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2003 Interim Report

新宇

國際實業(集團)有限公司

(於開曼群島註冊成立之有限公司)

New Universe

INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

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This report, for which the directors of NEW UNIVERSE INTERNATIONAL GROUP LIMITED, collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

HIGHLIGHTS

- Turnover for the six months ended 30 June 2003 decreased by approximately 18% of the previous corresponding period to approximately HK\$26,479,000.
- Gross profit margin for the six months ended 30 June 2003 increased slightly to approximately 24% from approximately 19% in the previous corresponding period.
- Other revenue and gains for the six months ended 30 June 2003 increased to approximately HK\$10,743,000 due to approximately HK\$9,322,000 gain on disposal of a subsidiary.
- Administrative expenses for the six months ended 30 June 2003 decreased by approximately 68% of the previous corresponding period to approximately HK\$4,918,000.
- Net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2003 was approximately HK\$9,896,000 while net loss from ordinary activities attributable to shareholders in the previous corresponding period was approximately HK\$11,675,000.
- Earnings per share for the six months ended 30 June 2003 was 1.64 cents while loss per share in the previous corresponding period was 2.48 cents.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of New Universe International Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2003 together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 30th June		For the six months ended 30 June	
		2003 Unaudited HK\$'000	2002 Unaudited HK\$'000	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
TURNOVER	(3)	14,579	14,661	26,479	32,438
Cost of sales		(10,779)	(11,796)	(20,059)	(26,410)
Gross profit		3,800	2,865	6,420	6,028
Other revenue and gains	(4)	509	1,473	10,743	1,624
Selling and distribution costs		(830)	(430)	(1,638)	(1,047)
Administrative expenses		(2,487)	(9,834)	(4,918)	(15,584)
Other operating expenses		(306)	(384)	(454)	(955)
Loss on abandonment of a discontinued operation, net (Note)		-	-	-	(821)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		686	(6,310)	10,153	(9,934)
Continuing operations		-	-	-	(821)
Discontinued operations		686	(6,310)	10,153	(10,755)
Finance costs		(129)	(523)	(257)	(927)
PROFIT/(LOSS) BEFORE TAX		557	(6,833)	9,896	(11,682)
Tax	(5)	-	-	-	-
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(6)	557	(6,833)	9,896	(11,682)
Minority interests		-	4	-	7
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		557	(6,829)	9,896	(11,675)
EARNINGS/(LOSS) PER SHARE (CENTS)	(7)	0.08	(1.45)	1.64	(2.48)
Basic		0.08	(1.45)	1.64	(2.48)
Diluted		N/A	N/A	N/A	N/A

Note: In 2002, the Group abandoned its business of provision for an internet server co-location centre.

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	(8)	56,473	59,945
CURRENT ASSETS			
Deferred tax asset	(9)	153	–
Inventories		13,549	10,812
Trade receivables	(10)	5,887	5,258
Prepayments, deposits and other receivables		5,182	3,591
Tax recoverable		1,401	1,401
Cash and bank balances		3,114	1,850
		29,286	22,912
CURRENT LIABILITIES			
Interest-bearing bank borrowings		175	834
Trade payables	(11)	11,457	9,086
Deposits received		8,491	7,387
Accrued liabilities and other payables		8,632	18,804
Finance lease payables		3,117	3,934
Tax payable		69	–
		31,941	40,045
NET CURRENT LIABILITIES		(2,655)	(17,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		53,818	42,812
NON-CURRENT LIABILITIES			
Finance lease payables		(913)	(2,277)
Due to a director		(584)	(1,654)
Shareholder's loans	(12)	(15,005)	(25,000)
Deferred tax liability	(9)	(984)	(900)
		(17,486)	(29,831)
		36,332	12,981
CAPITAL AND RESERVES			
Issued capital	(13)	38,200	23,500
Reserves		(1,868)	(10,519)
		36,332	12,981

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Net cash inflow/(outflow) from operating activities	1,434	(6,353)
Net cash outflow from investing activities	(1,448)	(4,023)
Net cash inflow from financing activities	1,278	10,768
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,264	392
Cash and cash equivalents at beginning of period	1,850	5,734
Effect of foreign exchange rate changes, net	–	83
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,114	6,209
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,114	6,209

