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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

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

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This announcement, for which the directors (“Director”) of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (“Company”) 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 (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, 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

- The Group's turnover was HK\$68,099,000 in 2006 (2005: HK\$60,442,000)
- The Group's other income was HK\$1,882,000 in 2006 (2005: HK\$5,838,000)
- Loss attributable to equity holders of the Company increased to HK\$11,210,000 (2005: HK\$5,683,000)
- Basic loss per share for loss attributable to equity holders of the Company for the year was HK\$0.0621 (2005 as restated: HK\$0.0315)
- Total equity was HK\$24,487,000 at 31 December 2006 (2005: HK\$36,832,000)

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I present the results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2006.

For the year 2006, both turnover and gross profit of the Group improved, whereas the turnover and gross profit has increased respectively by 12.7% to approximately HK\$68,099,000 (2005: approximately HK\$60,442,000) and by 14.4% to approximately HK\$11,803,000 (2005: approximately HK\$10,313,000). However, the loss attributable to equity holders of the Company has increased to HK\$11,210,000 (2005: approximately HK\$5,683,000).

With the experience of another challenging year 2006, the following vision and missions have motivated the Group to improve continuously in the future:

Vision

To exceed expectations of customers, shareholders, employees, and suppliers by provision of effective, efficient and high quality management, and thus become a profitable organisation and the best mold supplier.

Missions

To ensure customers' goals are met and business with customers and suppliers is conducted in an efficient and effective manner.

To ensure working and production environment is maintained at a high quality and environmentally sound manner.

To sustain growth by business diversification.

BUSINESS REVIEW

Overview

The Group's core business sustained growth in terms of sales in 2006. Overall production flows on mold making and plastics injection were smooth and efficient. Sales of mold products and plastic products represented 76.5% and 23.5% respectively of the Group's turnover for the year ended 31 December 2006, as compared to 77.9% and 22.1% respectively in 2005.

Quality Control

The Board is committed to enhance quality control of its existing production facilities. Planning, assessments and training to gain certification to ISO/TS16949 standard are underway for the Group's subsidiaries in the Mainland China, Dongguan Smartech Tooling & Plastics Limited ("Dongguan Smartech") and Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe").

Performance of Smartech

Dongguan Smartech is a 100% owned injection molds and plastics manufacturer of the Group situated at the Pearl River Delta, Mainland China. As the key vendor and manufacturer of its foreign investor, Smartech Manufacturing Limited (“HK Smartech”), Dongguan Smartech sells its products both locally in the Mainland China and through HK Smartech to the overseas customers. HK Smartech and Dongguan Smartech (collectively referred to as “Smartech”) are wholly owned subsidiaries of the Group, which has recorded total turnover for the year ended 31 December 2006 of HK\$48,058,000 representing an increase of 7.0% as compared to 2005. Smartech with its core competence on plastic injection molds for domestic appliance, office equipment, medical equipment, automobile parts and kiddy wares restored its growth in terms of sales in 2006. Production lead-time and overall efficiency have improved after certain old machineries having been replaced during the year.

Performance of Suzhou New Universe

Suzhou New Universe is a 97% owned manufacturer of the Group situated at Changjiang River Delta, Mainland China. Suzhou New Universe manufactures and sells injection molds both locally and overseas, which has also launched plastics injection production since third quarter of 2006. Turnover of Suzhou New Universe for the year ended 31 December 2006 was HK\$20,041,000 representing an increase of 29.0% as compared to 2005. Suzhou New Universe with its core competence on production of automobile parts and office equipment maintained stable growth in terms of sales in 2006.

Capital Re-organisation of the Company

On 8 December 2006, the Cayman Islands Court approved the capital re-organisation of the Company which became fully effective on 18 December 2006 (“Capital Re-organisation”). The Capital Re-organisation involved share consolidation, capital reduction, cancellation of share premium and share subdivision respectively on the then share capital of the Company. The Directors believed that completion of the Capital Re-organisation would provide better flexibility to the Company in conducting fund raising exercises for future expansion and would allow the Company to pay dividend when it makes profit in the future.

Investments and finance

During the year, the Group has incurred total capital expenditure amounted to HK\$5,505,000, which were mainly for enhancing productivity of the two factories in the Mainland China by replacing certain old machineries of Dongguan Smartech and purchase of new machineries for Suzhou New Universe.

