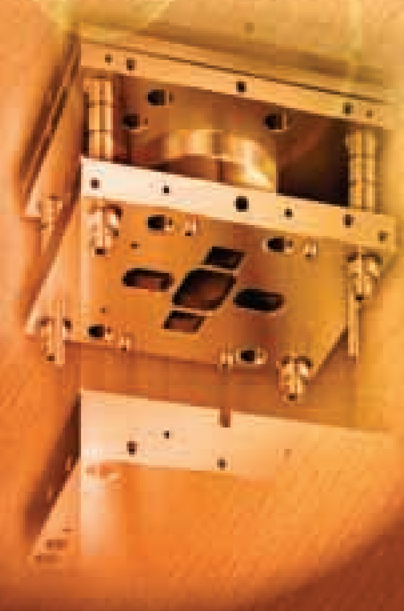
NEW UNIVERSE
International Group Limited

(Incorporated in the Cayman Islands with limited liability)



2004 THIRD QUARTERLY REPORT

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

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

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

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

This report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to NEW UNIVERSE INTERNATIONAL GROUP LIMITED. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(1) the information contained in this report is accurate and complete in all material respects and not misleading;

(2) there are no other matters the omission of which would make any statement in this report misleading; and

(3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2004 increased by approximately 22% of the previous corresponding period to approximately HK$61,033,000.

- Gross profit margin for the nine months ended 30 September 2004 decreased to approximately 19% from approximately 27% in the previous corresponding period.

- Earnings from continuing operations before interests, taxes, depreciation and amortization, EBITDA, amounted to approximately HK$4,670,000 and HK$11,192,000 for the nine months ended 30 September 2004 and 2003 respectively.

QUARTERLY 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 nine months ended 30 September 2004, together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Three months ended 30 September		**Nine months ended 30 September**	
		2004	2003	**2004**	2003
		Unaudited	Unaudited	**Unaudited**	Unaudited
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER					
Continuing operations	*(2)*	**31,412**	23,525	**61,033**	50,004
Cost of sales		**(27,087)**	(16,607)	**(49,509)**	(36,666)
Gross profit		**4,325**	6,918	**11,524**	13,338
Other revenue and gains, net	*(3)*	**(554)**	366	**245**	1,787
Selling and distribution expenses		**(1,395)**	(1,281)	**(3,408)**	(2,919)
Administrative expenses		**(3,802)**	(3,081)	**(9,660)**	(7,999)
Other operating expenses		**(365)**	(614)	**(1,491)**	(1,068)
Gain on disposal of a subsidiary					
Discontinued operation	*(4)*	**–**	–	**–**	9,322
(LOSS)/PROFIT FROM OPERATING ACTIVITIES					
Continuing operations		**(1,791)**	2,308	**(2,790)**	3,139
Discontinued operation		**–**	–	**–**	9,322
		(1,791)	2,308	**(2,790)**	12,461
Finance costs		**(254)**	(126)	**(551)**	(383)
(LOSS)/PROFIT BEFORE TAX					
Continuing operations		**(2,045)**	2,182	**(3,341)**	2,756
Discontinued operation		**–**	–	**–**	9,322
		(2,045)	2,182	**(3,341)**	12,078
Tax	*(5)*	**–**	–	**–**	–
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		**(2,045)**	2,182	**(3,341)**	12,078
Minority interests		**(2)**	–	**(2)**	–
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(2,047)**	2,182	**(3,343)**	12,078
(LOSS)/EARNINGS PER SHARE *(cents)*	*(6)*				
Basic		**(0.14)**	0.29	**(0.27)**	1.83
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus *(Note)*	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003	23,500	30,373	601	31,929	(73,422)	12,981
Issue of shares	14,700	(1,245)	–	–	–	13,455
Net profit for the period	–	–	–	–	12,078	12,078
At 30 September 2003	38,200	29,128	601	31,929	(61,344)	38,514

	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus *(Note)*	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	53,200	28,666	601	31,929	(61,719)	52,677
Issue of Rights Shares	21,280	(819)	–	–	–	20,461
Net loss for the period	–	–	–	–	(3,343)	(3,343)
At 30 September 2004	74,480	27,847	601	31,929	(65,062)	69,795

Note:

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

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

(1) Basis of preparation and accounting policies

The unaudited consolidated results of the Group have been prepared in compliance with the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention.

The basis of preparation and the accounting policies adopted in the preparation of these unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2003.

