70,106
Interest income	**36**	12
Exchange gains, net	**34**	184
Sub-contracting income	**239**	–
Scrap sales	**597**	–
Gain on disposal of property, plant and equipment	**68**	–
Bad debts recovery	**280**	–
Rental overprovided in previous years	**970**	–
Overpayment from customers	**333**	–
Sundry income	**1,596**	1,486
Other revenue	**4,153**	1,682
Total	**89,894**	71,788

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2004	2003
	HK$'000	*HK$'000*
Depreciation and amortisation	**10,146**	9,808
Staff costs (exclusive of directors' remuneration):		
Wages and salaries	**17,456**	11,335
Retirement benefits scheme contributions	**141**	109
Less: Forfeited contributions	**–**	(65)
Net retirement benefits scheme contributions	**141**	44
	17,597	11,379
Directors' remuneration	**1,369**	1,460
Minimum lease payments under operating leases in respect of land and buildings	**469**	1,419
Payment for the use of an industrial plant	**3,400**	2,581
Cost of inventories consumed	**70,584**	52,498
Impairment loss on goodwill	**735**	–
Revaluation deficit on, property, plant and equipment	**24,863**	369
Loss on disposal of property, plant and equipment	**–**	369
Specific provision for doubtful and bad debts	**2,441**	538
Provision for obsolete inventories	**1,144**	–

5. TAXATION

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 year. No provision for Hong Kong profits tax had been made in the prior year as the Group had no assessable profits arising in Hong Kong during that year. 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.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Deferred tax (credited)/charged for the year	**(50)**	80

The PRC enterprise income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited, a wholly-owned subsidiary established in mainland China, is 24%.

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe Tooling and Plastic Limited is eligible for a 100% relief from PRC enterprise income tax for the first two years from its first profit-making year of operation and thereafter, it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. However, the subsidiary sustained a loss since incorporation.

A reconciliation of the tax expense applicable to (loss)/profit before taxation 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***	*%*
Loss before taxation	**(18,882)**		**(14,016)**		**(32,898)**	
Tax at the statutory/applicable tax rates	**(3,304)**	**17.5**	**(1,870)**	**13.3***	**(5,174)**	**15.7***
Income not subject to tax	**(14)**		**–**		**(14)**	
Expenses not deductible for tax	**3,327**		**1,870**		**5,197**	
Tax losses utilised from previous periods	**(59)**		**–**		**(59)**	
Tax charge at the Group's effective rate	**(50)**	**–**	**–**	**–**	**(50)**	**–**

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	13,053		(1,270)		11,783	
Tax at the statutory/applicable tax rates	2,284	17.5	(305)	24.0	1,979	16.8 *
Effect on opening deferred tax of increase in tax rate	13		–		13	
Income not subject to tax	(1,962)		–		(1,962)	
Expenses not deductible for tax	1,349		305		1,654	
Tax losses utilised from previous periods	(1,604)		–		(1,604)	
Tax charge at the Group's effective rate	80	0.6	–	–	80	0.7

* *Representing effective tax rate*

6. NET LOSS/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The Group recorded a net loss from ordinary activities attributable to shareholders of HK$32.81 million for the year ended 31 December 2004, whereas a net profit of HK$11.7 million was recorded for the year 2003.

7. LOSS/EARNINGS PER SHARE

The calculation of basic loss (2003: earnings) per share is based on the net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 of HK$32,814,000 (2003: net profit of HK$11,703,000), and the weighted average of 1,286,102,732 (2003: 696,569,863) ordinary shares in issue during the year.

Diluted loss/earnings per share for the years ended 31 December 2004 and 2003 have not been presented as the effect of any dilution is anti-dilutive.