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

	Share capital	Share premium account	Exchange fluctuation reserve	Goodwill reserve	Contributed surplus (Note)	Retained profits/ (accumulated losses)	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 2001	20,000	15,673	102	(3,761)	31,929	35,389	99,332
Translation differences arising on consolidation of overseas subsidiaries	-	-	(90)	-	-	-	(90)
Issue of shares	3,500	14,700	-	-	-	-	18,200
Impairment of goodwill	-	-	-	3,761	-	-	3,761
Net loss for the year	-	-	-	-	-	(77,620)	(77,620)
At 31 December 2001 and 1 January 2002	23,500	30,373	12	-	31,929	(42,231)	43,583
Translation differences arising on consolidation of an overseas subsidiary	-	-	601	-	-	-	601
Release on liquidation of subsidiaries	-	-	(12)	-	-	-	(12)
Net loss for the year	-	-	-	-	-	(31,191)	(31,191)
At 31 December 2002 and 1 January 2003	23,500	30,373	601	-	31,929	(73,422)	12,981
Issue of shares (13)	14,700	(1,245)	-	-	-	-	13,455
Net profit for the period	-	-	-	-	-	9,896	9,896
At 30 June 2003	38,200	29,128	601	-	31,929	(63,526)	36,332

Note:

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the combined net asset values of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

(1) Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

These condensed interim accounts should be read in conjunction with the 2002 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with these used in the annual accounts for the year ended 31 December 2002, except as described below:

During the period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Certain comparative figures have been reclassified to confirm with current period's presentation.

(2) Segment Information

(a) Business segments

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

Group

	Six months ended 30 June					
	Mold products		Plastic products		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	17,805	21,198	8,674	11,240	26,479	32,438
Other revenue	230	879	368	–	598	879
Total	18,035	22,077	9,042	11,240	27,077	33,317
Segment expenses	(17,879)	(28,945)	(9,190)	(13,676)	(27,069)	(42,621)
Segment results	156	(6,868)	(148)	(2,436)	8	(9,304)
Unallocated other revenue					10,145	745
Unallocated expenses					–	(2,196)
Profit/(loss) from operating activities					10,153	(10,755)
Finance costs					(257)	(927)
Profit/(loss) before tax					9,896	(11,682)
Tax					–	–
Profit/(loss) before minority interests					9,896	(11,682)
Minority interests					–	7
Net profit/(loss) from ordinary activities attributable to shareholders					9,896	(11,675)

(b) *Geographical segments*

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

	Turnover		Other revenue	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
People's Republic of China (including Hong Kong)	20,808	15,803	10,743	991
European Union*	2,723	-	-	-
North America **	1,164	6,792	-	633
Japan	1,043	8,818	-	-
Others	741	1,025	-	-
	26,479	32,438	10,743	1,624

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

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

The Group is organised on a worldwide basis into two main business segments; mold products and plastic products for the six months ended 30 June 2003 and 2002. There are no sales or other transactions between the business segments.

(3) Turnover

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

(4) Other revenue and gains

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of a subsidiary (Note a)	9,322	–
Exchange gains, net	79	368
Interest income	2	303
Over-provision for doubtful debts	301	–
Sundry income	1,039	953
	<u>10,743</u>	<u>1,624</u>

Note a:

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Disposal of a subsidiary		
Net liabilities disposed of trade payables and accrued liabilities	<u>9,322</u>	–
Sales proceeds	–	–
Gain on disposal of a subsidiary	<u>9,322</u>	–

(5) Tax expense

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	<u>69</u>	–
Deferred tax:		
Credit to profit and loss account	(153)	–
Charge to profit and loss account attributable to increase in tax rate	<u>84</u>	–
	<u>(69)</u>	–
Taxation attributable to the Group	<u>–</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period ended 30 June 2003. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising on Hong Kong for the period ended 30 June 2002.

PRC income tax is provided at the rates applicable to enterprises in the PRC on the income for statutory reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes based on existing PRC income tax legislations, practices and interpretation thereof.

