



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)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“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 report 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 report misleading; and*
- 3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2005 was approximately HK\$29.02 million decreased by 2.0% as compared with the previous corresponding period in 2004.
- Gross profit margin for the six months ended 30 June 2005 was 20.9% declined from 24.3% for the previous corresponding period in 2004.
- Net loss attributable to the equity holders for the six months ended 30 June 2005 was approximately HK\$580,000 and improved from net loss of HK\$1,296,000 for the previous corresponding period in 2004.
- Loss per share of the Group was HK cents 0.04 for the six months ended 30 June 2005 as compared to loss per share of HK cents 0.12 in previous corresponding period in 2004.

BUSINESS REVIEW

Half year overview

Turnover of the Group in the first half year of 2005 was HK\$29.02 million, of which 74.4% representing sales of molding products and 25.6% representing sales of plastic products, as compared to 54% and 46% respectively for the whole year of 2004. In current period, the overall performance of the Group remained steady with fine downward adjustments in the operation of Dongguan SmarTech Tooling & Plastics Limited (“Dongguan SmarTech”). In order to minimize seasonal factors that would affect the two core business lines of the Group, the Group considers strengthening the existing production by injection of new machineries to the factories, and re-positioning the Group’s strength of manufacturing injection molded plastic products and injection molds at more competitive pricing.

Streamline of operations

During the period under review, new members have been invited to join the Company’s board of directors to refresh and reinforce the strength of the Group’s top management. The Group continued its effort on streamline of its organizational structure by reviewing existing tasks and works of all existing staff and finalizing their pay increments. In June 2005, the Group has started to upgrade its existing ERP system to a new ERP system (Epicor® Vantage® 8.00). The Group considers that the new ERP system will streamline the process of turning orders into actual works, enabling the Group’s plants to manufacture and ship complex molds on the short lead times demanded by customers. In July 2005, consultants have started undertaking operation review of workflows for Dongguan SmarTech. By implementing the new system, lean manufacturing system will be introduced to the Group that it is expected materials will move smoothly from value-added operations to value-added operations, labour will work constantly by adding value to products, and machine will run in a more productive manner according to customers’ requirement. The product lifecycle management module of the new ERP system acquired will also provide space for enhancing new product development and engineering change management of the Group in the future.

Performance of two plants in Mainland China

In the first half of 2005, sales orders processed by Dongguan SmarTech were at similar level to the corresponding period in last year, but the order pricing has been strategically adjusted and total sales were decreased accordingly during the period under review. Dongguan SmarTech has been currently accepted as approved vendor of various renowned customers, such as, Rubbermaid and Flextronics. The top management of Dongguan SmarTech considered that production capacity of the plant were quite stable to cope with the new challenge.

Suzhou New Universe Tooling and Plastic Limited (“Suzhou New Universe”) has confined its effort to tooling production in the first half of 2005. The tooling business of Suzhou New Universe has expanded steadily in current period. Currently, Suzhou New Universe has also been accepted as approved vendor of various renowned customers, such as, Visteon. The top management of Suzhou New Universe considered that the plant’s performance is expected to grow steadily in current year.

Investments and finance

The Group's plan on establishing a new plant in Pearl River delta has been underway. Feasibility studies on the choices of different locations have been discussed, but the final decision has been deferred pending internal adjustments of Dongguan SmarTech to be completed and repositioning exercise to be finalised. There is no legally binding documents in respect of the intended investment being signed, and the Board intends to finance the investment by the Group's own internal resources, the support of the Group's ultimate holding company, New Universe Enterprises Limited, and the bankers.

Outlook

Besides taking up new tooling projects, the Group has also cooperated with certain major customers for manufacture and assembly of patent plastic products. In order to strengthen sales performance and foreign customer base, the Group is still in negotiation with local and overseas sourcing agents, and intends to establish long-range co-operative relation with buyers in the plastic molding industry. The Group remains confident and optimistic in its future growth and has a vision to be one of the best corporations in the plastic molding industry in the Asian Pacific Region.

FINANCIAL REVIEW

Half year results

Turnover of the Group for six months ended 30 June 2005 was HK\$29,024,000 representing a decrease of 2.0% from HK\$29,621,000 in the first half of last year. Two plants of the Group in Dongguan and Suzhou have contributed with 77.0% and 23.0% respectively of the Group's turnover in the first six months of 2005. The gross profit of the Group for six months ended 30 June 2005 decreased by 15.7% to HK\$6,071,000 as compared to the corresponding period in 2004 of HK\$7,199,000. Owing to increase in prices of raw materials, gross profit margin was declined to 20.9% for first six months of 2005 as compared to last corresponding period of 24.3%. Net loss for first six months of 2005 was HK\$580,000 decreased from last corresponding period of HK\$1,296,000.

