NEW UNIVERSE

International Group Limited

(Incorporated in the Cayman Islands with limited liability)

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

Annual Report 2004

Corporate Information

EXECUTIVE DIRECTORS

XI Yu *(Chairman)*
TANG Kwok Yuen *(Vice-Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Yan Cheong
YUEN Kim Hung, Michael
HO Yau Hong, Alfred

AUDIT COMMITTEE

CHAN Yan Cheong
YUEN Kim Hung, Michael
HO Yau Hong, Alfred

COMPLIANCE OFFICER

XI Yu

QUALIFIED ACCOUNTANT

HON Wa Fai, Kenneth

COMPANY SECRETARY

HON Wa Fai, Kenneth

AUTHORISED REPRESENTATIVES

XI Yu
HON Wa Fai, Kenneth

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1802-1803
Telford House
16 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

AUDITORS

CCIF CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
3rd Floor
British American Tower
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Gound Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8068

WEBSITE

http://www.nuigl.com

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

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the 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.

This annual 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 GEM of the Stock Exchange 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Chairman's Statement

We remain

confident and optimistic

in our growth in 2005

that it will better its performance in 2004 .

Chairman's Statement

On behalf of the board of directors (the "Board") of New Universe International Group Limited (the "Company"), I hereby present to the shareholders the annual report of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2004.

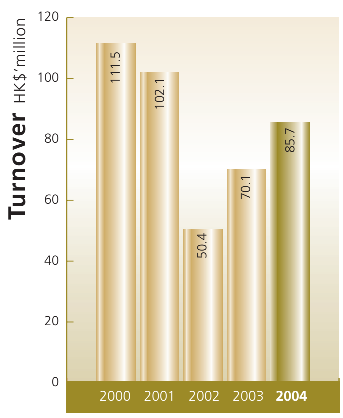
BUSINESS REVIEW

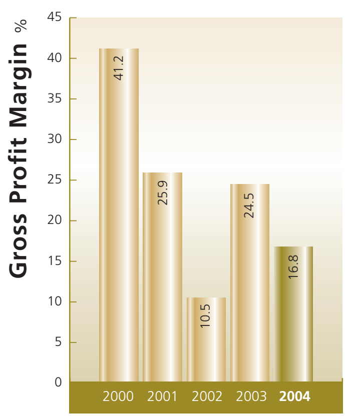
The Group has a turnover of HK$85.74 million in 2004 increased by 22% comparing to HK$70.11 million in 2003. The Group made a loss attributable to shareholders of HK$32.81 million in 2004, whereas a net profit of HK$11.70 million was recorded in 2003.

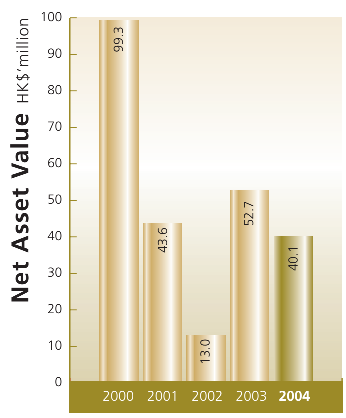
After the completion of the acquisition of Bestwin (China) Limited ("Bestwin") and Suzhou New Universe Tooling and Plastic Limited ("Suzhou Factory") on 2 July 2004, the two 97% owned subsidiaries have contributed turnover of HK$14,921,000 to the Group for the year ended 31 December 2004. Suzhou Factory was operated in relatively lower profit margin in current year that slightly affected the overall profit margin of the Group.

The net loss attributable to shareholders was mainly attributable to loss on revaluation of property, plant and equipment of HK$24,863,000 for the year ended 31 December 2004.

The net asset value of the Group decreased to HK$40.14 million as at 31 December 2004 from HK$52.68 million in the previous year. During the year under review, the Board continued its effort on improving the Group's operations through (i) fundraising exercise, (ii) acquisition of a factory in Suzhou, (iii) effective cost control, (iv) settlement of legal dispute in mainland China and (v) streamlining the business operations.