Pursuant to the Income Tax Law of the PRC concerning Sino-foreign co-operative joint venture and local income tax laws, joint venture companies are subject to the statutory income tax rate of 33% (30% state income taxes plus 3% local income taxes) unless the enterprise can meet the conditions to entitle more favourable effective tax rates. The Group's principal operating subsidiary is located in a specially designated region or city and is qualified as "High and New Technology Enterprises" to which a preferential tax rate of 24% applies and is entitled to an income tax exemption for two years commencing from the first profitable year (after deducting losses carried forward), and 50% reduction for the succeeding six more years.

The charge for the period can be reconciled to the profit per profit and loss account as follows:

	Six months ended 30 June 2003 HK\$'000
Profit before tax	9,896
Tax at the applicable tax rate of 17.5%	1,732
Tax effect of income and expenses that are not taxable nor deductible in determining taxable profit	(1,663)
Tax effect of utilisation of tax losses not previously recognised	(153)
Increase in the opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	84
Tax expense	—

For the period ended 30 June 2003, the Group's principal operating subsidiaries are subject to nil effective income tax rate (2002: nil).

(6) Profit/(Loss) from Operating Activities

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

	Six months ended 30 June 2003 HK\$'000	Six months ended 30 June 2002 HK\$'000
Crediting		
Exchange gains, net	79	368
Charging		
Depreciation	4,920	5,894
Cost of inventory sold	20,059	26,167

(7) Earnings/(loss) per share

The calculation of basic earning per share (2002: basic loss per share) is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2003 of HK\$9,896,000 (2002: net loss of HK\$11,675,000) and for the three months ended 30 June 2003 of HK\$557,000 (2002: net loss of HK\$6,829,000) and the weighted average of 604,817,680 and 738,153,846 (2002: 470,000,000) ordinary shares in issue during the periods respectively.

Diluted earnings/loss per share for the period ended 30 June 2003 and 2002 have not been presented as the effect of any dilution is anti-dilutive.

The comparative amount of earnings/(loss) per share has been adjusted for the consolidation of the Company's shares ("Share Consolidation") on the basis of every ten existing shares of HK\$0.005 each into the new share of HK\$0.05 each on 11 July 2002.

(8) Fixed Assets

	<i>HK\$'000</i>
Net book value as at 1 January 2003	59,945
Additions	1,725
Disposals	(277)
Depreciation	(4,920)
	<hr/>
Net book value as at 30 June 2003	<u>56,473</u>

The net book value of the fixed assets of the Group held under finance leases included in the total amount of plant and machinery as at 30 June 2003 amounted to HK\$12,006,000 (31 December 2002: HK\$15,337,000).

(9) Deferred Tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 17.5% (2002: 16%).

The movement on the deferred tax assets/(liabilities) are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>
At 1 January 2003	(900)	–
Charge to profit and loss account attributable to increase in tax rate (Note 5)	(84)	–
Credit to profit and loss account (Note 5)	–	153
	<hr/>	<hr/>
At 30 June 2003	<u>(984)</u>	<u>153</u>

At 30 June 2003, the Group has unused tax losses of HK\$5,366,000 (2002: HK\$5,366,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$153,000 (2002: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$5,213,000 (2002: 5,366,000) due to the unpredictability of future profit streams.

(10) Trade 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 two months for major customers.

An aged analysis of the trade receivables as at 30 June 2003 and 31 December 2002, based on invoice date and net of provisions, are as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	2,306	2,801
1 to 2 months	1,999	1,075
2 to 3 months	617	175
Over 3 months	965	1,207
	5,887	5,258

(11) Trade Payables

An aged analysis of the trade payables as at 30 June 2003 and 31 December 2002, based on invoice date, are as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	2,945	1,945
1 to 2 months	2,112	1,582
2 to 3 months	1,639	1,025
Over 3 months	4,761	4,534
	11,457	9,086

(12) Shareholder's loans

The amount due to a shareholder was unsecured, interest-free and payable in 2004.