The Group's selling and distribution expenses decreased by 2.3% to HK\$1,966,000 for the six months ended 30 June 2005, representing 6.8% to the Group's turnover in the current period, as compared to HK\$2,013,000 for the first half of last year, which representing 6.8% to the turnover for last corresponding period.

The Group's administrative expenses increased by 9.4% to HK\$6,408,000 for the six months ended 30 June 2005, representing 22.1% to the Group's turnover in the current period, as compared to HK\$5,858,000 for the first half of last year, which representing 19.8% to the turnover for last corresponding period.

The Group's other operating expenses increased by 3.3% to HK\$1,163,000 for the six months ended 30 June 2005, representing 4.0% to the Group's turnover in the current period, as compared to HK\$1,126,000 for the first half of last year, which representing 3.8% to the turnover for last corresponding period.

The increases in the Group's total expenses for the current period were mainly due to the consolidation of the results of Suzhou New Universe to the Group since its controlling interest being acquired by the Group in July 2004. In 2005, the Group persists in ensuring its quality management and upkeep of its productivity and efficiency. The Group shall continue its effort on cost control and inventory management in the coming seasons.

The Group's net loss attributable to equity holders for the six months ended 30 June 2005 was HK\$580,000 as compared to loss of HK\$1,296,000 in the first six months of 2004. Loss per share was Hong Kong cents 0.04 for the first half year of 2005 as compared to loss per share of Hong Kong cents 0.12 for last corresponding period.

The Group's earnings arising from operating activities before interest, taxes, depreciation and amortization ("EBITDA") was HK\$3,563,000 in current period, and EBITDA was HK\$3,419,000 for last corresponding period in 2004.

Liquidity and financial resources

The Group's liquidity position has improved during first quarter of 2005 and slightly tightened during second quarter of 2005 to reduce trade payables. In current period, the Group financed its operations and investing activities with internally generated cash flows, banking facilities, and short term revolving bank loans.

As at 30 June 2005, the Group had total cash and bank balances of HK\$3.99 million. The Group had outstanding borrowings of approximately HK\$18.69 million, comprising unsecured trust receipt loans of HK\$0.01 million, unsecured import loan of HK\$3.43 million, secured bank loans of HK\$3.77 million, unsecured bank loans of HK\$4.72 million, finances lease payables of HK\$3.25 million and unsecured interest-free shareholder's loans of HK\$3.51 million. Out of the total indebtedness, approximately HK\$13.71 million is repayable within one year.

Gearing ratio

The gearing ratio was 117% as at 30 June 2005 (31 December 2004: 135%), representing total liabilities of HK\$47.74 million (31 December 2004: HK\$55.49 million) divided by total equity of HK\$40.64 million (31 December 2004: HK\$41.07 million).

Capital structure

There was no material change in the capital structure of the Company for the six months ended 30 June 2005.

Material acquisition and disposals of subsidiaries

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2005.

Employee information

As at 30 June 2005, the Group had 689 (30 June 2004: 595) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as inventory was HK\$7.1 million for the six months ended 30 June 2005 (30 June 2004: HK\$7.1 million). Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

Charges on Group assets

As at 30 June 2005, the Group pledged the land use rights with a carrying value of HK\$2.14 million (31 December 2004: HK\$2.15 million), and property, plant and equipment with carrying value of HK\$8.42 million (31 December 2004: HK\$8.49 million) to a bank in Mainland China to secure banking facilities to the extent of HK\$3.77 million (31 December 2004: HK\$8.46 million) granted to the Group. As at 30 June 2005, the Group's property, plant and equipment with carrying value of HK\$3.99 million (31 December 2004: 1.39 million) were held under finance leases amounted to HK\$3.25 million (31 December 2004: HK\$1.40 million).

Exposure to exchange rate fluctuations

During the period ended 30 June 2005, 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. The Group also considered that the expected appreciation of Renminbi in the Mainland China in the coming seasons would not significantly affect the Group's performance.