(i) Fundraising exercise

During the year, the Company raised new equity funding of approximately HK$20.46 million, after expenses, by way of issue of 425.6 million new ordinary shares at a subscription price of HK$0.05 per share on the basis of two rights shares for every five shares then held by the shareholders, of which the transaction was completed on 24 June 2004. Of the HK$20.46 million equity funding raised as aforesaid, approximately HK$16.5 million was applied by the Group for the acquisition of an additional 87% interests of a factory in Suzhou, China, of which the transaction was completed on 2 July 2004, and the balance of HK$3.96 million was being used as general working capital of the Group.

(ii) Acquisition of a factory in Suzhou

With a view to capture business opportunities surrounding Shanghai and the region of Changjiang River Delta, to strengthen the customer network and to enlarge the customer base, on 2 July 2004 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 Factory at a consideration of HK$16.5 million. The Suzhou Factory is located and operated in Suzhou near Shanghai and in the region of Changjiang River Delta. The property of Suzhou Factory, completed in 2003, comprises six blocks of 1 to 3-storey buildings erected on a site with area of 33,333 square metres and has a total gross floor area of 11,963 square metres. The principal business of the Suzhou Factory is the manufacture and sale of high precision 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 plastic products. Upon completion of the Acquisition, Bestwin became a 97% indirectly owned subsidiary of the Company.

(iii) Effective cost control

During the year under review, the Group persisted in its cost control measures and bettered its inventory management. In October 2004, the Company's executive directors have invited management consultant seconded by the Company's ultimate holding company, New Universe Enterprises Limited, (free of charge) to review the operations of the Group's factories and to advise on alternatives for further improvement of cost control and productivity. The preliminary suggestions provided to the top management were found to be useful for reference and further application.

(iv) Settlement of legal dispute in mainland China

The Board considered a rental agreement dated 31 January 2000 and a factory rental agreement dated 9 August 2003 ("Rental Agreements") entered into between Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") and Changan Enterprises General Company ("Changan Enterprises"), and a co-operative joint-venture agreement dated 9 November 1999 to operate Dongguan Smartech as supplemented by a supplemental agreement dated 25 February 2000 ("Joint Venture Agreements") entered into between Smartech Manufacturing Limited ("Smartech Manufacturing") as the foreign partner and Changan Enterprises as the PRC partner were 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,

Chairman's Statement

though all outstanding amounts under those agreements have been accounted for in the Group's financial statements. After series of legal proceedings and applications for arbitration between the Group and Changan Enterprises during the year, the dispute between the Group and Changan Enterprises on the Rental Agreements and the Joint Venture Agreements were finally settled by both parties on 8 December 2004. Pursuant to the settlement agreement entered into between both parties ("Settlement Agreement"), it was agreed, amongst other things, that (i) the mode of operations of Dongguan Smartech shall be changed from co-operative joint venture to foreign investment enterprise solely owned by Smartech Manufacturing, (ii) the original Rental Agreements shall be terminated on 30 November 2004, and (iii) new rental agreement shall be effective from 1 December 2004 at a combined rental of RMB290,000 (approx. HK$273,585) per month. On 14 December 2004, final judgement on arbitration was also issued by The China International Economic and Trade Arbitration Commission, South China Sub Commission, pursuant to which, amongst other things, (i) arbitration judgement was made according to the Settlement Agreement, (ii) Dongguan Smartech was required to settle rentals outstanding from 1 January 2004 to 30 November 2004 at RMB302,763 (approx. HK$285,625) per month totally amounted to RMB3,330,396 (approx. HK$3,141,883), and (iii) Smartech Manufacturing was required to pay compensation for arbitration and legal proceedings to Changan Enterprises of RMB250,000 (approx. HK$235,849) and arbitration application fees of HK$134,120.

On 8 December 2004, a new rental agreement was entered into between Changan Enterprises as leasor and Dongguan Smartech as the leasee, pursuant to which Dongguan was allowed to use a total area of about 21,793 square metres of existing property located at Changan Town Industrial District in Dongguan, China, which comprises the existing two factory buildings with total gross floor area of 16,200 square metres, the dormitory buildings with gross floor area of 4,500 square metres, and equipped facilities with area of 1,093 square metres ("New Rental Agreement"). The New Rental Agreement is effective from 1 December 2004 and to be expired on 30 November 2009 at a monthly rental of RMB290,000 (approx. HK$273,585).