(13) Share Capital

Shares

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
<i>Authorised:</i>		
1,000,000,000 (2002: 1,000,000,000) ordinary shares of HK\$0.05 each	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
764,000,000 (2002: 470,000,000) ordinary shares of HK\$0.05 each	<u>38,200</u>	<u>23,500</u>

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

	Number of issued ordinary shares of HK\$0.05 each	Par value HK\$'000
At 1 January 2003	470,000,000	23,500
Subscription of shares on 9 April 2003	<u>294,000,000</u>	<u>14,700</u>
At 30 June 2003	<u>764,000,000</u>	<u>38,200</u>

(14) Commitments

At 30 June 2003, the Group had the following commitments:

Operating lease commitments

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

At 30 June 2003, the Group has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Within one year	1,511	2,467
In the second to fifth years, inclusive	5,392	7,360
After five years	12,212	16,542
	19,115	26,369

In addition to the above commitments, the Group has committed to pay a sum of approximately HK\$10.3 million (31 December 2002: HK\$10.7 million) to Changan Enterprises General Company ("Changan"), the PRC co-operative joint venture partner of Dongguan Smartech and the landlord of the industrial plant, as compensation for the construction costs thereof. The payment is to be made by monthly installments of approximately HK\$63,868 each for a period of 16 years commencing on 1 January 2001. In addition, the Group has also committed to pay a sum of approximately HK\$4.8 million (31 December 2002: HK\$5.5 million) to Changan as a land management fee. The payment is to be made by monthly installments of approximately HK\$28,302 each for a period of five years commencing on 1 January 2000, subject to an increment of 15% for every five years. The commitments will end on 21 March 2016.

(15) Related Party Transaction

During the period ended 30 June 2003, the Group purchased raw materials amounting to HK\$309,000 (30 June 2002: 269,000) from a related company of which Mr. Xi Yu, an executive director of the Company, is a director and beneficial shareholder. The directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier.

BUSINESS REVIEW

Tooling and plastic injection business

During six months ended 30 June 2003, the Group was dedicated to strengthen its core business to make a profit of HK\$9,896,000 (a loss of HK\$11,675,000 for six months ended 30 June 2002). Turnover decreased by 18% to HK\$26,479,000 for the six months ended 30 June 2003 but gross profit margin increased to 24% from 19% in the corresponding period. The Group has significant achievement on cost control to reduce the production costs, such as direct labour, factory rental and depreciation expenses. With the cessation of overseas operation in Canada and abandonment of its business of provision for an internet server co-location centre, administrative expenses and other operating expenses decreased by 68% and 52% of the corresponding period respectively. With the alliance with New Universe Enterprises Limited ("New Universe"), the controlling shareholder of the Company, the implementation of effective cost control and further expansion of sales and marketing team to develop the People's Republic of China and European markets, the management is confident in rebuilding the Group as one of the leaders in the tooling and plastic injection business.

Open Offer and loan capitalisation

On 9 April 2003, the Company raised approximately HK\$3.5 million, after expenses, by way of open offer of 94 million shares at a subscription price of HK\$0.05 per share, and capitalise of HK\$10.0 million shareholder's loan to subscribe 200 million shares at a subscription price of HK\$0.05 per share. The aggregate shareholding of New Universe has increased from 29.00% to approximately 56.14% of the issued share capital of the Company.

PROSPECTS

The Board believes that with the direction of the management and the synergy with group companies of New Universe, a better prospect will be brought to the Group in the foreseeable future.

Investment in Changjiang River Delta

The Group entered into an agreement with two independent third parties to contribute capital to a limited company in Hong Kong which owns the entire equity interest in Suzhou New Universe Tooling and Plastic Limited ("Factory").

The Factory is located and will operate in Suzhou near Shanghai and in the region of Changjiang River Delta in November 2003. The new management anticipates that business opportunities for the Group around Shanghai and the region of the Changjiang River Delta will increase given that the People's Republic of China has been admitted to the World Trade Organisation. Currently, the Group has a few customers with approximately 4% turnover from Shanghai and the region of the Changjiang River Delta. The management plans to capitalise on the customer network to enlarge the customer base and expand market share in the People's Republic of China. With an investment in the Factory, the Group can gain more experience by participating in the management of the Factory and can understand the market response around Shanghai and the region of the Changjiang River Delta. The principal business activities of the Factory will be the manufacture and sale of small and simple molds and plastic product. The Board believes that the Factory will not compete with the business of the Company although there is no non-competition undertaking between Factory and the Group. The Board considered that Factory will mainly be responsible for small and simple mold products while the business of the Company is engaging in large and sophisticated products.