Contingent liabilities

There was no significant contingent liabilities of the Group as at 30 June 2005 (31 December 2004: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2005 (2004: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the interests and short positions of the directors and the Company and their associates 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”)) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

(1) Long positions in shares of the Company

Name of director	Number of ordinary shares			Total	% of shares in issue
	Personal interest	Family interest	Corporate interest		
XI Yu (“Mr. XI”)*	–	–	1,020,481,000	1,020,481,000	68.51

Notes:

- * Mr. XI is the beneficial owner of 16,732 shares of US\$1.00 each in New Universe Enterprises Limited (“NUEL”), representing 83.66% of the issued share capital of NUEL, which, in turn holds 1,020,481,000 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

(2) Long positions in shares of an associated company, NUEL

Name of director	Number of ordinary shares			Total	% of shares in issue
	Personal interest	Family interest	Corporate interest		
CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14

Save as disclosed above and the interests of a director in share options of the Company as disclosed in the section headed “Share Option Schemes” below, as at 30 June 2005, none of the directors of the Company and their associates 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 entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to required standards of dealings by Directors under the GEM Listing Rules.

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 2005 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 of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a pre-IPO share option plan (“Pre-IPO Plan”) and a share option scheme adopted by the Company’s shareholders on 10 December 2003 (“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.

(1) 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. 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. Share options do not confer rights on the holders to dividends or to vote at shareholder meetings. 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. No share options have been granted nor exercised under the Pre-IPO Plan during the period and up to the date of approval of this report. During the six months ended 30 June 2005, the Company had 8,000,000 share options outstanding under the Pre-IPO Plan granted, but the outstanding share options have not been exercised before it lapsed on 3 May 2005. The details of outstanding share options under the Pre-IPO Plan during the period was set out as follows:

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 2005	Lapsed during the period	At 30 June 2005				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

[#] Mr. TANG Kwok Yuen resigned as the Company’s director with effect from 30 April 2005.

* 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.

(2) 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 report.

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

As at 30 June 2005, 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:

Long positions in shares of the Company

Name	Number of ordinary shares			Total	% of shares in issue
	Personal interest	Family interest	Corporate interest		
NUEL	1,020,481,000	–	–	1,020,481,000	68.51
Mr. XI	–	–	1,020,481,000	1,020,481,000	68.51

Save as disclosed above, as at 30 June 2005, 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.

DIRECTOR'S INTERESTS IN CONTRACTS

During the six months ended 30 June 2005, the Group purchased raw materials amounting to HK\$230,000 from a related company, China (HK) Chemical & Plastics Co. Limited ("China HK Chemical"). The Company's directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of China HK Chemical. The Board considered that the aforementioned purchases were in the ordinary and usual course of business of the Group and were transacted on normal commercial terms no less favourable to the Group than those available from other independent third parties.

Save for the aforementioned, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

The Group did not have transaction with connected parties as defined in the GEM Listing Rules during the period ended 30 June 2005.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2005, 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 ON CORPORATE GOVERNANCE PRACTICES

None of the Company's directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 in relation to the accounting period covered by the interim report. The Directors have complied with, and there has no non-compliance with, the required standard of dealings and the code of conduct regarding directors' securities transactions, as supported by specific enquiry made of all Directors of the Company.

AUDIT COMMITTEE

The Company's audit committee has been established since May 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules, which is chaired by an independent non-executive director, currently comprising three independent non-executive directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. During the six months ended 30 June 2005, the audit committee has held three meetings and has performed the following duties:

- (1) reviewed and commented on the Company's annual report for the year ended 31 December 2004;
- (2) reviewed and commented on the unaudited consolidated first quarterly results of the Group for the three months ended 31 March 2005;
- (3) reviewed and commented on the unaudited consolidated interim results of the Group for the six months ended 30 June 2005; and
- (4) reviewed and commented on the internal control and financial reporting procedures of the Group, and other matters in compliance with the GEM Listing Rules.