8. RESERVES

Group

	Share premium account *HK$'000*	Exchange fluctuation reserve *HK$'000*	Contributed surplus (note) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2003	30,373	601	31,929	(73,422)	(10,519)
Share issue expenses	(1,707)	–	–	–	(1,707)
Net profit for the year	–	–	–	11,703	11,703
At 31 December 2003 and 1 January 2004	28,666	601	31,929	(61,719)	(523)
Translation differences arising on consolidation of an overseas subsidiary	–	(185)	–	–	(185)
Share issue expenses	(819)	–	–	–	(819)
Net loss for the year	–	–	–	(32,814)	(32,814)
At 31 December 2004	**27,847**	**416**	**31,929**	**(94,533)**	**(34,341)**

Company

	Share premium account *HK$'000*	Contributed surplus (note) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2003	30,373	58,078	(99,848)	(11,397)
Share issue expenses	(1,707)	–	–	(1,707)
At 31 December 2003 and 1 January 2004	28,666	58,078	(99,848)	(13,104)
Share issue expenses	(819)	–	–	(819)
Net loss for the year	–	–	(681)	(681)
At 31 December 2004	**27,847**	**58,078**	**(100,529)**	**(14,604)**

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.

9. RELATED PARTY TRANSACTIONS

During the year, the Group purchased raw materials amounted to HK$6,480,964 (2003: HK$2,026,575) from a related company of which Mr. Xi Yu, an executive director of the Company, is a director and beneficial shareholder. The Group also sold goods amounted to HK$4,245,814 (2003: HK$Nil) to another related company of which Mr. Xi Yu is also a director. The board of director considers that the sales and purchases with the related parties was transacted at arm's length basis and on normal commercial terms similar to those offered to other independent third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

A turnover of HK$85.74 million was recorded for the year ended 31 December 2004, representing an increase of 22% from HK$70.11 million in last year. The gross profit of the Group for the year ended 31 December 2004 decreased by 16% to HK$14.42 million compared to corresponding period in 2003 of HK$17.16 million. The increment in turnover while decline in gross profit margin was primarily attributable to the completion of the acquisition of Suzhou New Universe Tooling and Plastic Limited that was operated in relatively lower profit margin as a strategy to strengthen customer base in the region of Changjiang River Delta.

The Group's selling and distribution costs increased by 27% to HK$5.03 million for the year ended 31 December 2004 as compared to HK$3.95 million in last year, but it was maintained at approximately 6% to the turnover of the Group.

The administrative expenses increased by 15% to HK$13.26 million for the year ended 31 December 2004 as compared to HK$11.53 million in last year, but the ratio of the administrative expenses was maintained at approximately 16% to turnover of the Group.

The other operating expenses increased significantly to HK$7.5 million for the year ended 31 December 2004 as compared to HK$2.12 million in last year. The increase in other operating cost in current year is mainly attributable to specific provision for doubful and bad debts at HK$2.4 million, provision for obsolete inventories of HK$1.1 million and legal fees of HK$1.6 million in respect of the rental dispute of Dongguan Smartech. During the year, the Board re-assessed the value and utilization of the Group's production facilities and revaluation deficit on the Group's property, plant and equipment amounted to HK$24.86 million was changed to the consolidation income statement for the current year. After the re-assessment of the current conditions of the fixed assets of the whole Group, the Group's commitment to ensure quality management and upkeep of its productivity remained unchanged.

The Group's loss from continuing operating activities in current year was HK$32.07 million as compared to profit from continuing operating activities HK$0.7 million in 2003. The overall losses for the current year was mainly attributable to (i) reduced gross profit margin of the Group in current year, (ii) significant loss on revaluation of the Group's property, plant and equipment, (iii) specific provision for doubtful and bad debts, and (iv) provision for obsolete inventories.

Employees

As at 31 December 2004, the Group employed 763 (2003: 557) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as work-in-progress was HK$17.46 million (2003: HK$11.34 million) for the year ended 31 December 2004. Employees' remuneration is in accordance with individual's responsibility and performance and remains competitive prevailing market rates with other fringe benefits such as discretionary bonus, medical insurance, mandatory provident fund, share options and necessary training and development.

Liquidity, financial resources and gearing ratio

The Group generally financed its operations and investing activities with internally generated cash flows and trade facilities granted by a banker.