In January 2006, the Company has purchased a German made high speed milling machine with standard spindle speed at 42,000 rpm (“Machinery”) at EUR205,000 (equivalent approximately to HK\$2,034,000) which constituted a discloseable transaction of the Company under the GEM Listing Rules. The Machinery was originally planned for the use of Dongguan Smartech; but in June 2006, the Board decided to deliver the Machinery to Suzhou New Universe for enhancing its mold-making precision and productivity.

On 18 July 2006, a co-operative agreement (“Co-operative Agreement”) was entered into between the Company and the China parties (comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to a property investment and development project to establish wholly foreign owned enterprises in Mainland China with total registered capital of USD25,000,000 (equivalent approximately to HK\$194,000,000) (“Docks Project”) to undertake construction of dock infrastructure and operation and development of dock and depot facilities in a parcel of vacant land with site area of around 3,100 mu (equivalent to approximately 2,066,665 sq. m.) in the Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China. The Co-operative Agreement constituted a very substantial acquisition of the Company under the GEM Listing Rules. At an extraordinary general meeting of the Company held on 18 September 2006 (“EGM”), the implementation of the Co-operative Agreement and the Docks Project was approved by the Company’s shareholders. To finance the Docks Project, the Company was granted interest free loans in an aggregate of USD5,400,000 (equivalent approximately to HK\$41,904,000) (“Shareholder’s Project Loans”) from the Company’s controlling shareholder, New Universe Enterprises Limited (“NUEL”) up to 31 December 2006. Pursuant to the Co-operative Agreement, the Company injected the entire proceeds of the Shareholder’s Project Loans as initial capital contributions into two newly established wholly foreign owned enterprises in Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司). On 28 September 2006, New Universe International (Zhenjiang) Port Company Limited has made payment of RMB20,000,000 (equivalent approximately to HK\$19,324,000) to the Zhenjiang Jingkou local authority as deposit for the development of the Docks Project. The construction feasibility studies are still underway as of the date of this results announcement. The Company has obtained a letter of intent from a bank in the Mainland China which indicated its intention to finance the Docks Project subject to the approval by the relevant authorities. In addition, a related company, China (HK) Chemical & Plastics Co. Limited also agreed to provide financial support to the Docks Project.

Subsequent to the year-end date on 19 January 2007, the Company completed a fund raising exercise by rights issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 each on the basis of seven rights shares for every share held on 28 December 2006 (“Rights Issue”). The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK\$103,000,000, but the amount of cash received by the Company from the Rights Issue was approximately HK\$56,880,000; as the amount of HK\$46,124,400 payable by the Company’s controlling shareholder, NUEL, was being capitalised and offset on a dollar-to-dollar basis against interest free shareholder’s loans (including the aforementioned Shareholder’s Project Loans) granted to the Company.

PROSPECTS

The business environment for mold making and plastics industries has been competitive in recent years. Improvement in overall performance of the Group in the future will be closely tied to (i) the continuous betterment of the productivity, engineering technology and quality control of Group, (ii) feasible business plan to sustain growth and diversification to be implemented, and (iii) acquiring profitable opportunities to the Group.

The Group's mold making facilities in Dongguan Smartech and Suzhou New Universe contain the latest state-of-the-art mold making equipment and technology. The Group's engineering and production teams provide design services, sophisticated engineering and project management. In-process quality control on manufacturing of our own molds and plastics ensures competitive pricing and reduced lead-time. From conceptual prototype to final product packaging and shipment, the Group's facilities provide complete value chain to satisfy customers' need.

With the existing production facilities in Dongguan Smartech and Suzhou New Universe, the Group is expected to strengthen its customer network on mold making and plastics industries surrounding both the Pearl River Delta and the Changjiang River Delta in the Mainland China. The Board considers Dongguan Smartech and Suzhou New Universe are complimentary to each other. On the other hand, the Group has also set up an experienced management team to facilitate the implementation of the Project for developing port and warehouses in Zhenjiang, Mainland China. The Board remains confident in sustainable growth of the Group in the future and that the Group's performance will be better in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover was HK\$68,099,000 for the year ended 31 December 2006, reflecting an increase of 12.7% from HK\$60,442,000 for last year. Two factories of the Group in Dongguan Smartech and Suzhou New Universe contributed 70.6% and 29.4% respectively to the Group's turnover in 2006. The gross profit of the Group in 2006 increased by 14.4% to HK\$11,803,000 as compared to HK\$10,313,000 in 2005. With tight control on production cost in current year, gross profit margin was kept at 17.3% in 2006 as compared to last year of 17.1%.