NOMINATION COMMITTEE

The Company's nomination committee was established during the period with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company. The current members of the nomination committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

REMUNERATION COMMITTEE

The Company's remuneration committee was established during the period with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company. The current members of the remuneration committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

By order of the Board
New Universe International Group Limited
XI Yu
Chairman

Hong Kong, 8 August 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 30 June		Six months ended 30 June	
		2005 Unaudited HK\$'000	2004 Unaudited HK\$'000	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Turnover	4	14,193	15,321	29,024	29,621
Cost of sales		<u>(11,349)</u>	<u>(12,688)</u>	<u>(22,953)</u>	<u>(22,422)</u>
Gross profit		2,844	2,633	6,071	7,199
Other revenue and gains	4	751	399	3,253	799
Selling and distribution expenses		(859)	(1,149)	(1,966)	(2,013)
Administrative expenses		(3,064)	(2,841)	(6,408)	(5,858)
Other operating expenses		(428)	(608)	(1,163)	(1,126)
Operating loss	5	(756)	(1,566)	(213)	(999)
Finance costs		<u>(193)</u>	<u>(142)</u>	<u>(367)</u>	<u>(297)</u>
Loss before tax		(949)	(1,708)	(580)	(1,296)
Income tax expense	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period		<u>(949)</u>	<u>(1,708)</u>	<u>(580)</u>	<u>(1,296)</u>
Attributable to:					
Equity holders of the Company		(949)	(1,708)	(580)	(1,296)
Minority interest		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>(949)</u>	<u>(1,708)</u>	<u>(580)</u>	<u>(1,296)</u>
Dividends		<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Loss per share for loss attributable to the equity holders of the Company during the periods (expressed in HK cents per share)					
Basic	7	<u>(0.06)</u>	<u>(0.16)</u>	<u>(0.04)</u>	<u>(0.12)</u>
Diluted	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	46,737	47,159
Land use rights	9	2,140	2,154
		<u>48,877</u>	<u>49,313</u>
Current assets			
Inventories		23,987	21,377
Trade receivables	10	8,284	9,721
Prepayments, deposits and other receivables		1,645	1,658
Tax recoverable		1,599	1,599
Cash and cash equivalents		3,989	12,884
		<u>39,504</u>	<u>47,239</u>
Total assets		<u>88,381</u>	<u>96,552</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	74,480	74,480
Reserves		(34,765)	(34,341)
		<u>39,715</u>	<u>40,139</u>
Minority interest		<u>926</u>	<u>926</u>
Total equity		<u>40,641</u>	<u>41,065</u>
LIABILITIES			
Non-current liabilities			
Shareholder's loans, unsecured	12	3,510	3,510
Finance lease payables	13	1,464	655
Deferred income tax liabilities	14	930	930
		<u>5,904</u>	<u>5,095</u>
Current liabilities			
Trade and bills payables	15	9,391	14,177
Accrued liabilities and other payables		4,541	8,970
Finance lease payables	13	1,782	749
Interest-bearing bank borrowings	16	11,929	11,515
Deposits received		14,193	14,478
Due to a director	17	–	503
		<u>41,836</u>	<u>50,392</u>
Total liabilities		<u>47,740</u>	<u>55,487</u>
Total equity and liabilities		<u>88,381</u>	<u>96,552</u>
Net current liabilities		<u>2,332</u>	<u>3,153</u>
Total assets less current liabilities		<u>46,545</u>	<u>46,160</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus (Note) HK\$'000	Accumulated losses HK\$'000	Minority interest HK\$'000	
	At 1 January 2004	53,200	28,666	601	31,929	(61,719)	
Issue of Rights Shares	21,280	(819)	–	–	–	–	20,461
Net loss for the period	–	–	–	–	(1,296)	–	(1,296)
At 30 June 2004	74,480	27,847	601	31,929	(63,015)	–	71,842

	Attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus (Note) HK\$'000	Accumulated losses HK\$'000	Minority interest HK\$'000	
	At 1 January 2005	74,480	27,847	416	31,929	(94,533)	
Translation differences arising on consolidation of an overseas subsidiary	–	–	156	–	–	–	156
Net loss for the period	–	–	–	–	(580)	–	(580)
At 30 June 2005	74,480	27,847	572	31,929	(95,113)	926	40,641

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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,439)	(190)
Net cash used in investing activities	(3,297)	(17,114)
Net cash generated from financing activities	1,874	15,531
Net decrease in cash and cash equivalents	(8,862)	(1,773)
Cash and cash equivalents at beginning of period	12,884	9,102
Exchange losses on cash and cash equivalents	(33)	–
Cash and cash equivalents at end of period	<u>3,989</u>	<u>7,329</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>3,989</u>	<u>7,329</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation and accounting policies

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of high precision molds and plastic products.

In the opinion of the Directors, the ultimate holding company of the Company is New Universe Enterprises Limited, which is incorporated in the British Virgin Islands.

(a) Basis of preparation

This unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements of the Company.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note (1) (b) below.