(v) Streamlining the business operations

The Group continues its exercise on streamlining its organizational structure. The Board will confine the Group's resources on further development of its core business. Effort shall be put on enhancing production efficiency, creating new and improved products to meet market demand. The Group has engaged with an independent valuer to assess the value of fixed assets of Dongguan Factory. The Board finally decided to re-assess the value of the Group's property, plant and equipment as of 31 December 2004 to realize loss on revaluation of property, plant and equipment amounted to HK$24.86 million in order to reflect the actual utilization and present conditions of the Group's production facilities in two factories. With the Group's internal resources and the continued support of the Company's ultimate holding company, New Universe Enterprises Limited, plans on enhancing and up keeping the Group's production facilities and capacity are continually underway.

PROSPECTS

The growing interaction between Hong Kong and mainland China signifies the future growth of the Group is increasingly influenced by mainland factors. The mainland China has overtaken the United States as Hong Kong's biggest export market become the dominant force driving the Group to enhance investments in the mainland. Given a business administration and management services platform in Hong Kong, the Group's performance in 2005 and beyond will be closely tied to the continuous betterment of the productivity and technology know-how of Dongguan Factory and the Suzhou Factory.

The Group's mold making facilities in Dongguan Factory and Suzhou Factory contain the latest state-of-the-art mold making equipment and technology. Capabilities include the strong digital designing and building of precision custom production molds, stack molds, over molds, two-shot molds, rapid tooling and prototypes for injection. Using updated design software and high speed machining, we can expedite the complex 3D core and cavity shapes. Our experienced staff can provide sophisticated engineering and design services. The factories' quality systems have to pass periodical internal audits. Quality in-house control of manufacturing of our own molds ensures competitive pricing and reduced lead-times.

In addition, both Dongguan Factory and Suzhou Factory have full range of production capabilities for plastic injection. Color dyeing plastic materials, silkscreen printing and imprinting capabilities are available for all plastic products. "Smart Color" technique using liquid colorants in the plastic materials dyeing has been developed to add value both on resale of plastic materials and production. The production processes are constantly monitored through a variety of testing and gauging techniques to assure the highest quality products and services. From conceptual mold prototype to final plastic product packaging, the Group's facilities provide complete value chain to satisfy customers' need.

In order to strengthen sales performance in the future, the Group has entered into not legally binding letters of intent or legally binding supply agreements with certain major customers for manufacture and assembly of patent plastic products in the future.

During the year under review, over 21% (2003: 36%) of the Group's turnover was export sales to overseas markets, 38% (2003: 37%) of the turnover was sales in Hong Kong, and 41% (2003: 27%) of the turnover was sales in mainland China. The Board believes the existing production facilities situated at Dongguan will continue to strengthen the customer network surrounding the Pearl River Delta, and the new production facilities situated at Suzhou will capture new customer base surrounding the Changjiang River Delta in the mainland China. The Board considers that the two production facilities of the Group are complimentary to each other, and will enhance the overall customer networks in the market of mainland China.

The Board keeps reviewing the market positioning of the Group, and will consider investing on expansion of its capacity and productivity, if necessary. The Board intends to establish a new factory in the Pearl River Delta. Though no legally binding documents in respect of the intended investment have yet been signed, the Board intends to finance the new investment by the Group's internal resources, support of NUEL and the bankers.

Chairman's Statement

We remain confident and optimistic in our future growth that it will better its performance in 2004. The Board is still confident in strengthening the Group to become one of the leaders of tooling and plastic injection business in the Asia Pacific Region.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, and suppliers for their continuing supports and to all employees of the Group for their continuing dedication and efforts throughout the year 2004.