Institution a lawsuit to claim for losses and damages

The Company is now seeking advice from its legal adviser on the illegality of the back-up diesel generator and appropriate actions will be taken against the vendor and the vendor's guarantor under the sale and purchase agreement dated 12 January 2001 in relation to the acquisition of the entire issued share capital of Sky Datamann International Limited and its subsidiary ("SkyDatamann") and the loans made by the vendor to SkyDatamann. The Group is entitled to claim for losses and damages or rescind the sale and purchase agreement with a consideration of HK\$140 million because of misrepresentation or breach of warranties by the vendor and the vendor's guarantor.

Enterprise Resource Planning system

The Group has partially implemented an Enterprise Resource Planning system. The Enterprise Resource Planning system is a computer software which integrates computer software used in different departments within a company to a single, integrated software program that runs on a single database so that various departments can share the information on the database and communicate with each other. It is expected that substantial implementation will be completed in November 2003. Upon full implementation, the system will provide the Group with more timely and accurate information on material and production capacity planning. With the aid of the system, the Group will be able to handle customer orders within a shorter period of order lead-time. The Group will take every measure to enhance its operating efficiency and to control operating costs so as to increase its competitiveness.

Professional Injection Mold system

The Professional Injection Mold System programme jointly developed by the Group and the Department of Mechanical Engineering of the University of Hong Kong with the support of the Hong Kong Innovation and Technology Commission (formerly known as the Hong Kong Innovation and Technology Fund) is on schedule. The Professional Injection Mold System is a software application linking between mold making operations and the computer-aided design system. With the aid of the software, molds can be designed directly from the computer-aided design models. It offers a fast and reliable solution for mold design and is able to shorten the design time and enhance the production quality. A seminar was arranged to introduce the system to industrialists in the Asia Pacific Region. The Group is planning to conduct research on the potential commercial market in respect of the Professional Injection Mold System Project and exhibitions and seminars will be arranged to introduce the system to industrialists in the Asia Pacific Region.

Streamlining the business operations and improving operating efficiency of the Group

The management will continue to streamline the business operations and improve the operating efficiency of the Group. Certain cost control measures, reallocation of its resources and downsizing the organisation of the Group have been implemented to increase the shareholders' values in the long run.

The Board is confident in rebuilding the Group as one of the leaders in the tooling and plastic injection business in the Asia Pacific Region and it is anticipated that the Group will benefit from the coming economic recoveries.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group achieved a turnover for the six months ended 30 June 2003 of approximately HK\$26.5 million (period ended 30 June 2002: HK\$32.4 million) which represented a decrease of 18% over the previous corresponding period. During the period, revenue generated from mold products accounted for 67% (period ended 30 June 2002: 66%) of the Group turnover while plastic products contributed the remaining 33% (period ended 30 June 2002: 34%).

A majority of the Group turnover is derived from the mold products. For the period ended 30 June 2003, mold products reported a turnover of HK\$17.8 million, a 16% decrease from HK\$21.2 million in the previous corresponding period. The decrease was mainly attributable to the loss of sales orders from customers, especially in North America.

Plastic products experienced a decrease in turnover of 23% to HK\$8.7 million for the period ended 30 June 2003 from HK\$11.2 million in the previous corresponding period. Such decrease was mainly due to the dropping of sales orders from customers under the negative market sentiment.

The major sales regions of the Group for the period ended 30 June 2003 – People's Republic of China, including Hong Kong, and European Union have increased by 32% and 100% respectively. For the period ended 30 June 2002, People's Republic of China, including Hong Kong, and North America were the major sales regions of the Group. The turnover from these major sales regions contributed over 89% of the Group's turnover for the period ended 30 June 2003 (period ended 30 June 2002: 70%).

Cost of sales for the period ended 30 June 2003 amounted to approximately HK\$20.0 million, representing a decrease of 24% from HK\$26.4 million in the previous corresponding period. The production costs dropped significantly due to the effective cost control on direct labour, factory rental and depreciation expenses.

The gross profit margin for the six months ended 30 June 2003 of the Group has increased to approximately 24% (period ended 30 June 2002: 19%).

