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New Universe International Group Limited

新宇國際實業(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8068)

**SETTLEMENT OF SUBSCRIPTION MONEY
AND USE OF PROCEEDS
IN RELATION TO
RIGHTS ISSUE OF 1,042,720,000 RIGHTS SHARES
AT HK\$0.10 PER RIGHTS SHARE
ON THE BASIS OF SEVEN RIGHTS SHARES FOR
EVERY ADJUSTED SHARE HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION**

The subscription money of HK\$71,433,670 payable by the Controlling Shareholder for its pro rata entitlement to 714,336,700 Rights Shares under the Rights Issue shall be set-off against and deducted in the amount of HK\$46,124,400 from the amount due from the Company to the Controlling Shareholder under the Shareholder's Loans and the balance of HK\$25,309,270 shall be paid by the Controlling Shareholder in cash.

The Shareholder's Loans in the amount of HK\$46,124,400 has been applied to pay up the initial capital contributions of the WFOEs for the purpose of the Investment and working capital purposes of the Group. The net cash proceeds from the Rights Issue after the related expenses will be applied as to approximately HK\$48.10 million to finance the Investment and as to approximately HK\$8.78 million as working capital purposes of the Group. As such, proceeds from the Rights Issue has been and will be used as to approximately HK\$90 million to finance the Investment (including the approximately HK\$41.9 million capital contributions financed by the Shareholder's Loans) and as to approximately HK\$13 million for working capital purposes of the Group (including the approximately HK\$4.22 million financed by the Shareholder's Loans).

Reference is made to the announcements of the Company dated 3 August 2006, 25 August 2006, 11 December 2006 and 18 December 2006 respectively and the circular of the Company dated 25 August 2006 (the "Circular"). Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Circular.

It is stated in the Circular that net proceeds from the Rights Issue in the amount of approximately HK\$103 million will be applied as to approximately HK\$90 million to finance the Investment and as to approximately HK\$13 million as working capital purposes of the Group.

As at the date of this announcement, the Controlling Shareholder is interested in 102,048,100 Adjusted Shares, representing approximately 68.51% of the issued share capital of the Company. Pursuant to the Undertaking Letter, the Controlling Shareholder has irrevocably undertaken to subscribe for its pro-rata entitlement to 714,336,700 Rights Shares under the Rights Issue.

The subscription money of HK\$71,433,670 payable by the Controlling Shareholder for its pro rata entitlement to 714,336,700 Rights Shares under the Rights Issue shall be set-off against and deducted in the amount of HK\$46,124,400 from the amount due from the Company to the Controlling Shareholder under the aggregated unsecured interest free loans in the amount of HK\$46,124,400 as at the date of this announcement granted by the Controlling Shareholder to the Group pursuant to the loan agreements dated 30 August 2006, 18 September 2006, 15 November 2006, 1 December 2006, and 6 December 2006 and 18 December 2006, respectively (the “Shareholder’s Loans”, details of which will be set out in the Prospectus), and the balance of HK\$25,309,270 shall be paid by the Controlling Shareholder in cash.

As 15% of the registered capital of the WFOEs established for the purpose of the Investment (as detailed in the Circular) shall be paid by the Company within three months after the issuance of the business license of the WFOEs on 25 August 2006, the Controlling Shareholder agreed to provide shareholder’s loans to finance the 15% capital contributions of the WFOEs. The amount of HK\$41,904,000 of the Shareholder’s Loans has been applied by the Group to pay up the initial capital contributions of the WFOEs and the amount of HK\$4,220,400 of the Shareholder’s Loans (which provided by the Controlling Shareholder subsequent to 25 August 2006 and up to the date of this announcement) have been applied by the Group for working capital purposes of the Group. Taking into account of the capital contributions and the working capital of the Group financed by the Shareholder’s Loans, the net proceeds from the Rights Issue has been and will be applied as to approximately HK\$90 million to finance the Investment (including the approximately HK\$41.9 million capital contributions financed by the Shareholder’s Loans) and as to approximately HK\$13 million for working capital purposes of the Group (including the approximately HK\$4.22 million financed by the Shareholder’s Loans).

The Directors (including the independent non-executive Directors) will authorize and approve the capitalization of the Shareholder’s Loans on a dollar for dollar basis and the application of the capitalized amount for the purpose of settling the subscription monies due from the Controlling Shareholder under the Rights Issue. The Directors (including the independent non-executive Directors) are of the view that (i) the capitalization of the Shareholder’s Loans to settle the subscription monies due from the Controlling Shareholder under the Rights Issue on a dollar for dollar basis is a valid settlement of the subscription monies; (ii) the Rights Issue and the underwriting arrangement have been duly approved by the Independent Shareholders at the EGM and the resolutions in relation thereto remained valid; and (iii) there is in substance no change in the use of proceeds from the Rights Issue.

The Company is advised by its legal adviser on Hong Kong laws that: (i) at the EGM held on 18 September 2006, the Shareholders approved, among other things, by way of ordinary resolution, the resolutions in relation to the Rights Issue. The contents of the Circular and the notice of EGM dated 25 August 2006, in particular the disclosure as to the then intended use of proceeds, was not reproduced or referred to in the proposed resolutions in relation to the Rights Issue and did not form part of the resolutions in relation to the Rights Issue; (ii) under the terms and conditions of the loan agreements governing the Shareholder’s Loans, which are payable on demand, settlement of the Shareholder’s Loans by setting off amounts due to the

Company from the Controlling Shareholder is an acceptable form of repayment of the Shareholder's Loans; and (iii) with the Directors' authorization and approval of the capitalization of the Shareholder's Loans for settling the amount of subscription monies on a dollar for dollar basis, the application of the capitalized amount of the Shareholder's Loans to settle the subscription monies due from the Controlling Shareholder under the Rights Issue is a valid and legal mean to pay for the subscription monies due under the Rights Issue and no other approvals are required.

Based on (1) pursuant to the legal opinion issued by the Company's legal adviser, with the Directors' authorization and approval of the capitalization of the Shareholder's Loans for settling the amount of subscription monies on a dollar for dollar basis, the application of the capitalized amount of the Shareholder's Loans to settle the subscription monies due from the Controlling Shareholder under the Rights Issue is a valid and legal means to pay for the subscription monies due under the Rights Issue and no other approvals are required; and (2) there is in substance no change in the use of proceeds from the Rights Issue, First Shanghai Capital Limited, the independent financial adviser of the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, considered that the application of the capitalized amount for the purpose of settling the subscription monies due from the Controlling Shareholder under the Rights Issue is acceptable.

By Order of the Board
New Universe International Group Limited
KUNG May Lan
Managing Director

Hong Kong, 22 December 2006

As at the date of this announcement, the Board comprises Mr. XI Yu, Ms. KUNG May Lan, Ms. CHEUNG Siu Ling and Mr. HON Wa Fai as executive Directors; Mr. SUEN Ki as non-executive Director and Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (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.*

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