XI Yu
Chairman
Hong Kong, 29 March 2005

FINANCIAL REVIEW

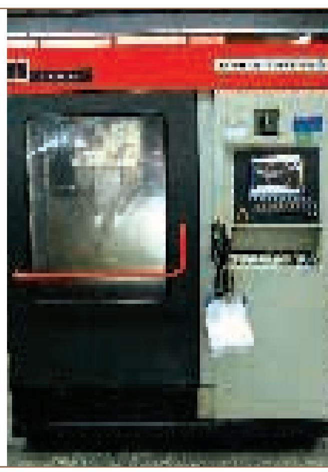
A turnover of HK$85.74 million was recorded for the year ended 31 December 2004, representing an increase of 22% from HK$70.11 million in last year. The gross profit of the Group for the year ended 31 December 2004 decreased by 16% to HK$14.42 million compared to corresponding period in 2003 of HK$17.16 million. The increment in turnover while decline in gross profit margin was primarily attributable to the completion of the acquisition of Suzhou New Universe Tooling and Plastic Limited 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 costs increased by 27% to HK$5.03 million for the year ended 31 December 2004 as compared to HK$3.95 million in last year, but it was maintained at approximately 6% to the turnover of the Group.

The administrative expenses increased by 15% to HK$13.26 million for the year ended 31 December 2004 as compared to HK$11.53 million in last year, but the ratio of the administrative expenses was maintained at approximately 16% to turnover of the Group.

The other operating expenses increased significantly to HK$7.5 million for the year ended 31 December 2004 as compared to HK$2.12 million in last year. The increase in other operating cost in current year is mainly attributable to specific provision for doubtful and bad debts at HK$2.4 million, provision for obsolete inventories of HK$1.1 million and legal fees of HK$1.6 million in respect of the rental dispute of Dongguan Smartech. During the year, the Board re-assessed the value and utilization of the Group's production facilities and revaluation deficit on the Group's property, plant and equipment amounted to HK$24.86 million was charged to the consolidation income statement for the current year. After the re-assessment of the current conditions of the fixed assets of the whole Group, the Group's commitment to ensure quality management and upkeep of its productivity remained unchanged.

The Group's loss from continuing operating activities in current year was HK$32.07 million as compared to profit from continuing operating activities HK$0.7 million in 2003. The overall losses for the current year was mainly attributable to (i) reduced gross profit margin of the Group in current year, (ii) significant loss on revaluation of the Group's property, plant and equipment, (iii) specific provision for doubtful and bad debts, and (iv) provision for obsolete inventories.


Management Discussion and Analysis

Segment results

Details of segment results of the Group are set out in note 5 to the financial statements.

Employees

As at 31 December 2004, the Group employed 763 (2003: 557) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as work-in-progress was HK$17.46 million (2003: HK$11.34 million) for the year ended 31 December 2004. Employees' remuneration is in accordance with individual's responsibility and performance and remains competitive prevailing market rates with other fringe benefits such as discretionary bonus, medical insurance, mandatory provident fund, share options and necessary training and development.

Net loss/profit from ordinary activities attributable to shareholders

The Group recorded a net loss from ordinary activities attributable to shareholders of HK$32.81 million for the year ended 31 December 2004, whereas a net profit of HK$11.7 million was recorded for the year 2003.

Liquidity, financial resources and gearing ratio

The Group generally financed its operations and investing activities with internally generated cash flows and trade facilities granted by a banker.

As at 31 December 2004, the Group had total cash and bank balances of approximately HK$12.88 million. The Group had outstanding borrowings of approximately HK$16.43 million, comprising trust receipt loans of approximately of HK0.28 million, clean import loans of approximately of HK$2.78 million, secured short-term bank loans of approximately HK$8.46 million, finances lease payables of approximately HK$1.4 million, and unsecured interest-free shareholder's loan of approximately HK$3.51 million. Out of the total indebtedness, approximately HK$12.26 million is repayable within one year. The gearing ratio was 138% as at 31 December 2004, representing total liabilities of HK$55.49 million divided by capital employed of HK$40.14 million.

Capital structure

During the year, the Company raised equity funding of approximately HK$20.46 million, after expenses, by way of issue of 425.6 million new ordinary shares at a subscription price of HK$0.05 per share on the basis of 2 rights shares for every 5 shares then held by the shareholders, of which the exercise was completed on 24 June 2004. Except for the forementioned and an increase in the Group's short term bank borrowings by HK$6,185,000 to HK$11,515,000 and the shareholder's loan of HK$3,510,000 granted by the ultimate holding company in current year, there was no other changes in the capital structure of the Group as at 31 December 2004 as compared with that of last year.