The Group's selling and distribution costs decreased by 3.5% to HK\$5,306,000 in current year, representing 7.8% to the Group's turnover in 2006, as compared to HK\$5,499,000 in last year that representing 9.1% to the turnover in 2005. The current decrease in selling and distribution expenses was mainly attributable to decrease in expenses for after sales services during the year.

The Group's administrative expenses increased by 8.0% to HK\$13,271,000 in current year, representing 19.5% to the Group's turnover in 2006, as compared to HK\$12,292,000 in last year that representing 20.3% to the turnover in 2005. The current increase in administrative expenses was mainly attributable to increases in administrative staff costs and staff welfare of the Group in Mainland China during the year.

The Group's other operating expenses slightly decreased to HK\$5,884,000 in current year, representing 8.6% to the Group's turnover in 2006, as compared to HK\$4,180,000 in last year that representing 6.9% to the turnover in 2005. The current increase in other operating expenses was mainly attributable to increases in repairs and maintenance costs, provision for impairment losses on inventories and trade receivables during the year.

The total finance costs of the Group increased by 31.9% to HK\$1,046,000 in 2006 as compared to HK\$793,000 in 2005. The increase was mainly attributable to increase in interest on import loans for financing extended lead-time of certain projects and increase in interest rate during 2006.

The Group's net loss attributable to equity holders for the year ended 31 December 2006 was approximately HK\$11,210,000 as compared to loss of HK\$5,683,000 in 2005. Basic loss per share was Hong Kong cents 6.21 for the year 2006 as compared to basic loss per share (as restated) of Hong Kong cents 3.15 for last year. The increase in net loss in current year was mainly attributable to the decrease in other revenue and increase in other operating expenses in 2006.

Segment results

Sales distribution by business and geographical area has changed slightly during the year under review. The sales distribution by mold products and plastic products was 76.5% and 23.5% respectively. The sales distribution for Mainland China (excluding Hong Kong and Taiwan), Hong Kong, European countries, North America and others (including Taiwan) was 28.5%, 11.5%, 35.0%, 9.3% and 15.7% respectively.

Net profit/loss from ordinary activities attributable to equity holders

The Group made a loss from ordinary activities attributable to equity holders of HK\$11,210,000 for the year ended 31 December 2006, whereas the loss for the year 2005 was HK\$5,683,000.

Employee information

As at 31 December 2006, the Group employed 603 (2005: 661) full-time employees both in Hong Kong and the Mainland China.

Total staff and labour costs of the Group (excluding directors' remuneration but including amount capitalized as inventory) was HK\$15,970,000 for the year ended 31 December 2006, a 3.7% decrease from HK\$16,580,000 for 2005. The decrease was mainly attributable to reduction in headcount of two factories in Mainland China during the year.

Employees' remuneration packages were structured in commensurate with individual's responsibility, qualifications, experience and performance and remained competitive prevailing the markets rates. The Group provided other fringe benefits such as discretionary bonus, medical insurance, mandatory provident fund, share options and necessary training and development. The Group has provided management skills workshops, practical seminars for knowledge update and on-the-job training to its employees during the year. The Group has a share option scheme in force but no share option was granted during the year under review.

Liquidity and financial resources

The Group operates with conservative treasury policies to avoid risky investments and to minimize interest-bearing borrowings. In current year, the Group financed its operation activities with internally generated cash flows, banking facilities, short term revolving bank loans, and financial support of NUEL.

As at 31 December 2006, the Group had total cash and bank balances of HK\$29,155,000 (2005: HK\$12,953,000) and had total outstanding borrowings of approximately HK\$78,578,000 (2005: HK\$25,339,000) as follows:

- (i) secured bank borrowings of approximately HK\$8,695,000 (2005: HK\$8,111,000);
- (ii) unsecured bank borrowings of approximately HK\$7,515,000 (2005: HK\$4,808,000);
- (iii) finance lease payables of approximately HK\$601,000 (2005: HK\$2,368,000);
- (iv) non-interest bearing loan from a related company, China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical"), of approximately HK\$2,000,000 (2005: Nil); and
- (v) non-interest bearing loans from the Company's controlling shareholder, NUEL, of approximately HK\$59,767,000 (2005: HK\$10,052,000).