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

(2) Turnover

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

(3) Other revenue and gains, net

	Nine months ended 30 September	
	2004	2003
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Exchange gains, net of losses	**(50)**	66
Interest income	**12**	4
Over-provision for doubtful debts	**–**	301
Sundry income	**283**	1,416
	245	1,787

(4) Gain on disposal of a subsidiary

	Nine months ended 30 September	
	2004	2003
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Net liabilities disposed of		
Trade payables and accrued liabilities	**–**	9,322
Sales proceeds	**–**	–
Gain on disposal of a subsidiary	**–**	9,322

In December 2001, the Group abandoned its operation of an Internet server co-location centre, which was solely operated in Hong Kong. On 19 March 2003, a sale and purchase agreement was entered into between the Group and Centapoint Limited ("Centapoint"), an independent third party, whereby the Group agreed to dispose of its entire issued share capital in Sky Datamann (Hong Kong) Limited, the subsidiary of the Group involved in the above discontinued business, to Centapoint for a consideration of HK$1.

(5) Tax

No Hong Kong profits tax has been provided as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in or derived from Hong Kong during the period ended 30 September 2004 and 30 September 2003.

No provision for PRC enterprise income tax has been made for the periods in the financial statements of Dongguan Smartech Tooling and Plastics Limited ("Donguan Smartech") and Suzhou New Universe Tooling and Plastic Limited ("Suzhou New Universe") as they sustained loss for taxation purposes.

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.

(6) (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the three months and nine months ended 30 September 2004 of approximately HK$2,047,000 and HK$3,343,000 respectively (net profit from ordinary activities attributable to shareholders for three months and nine months ended 30 September 2003: HK$2,182,000 and HK$12,078,000 respectively), and the weighted average number of 1,489,600,000 and 1,217,775,000 (three months and nine months ended 30 September 2003: 764,000,000 and 658,461,000 respectively) ordinary shares in issue respectively.

Diluted (loss)/earnings per share for the three months and nine months ended 30 September 2004 and 2003 have not been presented as the effect of any dilution is anti-dilutive.

(7) Reconciliation from operating (loss)/profit from continuing operations to EBITDA

	Nine months ended 30 September	
	2004	2003
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Operating (loss)/profit from continuing operations	**(2,790)**	3,139
Depreciation in cost of inventory sold	**6,703**	7,578
Depreciation in administration expenses	**733**	475
Amortisation of goodwill	**24**	–
EBITDA *(Note)*	**4,670**	11,192

Note: EBITDA refers to earnings from continuing operations before interest, taxes, depreciation and amortisation. EBITDA is an alternative indicator to measure the profitability of a company.

(8) Related party transactions

During three months and nine months ended 30 September 2004, the Group purchased raw materials amounting to HK$6.5 millon from a related company and sold goods amounting to HK$4.3 million to another related company. Mr. XI Yu ("Mr. XI"), an executive director of the Company, is a director and has beneficial interests in the equity capital of those related companies. The Directors consider that those purchases and sales were separate transactions not related to each others and were transacted on normal commercial terms entered into on a fair and reasonable basis.

FINANCIAL REVIEW

A turnover of HK$61 million was recorded for nine months ended 30 September 2004, representing an increase of 22% from HK$50 million in the same period of previous corresponding period. The gross profit of the Group for nine months ended 30 September 2004 decreased by 14% to HK$11.5 million compared to corresponding period in 2003 of HK$13.3 million. The increment in turnover while decline in gross profit margin was primarily attributable to the completion of the acquisition of Suzhou New Universe that was operated in relatively lower profit margin as a strategy to strengthen customer base in the region of Changjiang River Delta.

The Group's selling and distribution expenses increased by 17% to HK$3.4 million for the nine months ended 30 September 2004 as compared to HK$2.9 million for the same period of last year, but it was maintained at approximately 6% to the turnover of the Group.

The administrative expenses increased by 21% to HK$9.7 million for nine months ended 30 September 2004 as compared to HK$8 million for the same period of last year, but the ratio of the administrative expenses was maintained at approximately 16% to turnover of the Group. The other operating expenses increased by 36% to HK$1.5 million for nine months ended 30 September 2004 as compared to HK$1.1 million for the same period of last year, but the ratio of the other operating expenses was maintained at approximately 2% to turnover of the Group. The steady ratios showed the Group's commitment to ensure quality management and upkeep of its productivity remained unchanged.

The Group's net loss from ordinary activities attributable to shareholders of HK$3.3 million as compared to net profit from ordinary activities attributable to shareholders of HK$12.1 million in the corresponding period of 2003 was mainly attributable to (i) reduced gross profit margin of the Group in current period, (ii) decrease in other revenue and gains, and (iii) inclusion of exceptional gain of disposal of a subsidiary in last corresponding period. Earnings from continuing operations before interest, taxes, depreciation and amortization, EBITDA, for the nine months ended 30 September 2004 decreased by 58% to HK$4.7 million comparing to HK$11.2 million in the previous corresponding period in 2003.