Acquisition of subsidiaries

During the year, the Group acquired additional 87% of the issued share capital of Bestwin and the entire interest of shareholders' loan in the sum of HK$1,046,403.74 at a cash consideration of HK$16.5 million. Prior to the completion of the acquisition on 2 July 2004, the Group owned 10% of the issued share capital of Bestwin. Thereafter the completion, Bestwin became a 97% indirectly-owned subsidiary of the Group. The sole asset of Bestwin is the 100% equity interest in Suzhou New Universe Tooling and Plastic Limited (蘇州新宇模具塑膠有限公司) in Suzhou, China.

Charges on the Group's assets

At 31 December 2004, the Group pledged the land use rights with a carrying value of HK$2,154,000 (2003: Nil) and property, plant and equipment with a carrying value of HK$8,491,000 to a bank to secure banking facilities to the extent of HK$8,458,000 granted to the Group.

Exposure to exchange rate fluctuations

During the year ended 31 December 2004, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated and most of the business were conducted in Hong Kong Dollars, US Dollars and Renminbi, and all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There was no significant contingent liabilities of the Group as at 31 December 2004 (2003: Nil). At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements relating to corporate guarantees on liabilities of a subsidiary in respect of obligations under finance leases amounted to HK$1,302,000 (2003: HK$4,670,000).

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

XI Yu (Age 47)
Chairman and Compliance Officer

Mr. XI was appointed a director of the Company on 7 June 2002. Mr. XI is responsible for corporate strategic planning and development of the Group. He graduated from the Chemistry Department of the University of Beijing in 1980. Mr. XI is the director and major shareholder of the Company's ultimate holding company, New Universe Enterprises Limited ("NUEL"). He has over 18 years of experience in the plastics industry both in Hong Kong and the mainland China. He was the deputy managing director of Sinochem Plastics (HK) Limited from 1988 to 1995.

TANG Kwok Yuen (Age 52)
Vice-Chairman and Managing Director

Mr. TANG was appointed a director of the Company on 17 November 1999. Mr. TANG is responsible for the sales and marketing, research and development and engineering functions of the Group. He holds a Master's degree in Business Administration from the International University of America in the United States of America and a Diploma in Management Studies from the Hong Kong Polytechnic University. He has over 20 years of experience in the molding and plastics industries.

Independent non-executive Directors

CHAN Yan Cheong (Age 51)

Dr. CHAN was appointed an independent non-executive director of the Company on 1 February 2000. He holds a Ph.D. degree in Electrical Engineering from Imperial College of Science and Technology, University of London and a Master's degree in Business Administration from the University of Hong Kong. He is a chartered engineer. He is currently a chair professor in the Department of Electronic Engineering of the City University of Hong Kong and a director of center for electronic packaging and assemblies, failure analysis and reliability engineering. He has authored or co-authored over 160 technical publications in reference journals and conference proceedings.

YUEN Kim Hung, Michael (Age 43)

Mr. YUEN was appointed an independent non-executive director of the Company on 24 April 2002. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of Certified General Accountants Association of Ontario, and is also a fellow member of Association of Chartered Certified Accountants. He has over 10 years of experience in accounting, tax and auditing. Mr. YUEN has his own accounting firm practising in Hong Kong.

HO Yau Hong, Alfred (Age 47)

Mr. HO was appointed an independent non-executive director of the Company on 30 September 2004. He holds an honor degree in Bachelor of Commerce. He is a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow of the Taxation Institute of Hong Kong. Mr. HO is also a Canadian chartered accountant. He was a professor with Algonquin College, Ottawa, Canada in accounting and auditing. Mr. HO has 19 years of experience in accounting and taxation. Mr. HO has his own accounting firm practising in Hong Kong and is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation.

SENIOR MANAGEMENT

KUNG May Lan (Age 52)
Senior Consultant (Business Administration and Operations Division) and General Manager

Ms. KUNG joined the Group in October 2004 and was appointed General Manager of the Company and Dongguan Smartech Tooling and Plastics Limited in March 2005. Ms. KUNG is seconded by the Group's ultimate holding company, NUEL, and is responsible for proposing solutions on continuous improvement of the management team, enhancement of corporate governance and effective and efficient usage of internal resources. She holds a Bachelor's degree from the National Taiwan Normal University in Taiwan and a Diploma of Education in Teaching from the Chinese University of Hong Kong. She has also taken professional courses from the Association for Operations Management in U.S.A.. Ms. KUNG has more than 12 years of teaching experience in Hong Kong; and she also has more than 14 years of experience in production planning and control, materials and inventory management in multinational electronics corporations in California, U.S.A.