As at 31 December 2004, the Group had total cash and bank balances of approximately HK$12.88 million. The Group had outstanding borrowings of approximately HK$16.43 million, comprising trust receipt loans of approximately of HK0.28 million, clean import loans of approximately of HK$2.78 million, secured short-term bank loans of approximately HK$8.46 million, finances lease payables of approximately HK$1.4 million, and unsecured interest-free shareholder's loan of approximately HK$3.51 million. Out of the total indebtedness, approximately HK$12.26 million is repayable within one year. The gearing ratio was 138% as at 31 December 2004, representing total liabilities of HK$55.49 million divided by capital employed of HK$40.14 million.

Capital structure

During the year, the Company raised equity funding of approximately HK$20.46 million, after expenses, by way of issue of 425.6 million new ordinary shares at a subscription price of HK$0.05 per share on the basis of 2 rights shares for every 5 shares then held by the shareholders, of which the exercise was completed on 24 June 2004. Except for the aforementioned and an increase in the Group's short term bank borrowings by HK$6,185,000 to HK$11,515,000 and the shareholder's loan of HK$3,510,000 granted by the ultimate holding company in current year, there was no other changes in the capital structure of the Group as at 31 December 2004 as compared with that of last year.

Acquisition of subsidiaries

During the year, the Group acquired additional 87% of the issued share capital of Bestwin and the entire interest of shareholders' loan in the sum of HK$1,046,403.74 at a cash consideration of HK$16.5 million. Prior to the completion of the acquisition on 2 July 2004, the Group owned 10% of the issued share capital of Bestwin. Thereafter the completion, Bestwin became a 97% indirectly-owned subsidiary of the Group. The sole asset of Bestwin is the 100% equity interest in Suzhou New Universe Tooling and Plastic Limited (蘇州新宇模具塑膠有限公司) in Suzhou, China.

Charges on the Group's assets

At 31 December 2004, the Group pledged the land use rights with a carrying value of HK$2,154,000 (2003: Nil) and property, plant and equipment with a carrying value of HK$8,491,000 to a bank to secure banking facilities to the extent of HK$8,458,000 granted to the Group.

Exposure to exchange rate fluctuations

During the year ended 31 December 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

There was no significant contingent liabilities of the Group as at 31 December 2004 (2003: Nil). At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements relating to corporate guarantees on liabilities of a subsidiary in respect of obligations under finance leases amounted to HK$1,302,000 (2003: HK$4,670,000).

DIVIDENDS

The board of directors of the Company does not recommend any final dividend for the year ended 31 December 2004 (2003: Nil).

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 year.

CONNECTED TRANSACTIONS

On 30 November 2004, New Universe Enterprises Limited, the Company's substantial shareholder, granted an unsecured interest-free loan of US$450,000 (approximately HK$3,510,000) to the Group's subsidiary, Bestwin (China) Limited. The loan is repayable on 31 December 2006. The Board considered the financial assistance provided by NUEL was an exempted transaction under the GEM Listing Rules.

COMPETING INTERESTS

None of the directors or the management shareholders (as defined in GEM Listing Rules) of the Company had any interest in a business which competed or might compete with the business of the Group during the year and up to the date of this report.

AUDIT COMMITTEE

The audit committee has three members comprising three Independent Non-Executive Directors, Dr. CHAN Yan Cheong (Chairman), Mr. YUEN Kim Hung, Michael, and Mr. HO Yau Hong, Alfred.

During the year, the audit committee held four meetings and performed the following duties:

1. reviewed and commented on the Company's annual report, half-yearly report and quarterly reports;

2. reviewed and commented on the Company's internal control system;

3. met with external auditors and discussed certain financial matters of the Company arose during the course of the audits for the year ended 31 December 2004; and

4. participated in the appointment and assessment of the performance of the external auditors.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 of the GEM Listing Rules throughout the accounting period covered by this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules concerning securities transactions by directors of the Company throughout the accounting period covered by this annual report and all directors have complied with the required standard of dealings set out therein.

On behalf of the Board
New Universe International Group Limited
XI Yu
Chairman

Hong Kong, 29 March 2005

As at the date of this announcement, the Board comprises of Mr. XI Yu and Mr. TANG Kwok Yuen, who are the executive directors of the Company; Dr. CHAN Yau Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, who are the independent non-executive directors of the Company.

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

* *For identification purpose only*