BUSINESS REVIEW

Tooling and plastic injection industries

The market potentials for tooling and plastic injection industries, especially in Mainland China market, will continue to be enormous, though competition within both tooling and plastic injection industries is keen. The period under review was challenging for the Group. The results of the Group were adversely affected by various unfavourable factors, including shortage of electricity supply in Mainland China, the austerity measures implemented in Mainland China, rising raw material costs, and increase in interest rates, which may undermine the short-term economic growth. Despite these challenging market conditions, the Group achieved satisfactory growth in sales revenue.

Acquisition of Suzhou New Universe

With a view to capture business opportunities around Shanghai and the region of Changjiang River Delta, to capitalize on the customer network and to enlarge the customer base, on 2 July 2004 ("Acquisition Date") the Group acquired ("Acquisition") an additional 87% of the share capital of a limited company ("Bestwin") in Hong Kong, the sole asset of which is the entire equity interest in the new production facilities of Suzhou New Universe (the "Factory"), at a consideration of HK$16.5 million. The Factory with a gross floor area of approximately 34,000 square metres is located and operates in Suzhou near Shanghai and in the region of Changjiang River Delta. The principal business activities of the Factory are the manufacture and sale of small and simple molds and plastic products. The Board believes that the investment in Bestwin is in line with the principal business activities of the Group, which are the manufacture and sale of molds and tooling products. Upon the Acquisition Date, Bestwin became a 97% indirectly-owned subsidiary of the Company. Accordingly, the assets and liabilities of Bestwin and the Factory will be consolidated into the Group's balance sheet.

Fundraising exercise

During the period under review, the Company raised new equity funding of approximately HK$21.3 million, before expenses, by way of issue of 425.6 million new ordinary shares ("Rights Shares") at a subscription of HK$0.05 per share, which was completed on 24 June 2004. Of the HK$21.3 million equity funding raised as aforesaid, approximately HK$16.5 million was applied by the Group for Acquisition, which was completed on 2 July 2004, and the remaining HK$4.8 million was used for general working capital.

Strengthening internal and quality control

The Group will adhere to its strict cost control measures and inventory management. The inventory level will be closely monitored in order to achieve cost-effectiveness. With continuous enhancement of productivity and production capacity, provision of high quality products as well as our service commitment, the Group is expected to embrace a promising future.

Litigation and legal dispute in Mainland China

The Board considers a rental agreement dated 31 January 2000 and a factory rental agreement dated 9 August 2003 ("Rental Agreements") entered into between Dongguan Smartech and Changan Enterprises Corporation ("Changan Enterprises") and a joint-venture agreement dated 9 November 1999 as supplemented by a supplemental agreement dated 25 February 2000 ("Joint-Venture Agreements") entered in between Smartech Manufacturing Limited ("Smartech Manufacturing") and Changan Enterprises are needed to be reviewed and re-negotiated. Since early 2004, Dongguan Smartech has not settled all rentals and fees according to the Rental Agreements and the Joint-Venture Agreements, though all outstanding amounts under those agreements have been accounted for in the Group's financial statements.

On 28 July 2004, the People's Court of Dongguan, Guangdong Province ("People's Court of Dongguan") served a civil writ ("Writ") with Dongguan Smartech, pursuant to which Dongguan Smartech was demanded to settle, amongst the others, outstanding rentals, land administration fees, compensation fees of buildings on land and interest thereon, in an aggregate amount of RMB2,131,146 (approx. HK$2,010,515). On 23 October 2004, the People's Court of Dongguan issued a judgement ("Judgement") that Dongguan Smartech shall settle rentals and other outstanding fees of RMB1,816,580 (approx. HK$1,713,755) together with court fees of RMB31,520 (approx. HK$29,736). The Board is now seeking for legal advices, and may or may not apply for appeal against the Judgement.

On 8 July 2004, Smartech Manufacturing applied for arbitration in respect of Joint-Venture Agreements and demanded an aggregate of RMB4,140,308 (approx. HK$3,905,951) be returned by Changan Enterprises. In October 2004, Smartech Manufacturing received a counter-application for arbitration dated 8 October 2004 from Changan Enterprises in respect of the Joint-Venture Agreements demanding for outstanding rentals and fees in an aggregate of RMB2,458,670 (approx. HK$2,319,500) be settled and damages for loss of profits and benefits in an aggregate of RMB2,788,150 (approx. HK$2,630,330).

The Board considers that the aforesaid litigations would not have any significant adverse impact to the current operations and financial position of the Group, Smartech Manufacturing and Dongguan Smartech.