(b) Change in accounting policies

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employees Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets

The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 34, 36, 37, and 38 did not result in substantial changes to the Group's accounting policies.

In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity.
- HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 34, 36, 37, and 38 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(c) *Going concern basis*

As at 30 June 2005, the Group had net current liabilities of HK\$2,332,000 (31 December 2004: HK\$3,153,000). The Directors of the Company have prepared the financial statements on a going concern basis that the Group would be able to meet the debts as and when they fall due and will have sufficient working capital to carry on its business for the foreseeable future.

(2) The Independent Accountants' Review Report

The Independent Accountants have reviewed the unaudited interim financial statements for the six months ended 30 June 2005 which does not constitute an audit. On the basis of their review, the Independent Accountants are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30 June 2005.

(3) Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment. During the current and prior periods, there were no inter-segment transactions.

(a) Business segments

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

	Mold products		Six months ended 30 June		Plastic products		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	21,604	16,488	7,420	13,133	29,024	29,621		
Other revenue	453	655	162	140	615	795		
Total	22,057	17,143	7,582	13,273	29,639	30,416		
Segment expenses	(24,962)	(19,593)	(7,528)	(11,826)	(32,490)	(31,419)		
Segment results	(2,905)	(2,450)	54	1,447	(2,851)	(1,003)		
Unallocated other revenue					2,638	4		
Operating loss					(213)	(999)		
Finance costs					(367)	(297)		
Loss before tax					(580)	(1,296)		
Income tax expense					-	-		
Loss for the period					(580)	(1,296)		

(b) *Geographical segments*

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

	Sales to external customers		Other revenue	
	Six months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	9,068	14,075	512	407
Mainland China	11,167	6,689	617	392
European Union*	7,749	7,323	–	–
North America **	672	1,527	–	–
Others	368	7	2,124	–
	<u>29,024</u>	<u>29,621</u>	<u>3,253</u>	<u>799</u>

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

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

(4) **Turnover and revenue**

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

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Turnover – sale of goods	<u>29,024</u>	<u>29,621</u>
Interest income	11	4
Exchange losses, net	(100)	(32)
Waiver of a director's remuneration	503	–
Gain on deregistration of subsidiaries	2,124	–
Gain on disposal of property, plant and equipment	–	64
Over-provision for doubtful debts	–	398
Sundry income	<u>715</u>	<u>365</u>
Other revenue and gains	<u>3,253</u>	<u>799</u>
Total	<u><u>32,277</u></u>	<u><u>30,420</u></u>

(5) **Operating loss**

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Charging		
Depreciation	3,753	5,004
Amortisation of land use rights	23	–
Cost of inventory consumed	<u>22,953</u>	<u>22,422</u>

(6) **Income 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 and in the previous corresponding period and in 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 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.

A reconciliation of the income 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 income tax expense at the effective tax rates is as follows:

30 June 2005

	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(loss) before tax	<u>(1,238)</u>		<u>658</u>		<u>(580)</u>	
Tax at the statutory/applicable tax rate	(217)	(17.5)	158	24.0*	(59)	(10.2)*
Income not subject to tax	–		(158)		(158)	
Expenses not deductible for tax	318		–		318	
Tax losses utilised from previous periods	<u>(101)</u>		<u>–</u>		<u>(101)</u>	
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

30 June 2004

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	1,252		(2,548)		(1,296)	
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	(785)		–		(785)	
Tax charge at the Group's effective rate	–	–	–	–	–	–

* representing effective tax rate

(7) Loss per share

The calculation of basic loss (2004: loss) per share is based on the net loss for the six months ended 30 June 2005 of HK\$580,000 (2004: net loss of HK\$1,296,000) and for the three months ended 30 June 2005 of HK\$949,000 (2004: net loss of HK\$1,708,000) and the weighted average of 1,489,600,000 and 1,489,600,000 (2004: 1,080,369,231 and 1,096,738,462) ordinary shares in issue during the periods respectively.

No diluted earnings/loss per share for the period ended 30 June 2005 has been presented, as there was no dilutive potential ordinary shares. Diluted earnings/loss per share for the period ended 30 June 2004 had not been presented as the effect of any dilution is anti-dilutive.