Out of the total outstanding borrowings as at 31 December 2006, approximately HK\$21,064,000 (2005: HK\$14,687,000) was repayable within one year.

Gearing ratio

As at 31 December 2006, the Group's gearing ratio was 80.7% (2005: 59.7%), representing total liabilities of HK\$102,621,000 (2005: HK\$54,464,000) divided by total assets of HK\$127,108,000 (2005: HK\$91,296,000).

Capital structure

On 8 December 2006, the Cayman Islands Court approved the Capital Re-organisation of the Company that became fully effective on 18 December 2006. Upon the Capital Re-organisation became effective, share capital of the Company were undergone changes as follows:

(i) Share consolidation

Immediately following the share consolidation became effective, the 1,489,600,000 shares of HK\$0.05 each at par then in issue were consolidated into 148,960,000 shares of HK\$0.50 each at par of the Company. The authorised share capital of the Company remained at HK\$1,000,000,000 comprised 2,000,000,000 consolidated shares of HK\$0.50 each.

(ii) Capital reduction and share premium cancellation

When the capital reduction became effective, it involved a reduction of the nominal value of the consolidated shares from HK\$0.50 per consolidated share to HK\$0.01 per adjusted share by reducing the paid up capital to the extent of HK\$0.49 on each of the then issued consolidated shares that gave rise to a total credit of HK\$72,990,400 based on the 148,960,000 consolidated shares then in issue.

The share premium cancellation involved the cancellation of the entire amount of approximately HK\$27,847,000 standing to the credit of the share premium account of the Company as at 31 December 2005.

The credits of approximately HK\$100,837,000 arising from the capital reduction and the share premium cancellation were credited as distributable reserve account of the Company. The distributable reserve account of the Company were increased to approximately HK\$158,915,000 after the balance of the contributed surplus of the Company of approximately HK\$58,078,000 as at 31 December 2005 was transferred to the distributable reserve account.

The whole balance of the distributable reserve account of the Company amounted to approximately HK\$158,915,000 was set off against the accumulated losses of the Company as at 31 December 2005 of approximately HK\$100,837,000 and might be applied in such manner as permitted by, and subject to, the laws of Cayman Islands and the articles of association of the Company.

(iii) Share subdivision

Each of the total of 1,851,040,000 then authorised but unissued consolidated shares were subdivided into 99,851,040,000 unissued adjusted shares.

Upon completion of the Capital Re-organisation of the Company on 18 December 2006, the authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 adjusted shares of HK\$0.01 each, and the issued share capital was HK\$1,489,600 divided into 148,960,000 adjusted shares of HK\$0.01 each.

Save as disclosed, there was no other material change in the capital structure of the Company for the year ended 31 December 2006.

Material acquisition and disposals of subsidiaries

On 18 July 2006, a Co-operative Agreement was entered into between the Company and the China parties (comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to the Project in the Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China that wholly foreign owned enterprises in Mainland China (“WFOEs”) with total registered capital of USD25,000,000 (equivalent approximately to HK\$194,000,000) were established. The Co-operative Agreement constituted a very substantial acquisition of the Company under the GEM Listing Rules. At an EGM of the Company held on 18 September 2006, the implementation of the Co-operative Agreement and the Project was approved by the Company’s shareholders. Pursuant to the Co-operative Agreement, two WFOEs were established in Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) with registered capital of USD15,000,000 and USD10,000,000 respectively.

Save as disclosed, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2006.

Charges on Group assets

As at 31 December 2006, the Group pledged its interest in leasehold land under operating lease in the Mainland China with a carrying value of HK\$2,122,000 (2005: HK\$2,158,000), and property, plant and equipment with carrying value of HK\$8,092,000 (2005: HK\$8,460,000) to a bank in Mainland China to secure bank borrowings to the extent of RMB9,000,000 or equivalent to HK\$8,696,000 (2005: HK\$8,654,000) granted to the Group.

Exposure to exchange rate fluctuations

During the year ended 31 December 2006, the Group experienced minimal fluctuation on exchange rates as the Group's business was conducted and most of its monetary assets and liabilities were denominated in Hong Kong Dollars, United States Dollars and Chinese Renminbi Yuan. Though Chinese Renminbi Yuan has been appreciated throughout the year 2006 relative to both Hong Kong Dollars and United States Dollars, the appreciation mainly captured slight decrease in translation reserves arising on equity investments in Mainland China and increase in loss on exchange arising on conversion of trade receipts in United States Dollars and Hong Kong Dollars to settle manufacturing costs denominated in Chinese Renminbi Yuan. The Group considered that as the exchange rate risk of the Group was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2006 (2005: Nil).