Update on other legal actions

The Board considers further legal 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, Sky Datamann (Hong Kong) Limited (collectively, the "SkyDatamannGroup") and the loans made by the vendor to SkyDatamnannGroup at a consideration of HK$140 million ("Agreement"). According to the preliminary legal advices, the Group is entitled to claim for losses and damages or rescind the Agreement for possible misrepresentation and/or breach of warranties.

PROSPECTS

The Group has consistently input effort to improve its performance by implementing (i) serious fundraising exercises with the backup of the Group's major shareholder, (ii) flexible marketing strategies, (iii) effective cost control measures, (iv) total quality management, and (v) streamlining the business operations. The Group's success is led and guided by its professional management team having extensive experience in both molding and plastic industries.

The two major business divisions of the Group, molding and plastic products trading, are extending their effort to enhance sales volume for both its existing and new customers. Despite a general decline in selling prices under keen competition, but raw materials costs are currently starting to decline. The Group anticipates that the prospects for realising improvements are positive in the coming year.

The Group continues to diversify vertically on integrated production bases by setting up new component manufacturing operations. The Group has formed a new team within plastic product division to introduce a new technology know-how called "Smart Color" providing the complete value chain in plastic products, which accepts customers' orders to applying liquid colorants in the dyeing plastic products. Besides achieving effective cost and quality controls, full vertical integration of the Group's business also enhances capabilities of providing convenience of one-stop services to its valuable customers.

The Board has started to review the efficiency of the production facilities in Dongguan Smartech. The Board intends to strengthen its productivity in Dongguan Smartech to capture the business opportunities in region of Pearl River Delta. The Board also anticipates that business opportunities, both for the molding and plastic products of the Group, will increase in Shanghai and the region of the Changjiang River Delta by the Acquisition of the factory facilities owned by Suzhou New Universe.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2004 (2003: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2004, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of director	Capacity and nature of interest	Number of ordinary shares held *(Note 1)*	Percentage of the Company's issued share capital
Mr. XI	Through a controlled corporation	1,020,481,000 (L) *(Note 2)*	68.51%

Note:

1. The letter "L" denotes a long position in shares of the Company.

2. Mr. XI is the beneficial owner of 16,350 shares of US$1.00 each in New Universe Enterprises Limited ("NUEL"), representing 81.75% of the issued share capital of NUEL, which, in turn holds 1,020,481,000 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

Save as disclosed above and the interests of a director of the Company in the share options of the Company as disclosed in the section headed "Share Option Scheme" below, as at 30 September 2004, none of the Directors and the chief executive of the Company and their respective 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes", at no time for the nine months ended 30 September 2004 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their associates, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or their associates to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

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

(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 per share were granted under the Pre-IPO Plan, with a vesting period from 4 May 2002 to 3 May 2005. Eligible participants of the Pre-IPO Plan include the Company's executive directors and other employees of the Group. At 30 September 2004, the number of shares issuable under share options granted under the Pre-IPO Plan was 8,000,000, which represented approximately 0.54% 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. No share options have been granted nor exercised nor lapsed under the Pre-IPO Plan during the period and up to the date of approval of this report. 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: At 1 January 2004	Number of share options: Lapsed during the period	Number of share options: At 30 September 2004	Date of grant of share options *	Exercise period of share options	Exercise price of share options **	Price of the Company's shares: At grant date of options	Price of the Company's shares: At exercise date of options
Director								
TANG Kwok Yuen	8,000,000	–	8,000,000	4 May 2000	4 May 2002 to 3 May 2005	HK$0.5 per share	N/A	N/A

* *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 September 2004, the Company had 8,000,000 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

Eligible participants of the Scheme include employees, executive and non-executive directors of the Group (including independent non-executive directors), suppliers of the Group, customers of the Group, professional advisers and consultants of the Group. The Scheme became effective on 10 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of exercisable share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share. No share option had been granted under the Scheme during the period and up to the date of approval of this report.

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

As at 30 September 2004, 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:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
NUEL *(Note)*	Directly beneficially owned	1,020,481,000	68.51
Mr. XI *(Note)*	Through a controlled corporation	1,020,481,000	68.51

Note: NUEL is beneficially owned as to approximately 81.75% by Mr. XI who is an executive director of the Company.

Save as disclosed above, as at 30 September 2004, 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 period.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

For the period under review, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and code of conduct regarding directors' securities transactions for the period under review.

AUDIT COMMITTEE

The Group established an audit committee in May 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 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 three independent non-executive directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. The audit committee has held three meetings during the period and has performed the functions specified in the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the requirements of Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the nine months ended 30 September 2004.

By order of the Board
New Universe International Group Limited
TANG Kwok Yuen
Vice-Chairman

Hong Kong, 9 November 2004