Other revenue and gains increased to approximately HK\$10.7 million for the six months ended 30 June 2003 (period ended 30 June 2002: HK\$1.6 million). The sharp increase was derived from the disposal of a subsidiary for a consideration of HK\$1.00, resulting in a gain on disposal of a subsidiary approximately HK\$9.3 million.

The administrative expenses and other operating expenses of the Group decreased by 68% and 52% from the previous corresponding period respectively. The sharp decrease was mainly attributable to the following:

- (i) no further administrative expenses were incurred after closing down the business in North America;
- (ii) no further administrative expenses were incurred after cessation of the business of provision for an internet server centre; and
- (iii) effective cost control by the management to lay off redundant staff in both production and administrative departments which resulted in the decrease of salaries and allowances.

Net Profit from Ordinary Activities Attributable to Shareholders

The Group recorded a net profit after taxation and minority interests of HK\$9.9 million for the six months ended 30 June 2003, whereas a net loss of HK\$11.7 million was recorded for the period ended 30 June 2002.

Liquidity and Financial Resources

The Group generally finances its operations and investing activities with internally generated cash flows, a shareholder's loan and trade facilities granted by a banker.

As at 30 June 2003, unsecured and interest-free shareholder's loan of HK\$15.0 million was granted by New Universe to the Company. This shareholder's loan shall be repaid in one lump sum in 2004. As at 30 June 2003, the Group had total cash and bank balances of approximately HK\$3.1 million. The Group had outstanding borrowings of approximately HK\$19.2 million, comprising secured trust receipt loans of approximately HK0.2 million, finance lease payables of approximately HK\$4.0 million and unsecured shareholder's loan of HK\$15.0 million. Out of the total indebtedness, approximately HK\$3.3 million is repayable within one year. The gearing ratio was 136% as at 30 June 2003 (31 December 2002: 538%), representing total liabilities of HK\$49.4 million divided by capital employed of HK\$36.3 million.

Capital Structure

Save as disclosed in the Section of "Business Review" and note 13 of this interim report, no material change in the capital structure of the Company for the period ended 30 June 2003.

Material Acquisition and Disposals of Subsidiaries

Save as disclosed in the Sections of “Prospects” and “Management discussion and analysis”, there were no significant investments nor material acquisition and disposals of subsidiaries and affiliated companies of the Company during the period.

Employee Information

As at 30 June 2003, the Group had 569 (30 June 2002: 442) full-time employees. Staff costs, excluding directors’ remuneration but including amount capitalised as work-in-progress was HK\$7.6 million for the six months ended 30 June 2003 (period ended 30 June 2002: HK\$10.5 million). Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund and necessary training.

Charges on Assets

With the net book value of fixed assets of the Group of HK\$56.5 million as at 30 June 2003 (31 December 2002: HK\$60.0 million), the net book value of fixed assets held under finance leases amounted to HK\$12.0 million (31 December 2002: HK\$15.3 million). Apart from the finance lease arrangement, there were no charges on assets as at 30 June 2003.

Plans for Material Investments or Capital Assets

Save as disclosed in the Section of “Prospects”, up to the date of this interim report, there have been no other plans for investments or capital assets that will require sources of funding from the internal resources of the Group.

Exposure to Exchange Rate Fluctuations

During the period ended 30 June 2003, 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, Euro Dollars and Renminbi, and all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

There was no significant contingent liabilities of the Group.

Dividend

The Board does not recommend the payment of dividend for the six months ended 30 June 2003 (2002: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to Rule 5.40 of the Rule Governing the Listing of Securities on the GEM (the "GEM Listing Rules") were as follows:

Name of director	Number of ordinary shares held (Corporate interest)
Mr. Xi Yu ("Mr. Xi")	(Note) 428,915,000

Note: Mr. Xi is the beneficial owner of 16,350 shares in New Universe, representing approximately 81.75 per cent. of the issued share capital of New Universe, which in turn holds 428,915,000 shares in the Company, representing approximately 56.14 per cent. of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2003, none of the Directors and chief executives of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes, at no time for the six months ended 30 June 2003 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, 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 to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a Pre-IPO Share Option Plan (the "Pre-IPO Plan") and a Share Option Scheme (the "Scheme") (collectively the "Option Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Schemes include the Company's executive directors and other employees of the Group.