CONSOLIDATED INCOME STATEMENT

The audited consolidated results of the Group for the year ended 31 December 2006 together with the comparative figures for the corresponding year are as follows:

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	2	68,099	60,442
Cost of sales		<u>(56,296)</u>	<u>(50,129)</u>
Gross profit		11,803	10,313
Other income	2	1,882	5,838
Selling and distribution costs		(5,306)	(5,499)
Administrative expenses		(13,271)	(12,292)
Other operating expenses		<u>(5,884)</u>	<u>(4,180)</u>
Loss from operations	3	(10,776)	(5,820)
Finance costs	4	<u>(1,046)</u>	<u>(793)</u>
Loss before income tax		(11,822)	(6,613)
Income tax	5	<u>–</u>	<u>930</u>
Loss for the year		<u>(11,822)</u>	<u>(5,683)</u>
Attributable to:			
Equity holders of the Company		(11,210)	(5,683)
Minority interests		<u>(612)</u>	<u>–</u>
		<u>(11,822)</u>	<u>(5,683)</u>
Dividends	6	<u>–</u>	<u>–</u>
Loss per share			
for loss attributable to the equity holders of the Company <i>(expressed in HK cents per share)</i>			(Restated)
Basic	7	<u>(6.21)</u>	<u>(3.15)</u>
Diluted	7	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		At 31 December	
		2006	2005
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		42,450	44,957
Land lease prepayments		2,076	2,112
Deposits paid for docks development		19,324	–
Docks development costs		3,617	–
		<u>67,467</u>	<u>47,069</u>
Current assets			
Inventories		17,925	22,558
Trade and bills receivables	8	9,439	7,162
Prepayments, deposits and other receivables		3,076	1,508
Land lease prepayments		46	46
Tax recoverable		–	–
Cash and cash equivalents		29,155	12,953
		<u>59,641</u>	<u>44,227</u>
Total assets		<u>127,108</u>	<u>91,296</u>
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings		16,210	12,919
Trade and bills payables	9	5,796	9,571
Deposits received		13,754	14,982
Accrued liabilities and other payables		4,493	4,572
Obligations under finance leases		592	1,768
Amount due to a related company		2,000	–
Shareholder's loans		2,262	–
		<u>45,107</u>	<u>43,812</u>
Net current assets		<u>14,534</u>	<u>415</u>
Total assets less current liabilities		<u>82,001</u>	<u>47,484</u>
Non-current liabilities			
Obligations under finance leases		9	600
Shareholder's loans		57,505	10,052
Deferred taxation		–	–
		<u>57,514</u>	<u>10,652</u>
Total liabilities		<u>102,621</u>	<u>54,464</u>
Net assets		<u>24,487</u>	<u>36,832</u>

CONSOLIDATED BALANCE SHEET

		At 31 December	
		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	10	1,490	74,480
Reserves/(Deficit)	11	22,697	(38,574)
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		24,187	35,906
Minority interests		300	926
		<hr/>	<hr/>
Total equity		24,487	36,832
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

Statement of compliance

These financial statements of the Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2006. The adoption of new/revised HKFRSs did not result in substantial changes to the Group’s accounting policies.

HKAS 19 (Amendment)	Employee benefits – actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of change in foreign exchange rate – net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HK(IFRIC) – Int 4	Determining whether an arrangement contains a lease

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments – disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS 2 – group and treasury share transactions

2. TURNOVER AND OTHER INCOME

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover (<i>note 12</i>)	<u>68,099</u>	<u>60,442</u>
Other income		
Interest income	64	23
Gain on fair value of shareholder's loans	126	720
Waiver of a director's remuneration	–	503
Net gain on deregistration of subsidiaries*	–	2,220
Scrap sales	1,093	768
Net gain on disposal of property, plant and equipment	59	–
Bad debts recovery**	–	1,006
Sundry income	<u>540</u>	<u>598</u>
	<u>1,882</u>	<u>5,838</u>
Total	<u><u>69,981</u></u>	<u><u>66,280</u></u>

* During the year ended 31 December 2005, the following wholly-owned subsidiaries were deregistered or deemed to be deregistered in their place of incorporation that resulted in net gain on their deregistration:

- (i) Bring Close Limited
- (ii) Famous Twinkle Limited
- (iii) Money Linkage Limited
- (iv) I-System Technology Limited
- (iv) SSSHot.com Limited

** Being included in bad debts recovery, distributions of CAD143,000 (equivalent approximately to HK\$956,000) were received during the year ended 31 December 2005 upon the completion of voluntary liquidation of two wholly-owned subsidiaries in Canada, Smartech Manufacturing Limited and Smartech Limited, which had been resolved to liquidation since 23 September 2002.

3. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Staff costs (exclusive of directors' remuneration disclosed in note 7):		
<i>Retirement costs</i>		
Contributions to retirement benefits schemes	84	98
Less: Forfeited contributions	<u>–</u>	<u>–</u>
Net retirement benefits scheme contributions	84	98
Salaries, wages and other benefits	16,331	16,479
	16,415	16,577
Other items		
Amortisation of land lease prepayments	46	46
Depreciation		
– owned assets	7,507	7,517
– assets held under finance leases	261	249
Net loss on disposal of property, plant and equipment	–	157
Net foreign exchange loss	432	187
Impairment loss of inventories	2,759	1,013
Provision for impairment loss of trade receivables	954	–
Auditors' remuneration	438	395
Operating lease charges: minimum lease payments		
– hire of properties	288	357
– hire of an industrial plant	3,362	3,346
Cost of inventories consumed	53,537	49,116

4. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest expense on:		
Bank loans wholly repayable within five years	549	487
Bank import loans wholly repayable within five years	397	166
Finance charges on obligations under finance leases	100	128
Others	—	12
	<u>1,046</u>	<u>793</u>

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<i>Current tax – Hong Kong Profits Tax</i>		
Provision for the year	—	—
Under/(over)-provision in respect of prior years	—	—
	<u>—</u>	<u>—</u>
<i>Current tax – Overseas</i>		
Provision for the year	—	—
Under/(over)-provision in respect of prior years	—	—
	<u>—</u>	<u>—</u>
<i>Deferred taxation credit</i>		
Origination and reversal of temporary differences	—	930
	<u>—</u>	<u>930</u>

The provision for Hong Kong profits tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. 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.

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, a wholly-owned subsidiary established in Mainland China, is 15%.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe, New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited are eligible for a 100% relief from PRC enterprise income tax for the first two years from their first profit-making year of operation and thereafter, they will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

Reconciliation between tax expense and accounting profit at statutory/applicable tax rates:

Group – 2006

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	<u>(3,212)</u>		<u>(8,610)</u>		<u>(11,822)</u>	
Tax at the statutory/applicable tax rates	(562)	17.5	(1,292)	15.0*	(1,854)	15.7*
Income not subject to tax	(353)		–		(353)	
Expenses not deductible for tax	1,536		1,292		2,828	
Tax losses not recognised as deferred tax asset	<u>(621)</u>		<u>–</u>		<u>(621)</u>	
Tax credit at the Group's effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Group – 2005

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	<u>(1,410)</u>		<u>(5,203)</u>		<u>(6,613)</u>	
Tax at the statutory/applicable tax rates	(247)	17.5	(780)	15.0*	(1,027)	15.5*
Income not subject to tax	(315)		–		(315)	
Expenses not deductible for tax	50		780		830	
Tax losses not recognised as deferred tax asset	<u>(418)</u>		<u>–</u>		<u>(418)</u>	
Tax credit at the Group's effective rate	<u>(930)</u>	<u>66.0*</u>	<u>–</u>	<u>–</u>	<u>(930)</u>	<u>14.1*</u>

* representing effective tax rate

Deferred tax assets not recognised:

At 31 December 2006, the Group has unused tax losses of HK\$18,051,000 (2005: HK\$14,435,000) available for offsetting against future taxable profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

Deferred tax liabilities not recognised:

At 31 December 2006, there is no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries 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 be reversed in the foreseeable future.

6. DIVIDEND

The Board of Directors of the Company does not recommended the payment of any dividend for the year ended 31 December 2006 (2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss (2005: loss) per share is based on the loss from ordinary activities attributable to equity holders for the year ended 31 December 2006 of HK\$11,210,000 (2005: loss of HK\$5,683,000), and the weighted average of 180,557,576 (2005: 180,557,576 as restated due to a share consolidation of every ten shares of the Company into one share which was completed on 18 December 2006, and adjusted to reflect the Rights Issue in January 2007) ordinary shares in issue during the year, as adjusted to reflect the Rights Issue in January 2007.