(8) Property, plant and equipment

	HK\$'000
Net book value as at 1 January 2005	47,159
Additions	3,308
Disposals	(402)
Depreciation	
– charge for the period	(3,753)
– written back	245
Exchange adjustments	180
Net book value as at 30 June 2005	46,737

(9) Land use rights

	HK\$'000
Net book value as at 1 January 2005	2,154
Amortisation	(23)
Exchange adjustments	9
Net book value as at 30 June 2005	2,140

(10) 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 2005 and 31 December 2004, based on invoice date and net of provisions, are as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 1 month	3,759	3,162
1 to 2 months	2,080	1,636
2 to 3 months	1,579	1,603
Over 3 months	866	3,320
	<u>8,284</u>	<u>9,721</u>

(11) Share capital

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Authorised: 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 ordinary shares of HK\$0.05 each	<u>74,480</u>	<u>74,480</u>

(12) Shareholder's loans, unsecured

The shareholder's loans from NUEL are unsecured, interest-free and repayable on 31 December 2006. The loans constituted as connected transactions and, in the opinion of the Directors, were exempted transactions under the GEM Listing Rules.

(13) Finance lease payables

The Group leases certain of its plant and machinery. These leases are classified as finance leases and have remaining lease terms ranging from less than one year to three years.

At 30 June 2005, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Amounts payable:				
Within one year	1,898	837	1,782	749
In the second year	1,485	643	1,453	641
In the third to fifth years, inclusive	14	17	11	14
Total minimum finance lease payments	3,397	1,497	3,246	1,404
Future finance charges	(151)	(93)		
Total net finance lease payables	3,246	1,404		
Portion classified as current liabilities	(1,782)	(749)		
Long term portion	1,464	655		

(14) Deferred income tax liabilities

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Deferred income tax liabilities	930	930

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

At 30 June 2005, the Group has tax losses arising in Hong Kong of HK\$9,482,000 (31 December 2004: HK\$10,062,000) 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 2005, there is no significant unrecognised deferred tax liability (31 December 2004: 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) Trade and bills payables

An aged analysis of the trade and bills payables as at 30 June 2005 and 31 December 2004, based on invoice date, are as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 1 month	3,915	2,814
1 to 2 months	1,758	2,983
2 to 3 months	928	2,071
Over 3 months	2,790	6,309
	<u>9,391</u>	<u>14,177</u>

(16) Interest-bearing bank borrowings

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Bank loans – secured	3,774	6,538
Bank loans – unsecured	4,717	4,699
Import loans – unsecured	3,425	–
Trust receipt loans – unsecured	13	278
	<u>11,929</u>	<u>11,515</u>

Amounts due within one year classified as current liabilities

At the balance sheet dates, all the above bank loans, import loans and trust receipt loans were payable within one year. The import loans and trust receipt loans were secured by (i) a corporate guarantee from China (HK) Chemical of which Mr. XI and Ms. CHEUNG Siu Ling, executive directors of the Company, are directors; and (ii) personal guarantee from Mr. XI. The secured bank loans were secured by land use rights, building and factory of a subsidiary in Mainland China.

(17) Due to a director

The amount due to a director of the Company was unsecured and interest-free. The amount due has been waived unconditionally by the director upon his resignation in April 2005.

(18) Commitments

At the balance sheet date, the Group had the following commitments:

(a) Capital commitment

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Contracted for but not provided for in the financial statements	<u>–</u>	<u>2,814</u>

(b) *Operating lease arrangement*

The Group leases its office premises and an industrial plant in Mainland China under operating lease arrangements. Leases for the office premises are negotiated for terms ranging from one to three years. Lease for the industrial plant in Mainland China is negotiated for a term of 5 years commencing 1 December 2004.

At 30 June 2005, the Group has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within one year	3,571	3,694
In the second to fifth years, inclusive	11,681	13,678
	<u>15,252</u>	<u>17,372</u>

(19) Related party transactions

- (a) During the period ended 30 June 2005, the Group purchased raw materials amounted to HK\$230,000 (period ended 30 June 2004: Nil) from China (HK) Chemical. Being executive directors of the Company, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of China HK Chemical.
- (b) As at 30 June 2005, shareholders' loan due to NUEL are disclosed in note 12 to the interim financial statements.

GENERAL INFORMATION

The Group's unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and by the Company's auditors, CCIF CPA Limited, in accordance with SAS700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. The auditors' independent review report will be included in the Interim Report to shareholders.

The Board as of the date of this announcement comprises of Mr. XI Yu, Ms. CHEUNG Siu Ling and Ms. KUNG May Lan, who are the executive directors of the Company; Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, who are the independent non-executive directors of the Company.