(i) The Pre-IPO Plan

On 4 May 2000, options to subscribe for 40,000,000 shares of the Company at an exercise price of HK\$0.50 (as adjusted for the Share Consolidation) per share were granted under the Pre-IPO Plan, with a vesting period from 4 May 2002 to 3 May 2005.

At 30 June 2003, the number of shares issuable under share options granted under the Pre-IPO Plan was 8,000,000 (as adjusted for the Share Consolidation), which represented approximately 1.05% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO Plan is limited to 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Pre-IPO Plan. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

During the period, 2,000,000 (as adjusted for the Share Consolidation) options outstanding under the Pre-IPO Plan lapsed upon cessation of the employment of the option holder. No share options have been granted nor exercised under the Pre-IPO Plan during the period and up to the date of approval of these financial statements. Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

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

Name or category of participant	Number of share options (as adjusted for the Share Consolidation)			Exercise date of grant of share options*	Exercise period of share options	Price of share options** (as adjusted for the Share Consolidation)	Price of the Company's shares	
	At 1 January 2003	Lapsed during the period	At 30 June 2003				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\$0.50 per share	N/A	N/A
	<u>8,000,000</u>	<u>-</u>	<u>8,000,000</u>					
Other employees								
In aggregate	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>-</u>					
	<u>10,000,000</u>	<u>(2,000,000)</u>	<u>8,000,000</u>					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

As at 30 June 2003, the Company had 8,000,000 (as adjusted for the Share Consolidation) share options outstanding under the Pre-IPO Plan. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,000,000 additional ordinary shares of the Company and additional share capital of HK\$400,000 and share premium of HK\$3,600,000 (before issue expenses).

(ii) The Scheme

The Scheme was adopted by the shareholders of the Company on 4 May 2000 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective upon the listing of the Company's shares on 18 May 2000.

The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. The maximum number of ordinary shares in which options can be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time.

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. The exercise period of the share options granted is determinable by the directors. In any event such period of time may not exceed a period of three years commencing on the expiry of two years after the date of the acceptance of the share options and expiring on the last day of the three year period, or 3 May 2010, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options; and (ii) the closing price of the Company's ordinary shares on the date of the offer of the share options.

No option had been granted under the Scheme during the period from 4 May 2000 to 30 June 2003.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the following company was interested in more than 5% of the issued share capital of the Company as recorded in the register maintained under Section 336 of the SFO:

Name	Number of shares	Percentage of the Company's issued share capital
New Universe (<i>Note i</i>)	428,915,000	56.14
Mr. Xi Yu (<i>Note i</i>)	428,915,000	56.14
Joyful Way Holdings Limited (<i>Note ii</i>)	53,550,000	7.0

Note (i): New Universe is beneficially owned as to approximately 81.75% by Mr. Xi who is an executive director of the Company.

Note (ii): Joyful Way Holdings Limited is beneficially owned as to approximately 73.1% by Mr. Yau Chee Weng and as to approximately 26.9% by Mr. Chan Ngai Sang, Kenny.

Save as disclosed above, as at 30 June 2003 no person, whose interests are set out in the Section "Directors' Interests In Shares", was interested in or had a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTIONS

At 30 June 2003, the aggregate of shareholder's loan due to New Universe was HK\$15.0 million. The balance is unsecured, interest-free and shall be paid in one lump sum in 2004.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the period under review and up to the date of this interim report, 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.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 21 October 1999 entered into between the Company and Asia Investment Capital Limited (formerly Asia Financial Capital Limited), the appointment as the retained sponsor of the Company pursuant to Rule 6.01 of Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited was due to expire on 31 December 2002. The retained sponsor to the Company ceased with effect from 1 January 2003.

AUDIT COMMITTEE

The Group has established an audit committee in May 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual, interim and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors of the Company, Dr. Chan Yan Cheong and Mr. Yuen Kim Hung, Michael. The audit committee has held a meeting during the period and has performed the functions specified in the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practice and Procedure as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since it was listed on the GEM.

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

Hong Kong, 14 August 2003