Diluted loss per share for the years ended 31 December 2006 and 2005 have not been presented as the effect of any dilution is anti-dilutive.

8. TRADE AND BILLS RECEIVABLES

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

An ageing analysis of the trade and bills receivables net of provision for impairment loss as at the balance sheet date, based on invoice date is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 1 month	3,630	2,663
1 to 2 months	2,728	2,114
2 to 3 months	1,673	335
Over 3 months	1,408	2,050
	<u>9,439</u>	<u>7,162</u>

9. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 1 month	1,606	2,323
1 to 2 months	1,316	1,215
2 to 3 months	681	1,965
Over 3 months	2,193	4,068
	<u>5,796</u>	<u>9,571</u>

10. SHARE CAPITAL

	Number of Ordinary shares	Nominal Value <i>HK\$'000</i>
Authorised:		
As at 31 December 2005 and 1 January 2006, ordinary shares of HK\$0.05 each	20,000,000,000	1,000,000
Share consolidation (<i>note 10(i)</i>)	(18,000,000,000)	–
Share subdivision (<i>note 10(iii)</i>)	98,000,000,000	–
	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
As at 31 December 2005 and 1 January 2006, ordinary shares of HK\$0.05 each	1,489,600,000	74,480
Share consolidation (<i>note 10(i)</i>)	(1,340,640,000)	–
Capital reduction (<i>note 10(ii)</i>)	–	(72,990)
	<u>148,960,000</u>	<u>1,490</u>

10. SHARE CAPITAL (*Continued*)

During the year, the proposed Capital Re-organisation was approved by the shareholders of the Company on 18 September 2006 and thereafter the following changes in share capital of the Company took place after the Capital Re-organisation became fully effective on 18 December 2006:

- (i) a share consolidation under which every ten of the authorised shares (both issued and unissued) of HK\$0.05 each was consolidated into one share of HK\$0.50 each;
- (ii) a reduction of HK\$72,990,400 on the Company's issued share capital was effected by reducing the nominal value of the 148,960,000 consolidated shares of HK\$0.50 each to HK\$0.01 each;
- (iii) a share subdivision under which each of the total 1,851,040,000 authorised but unissued consolidated shares of HK\$0.50 each was subdivided to make up total 99,851,040,000 shares of HK\$0.01 each;
- (iv) the amount of capital reduction mentioned in item (ii) totalling HK\$72,990,400 was transferred to distributable reserve account;
- (v) the share premium account of the Company carried forwarded as of 31 December 2005 of approximately HK\$27,847,000 was cancelled and transferred to distributable reserve account;
- (vi) the contributed surplus of the Company carried forwarded as of 31 December 2005 of approximately HK\$58,078,000 was cancelled and transferred to distributable reserve account; and
- (vii) the accumulated losses of the Company as of 31 December 2005 of approximately HK\$100,837,000 was set off against part of the distributable reserve account with credit effected by the transfers as mentioned in items (iii), (iv) and (v) above.

11. RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Minority Interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	27,847	416	31,929	-	(94,533)	(34,341)	926	(33,415)
Translation differences arising on consolidation of overseas subsidiaries	-	1,450	-	-	-	1,450	-	1,450
Net loss for the year	-	-	-	-	(5,683)	(5,683)	-	(5,683)
At 31 December 2005 and 1 January 2006	27,847	1,866	31,929	-	(100,216)	(38,574)	926	(37,648)
Capital reduction	-	-	-	72,990	-	72,990	-	72,990
Cancellation of share premium and contributed surplus	(27,847)	-	(31,929)	59,776	-	-	-	-
Transfers	-	-	-	(100,837)	100,837	-	-	-
Translation differences arising on consolidation of overseas subsidiaries	-	(509)	-	-	-	(509)	(14)	(523)
Net loss for the year	-	-	-	-	(11,210)	(11,210)	(612)	(11,822)
At 31 December 2006	-	1,357	-	31,929	(10,589)	22,697	300	22,997

12. SEGMENT REPORTING

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

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 Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. 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.

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

	Mold products		Plastic products		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	52,084	47,108	16,015	13,334	68,099	60,442
Other income	706	1,787	840	251	1,546	2,038
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>52,790</u>	<u>48,895</u>	<u>16,855</u>	<u>13,585</u>	<u>69,645</u>	<u>62,480</u>
Segment results	(3,742)	238	(389)	(3,180)	(4,131)	(2,942)
Unallocated other income					336	3,800
Unallocated expenses					(6,981)	(6,678)
					<u> </u>	<u> </u>
Loss from operations					(10,776)	(5,820)
Finance costs					(1,046)	(793)
					<u> </u>	<u> </u>
Loss before taxation					(11,822)	(6,613)
Income tax					-	930
					<u> </u>	<u> </u>
Loss after taxation					<u>(11,822)</u>	<u>(5,683)</u>

12. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

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

	Mold products		Plastic products		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment assets	73,533	68,675	23,293	16,033	96,826	84,708
Unallocated assets					30,282	6,588
Total assets					127,108	91,296
Segment liabilities	30,728	35,934	1,592	2,798	32,320	38,732
Unallocated liabilities					70,301	15,732
Total liabilities					102,621	54,464
Other segment information:						
Depreciation and amortization	3,916	5,571	3,898	2,241	7,814	7,812
Provision for impairment loss of trade receivables	900	–	54	–	954	–
Capital expenditure	4,604	4,532	901	114	5,505	4,646

12. SEGMENT REPORTING (Continued)

(b) Geographical segments

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

	Hong Kong		Mainland China		North America		Europe		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	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	7,833	18,293	19,415	20,683	6,336	2,883	23,853	13,241	10,662	5,342	68,099	60,442
Other income	359	1,559	1,523	1,153	-	-	-	-	-	3,126	1,882	5,838
	<u>8,192</u>	<u>19,852</u>	<u>20,938</u>	<u>21,836</u>	<u>6,336</u>	<u>2,883</u>	<u>23,853</u>	<u>13,241</u>	<u>10,662</u>	<u>8,468</u>	<u>69,981</u>	<u>66,280</u>

	Hong Kong		Mainland China		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Segment assets	13,226	13,194	113,882	78,102	-	-	127,108	91,296
Capital expenditure	<u>47</u>	<u>38</u>	<u>5,458</u>	<u>4,608</u>	<u>-</u>	<u>-</u>	<u>5,505</u>	<u>4,646</u>

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and 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 issued shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each			Total number of shares held	% of total shares in issue
	Personal interests	Family interests	Corporate interests		
XI Yu (“Mr. XI”)*	–	–	102,048,100	102,048,100	68.51

Note:

- * Mr. XI is the beneficial shareholder 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 102,048,100 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

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

Name of director	Number of ordinary shares of USD1.00 each			Total number of shares held	% of total shares in issue
	Personal interests	Family interests	Corporate interests		
Mr. XI	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14
Mr. SUEN Ki	840	–	–	840	4.20

Save as disclosed above, as at 31 December 2006, none of the directors and chief executive of the Company nor 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 recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors under the GEM Listing Rules.

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

As at 31 December 2006, 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 issued shares of the Company

Substantial shareholder	Number of ordinary shares of HK\$0.01 each			Total number of shares held	% of total shares in issue
	Personal interests	Family interests	Corporate interests		
NUEL	102,048,100	–	–	102,048,100	68.51
Mr. XI	–	–	102,048,100*	102,048,100	68.51

Note:

* The interest disclosed by Mr. XI is the same as the 102,048,100 shares disclosed by NUEL.

Save as disclosed above, as at 31 December 2006, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2006.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all directors, the Directors of the Company have complied with the required standard of dealings set out in the GEM Listing Rules throughout the year ended 31 December 2006.

AUDIT COMMITTEE

In May 2000, the Company's audit committee had been established with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules which comprises Dr. CHAN Yan Cheong (chairman of audit committee), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

The consolidation financial statements of the Company and its group for the year ended 31 December 2006 has been reviewed by the audit committee and audited by the Company's external auditors, CCIF CPA Limited, Certified Public Accountants.

By Order of the Board
New Universe International Group Limited

XI Yu
Chairman

Hong Kong, 21 March 2007

The Board as of the date of this announcement comprises of Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. HON Wa Fai as executive directors; Mr. SUEN Ki as non-executive director; Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, as independent non-executive directors of the Company.

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