Biographical Details of Directors and Senior Management

CHEUNG Siu Ling (Age 43)
Director of Smartech Services Limited, Smartech Manufacturing Limited, Smartech Plastic Moulding Limited, Smartech Solutions Limited, and Bestwin (China) Limited

Ms. CHEUNG joined the Group in July 2004. Ms. CHEUNG was appointed director of the principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. She has been taking courses on Master of Business Administration from the University of South Australia. Ms. CHEUNG is the director and minority shareholder of the Company's ultimate holding company, NUEL. She has over 15 years of experience in business administration in the commercial fields of manufacturing and trading.

WONG Mui Kwai, Portia (Age 40)
Deputy General Manager

Ms. WONG joined the Group in June 2002. Ms. WONG is responsible for administration, purchasing and documentary control of the Group. She holds a Bachelor's degree of Arts in Accountancy from the Hong Kong Polytechnic University. She has over 10 years of experience in accounting and administration in the commercial fields of manufacturing and trading.

HON Wa Fai, Kenneth (Age 44)
Financial Controller, Qualified Accountant and Company Secretary

Mr. HON joined the Group in September 2004. Mr. HON is responsible for accounting, finance and company secretarial functions of the Group. He holds Master of Business Administration from the University of Strathclyde, Master of Professional Accounting from the Hong Kong Polytechnic University, and Master of Applied Finance from the University of Western Sydney. He is a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. He is also an associate of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 18 years of experience in accounting, auditing, taxation and finance.

NG Chun Pong (Age 46)
Executive General Manager of Dongguan Smartech Tooling and Plastics Limited

Mr. NG joined the Group again in January 2003. Mr. NG is responsible for the production management and control in the Dongguan Factory. Mr. NG has been the executive general manager of Dongguan Smartech Tooling and Plastics Limited since 1996 during the period when the Dongguan Factory was initially set up, and he has left the Group in 2000. Mr. NG himself is an entrepreneur in plastics and molding industries in Hong Kong. He has over 25 years of experience in production and engineering in the molding and plastics industries, and has substantial experience on factory set up and production control.

ZHANG Wang Dong (Age 33)
Executive General Manager and Director of Suzhou New Universe Tooling and Plastic Limited

Mr. ZHANG joined the Group in March 2004. Mr. ZHANG is responsible for the overall management and marketing strategies of the Suzhou Factory. Mr. ZHANG graduated from Hubei Technical Institute (now known as Hubei University of Technical Industries) in Hi-molecular Materials and Engineering. He has also finished the Executive MBA courses in the Jinan University. He has over 10 years of experience in production management, strategic planning and business control in major manufacturing enterprises in mainland China.

QIN Jun (Age 39)
Deputy General Manager and Chief Technical Officer of Suzhou New Universe Tooling and Plastic Limited

Mr. QIN joined the Group in July 2004. He is responsible for the overall factory control, production, technology research and development of the Suzhou Factory. Mr. QIN holds Bachelor's degree in Mechanical Design, Production and Automation from Nanjing University of Science and Technology. He has over 17 years of experience in precision mould design, development production, and technology and quality control and also has substantial experience in operations and production management of major manufacturing enterprises in mainland China.

Ramiz Hani AMMARI (Age 32)
Sales and Marketing Manager

Mr. AMMARI joined the Group in March 2004. Mr. AMMARI is responsible for sales and marketing functions for the overseas markets of the Group. He holds a Bachelor's degree in Industrial Engineering/ Manufacturing and Production from Jordan University in Jordan. He has over 10 years of experience in sales and marketing in the molding and plastics industries.

Report of the Directors

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries of the Company are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

GROUP RESULTS

The results of the Group for the year ended 31 December 2004 and the financial position of the Group and the Company at that date are set out in the financial statements on pages 23 to 65.

DIVIDENDS

The board of directors of the Company does not recommend any final dividend for the year ended 31 December 2004 (2003: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2004 is set out on page 66. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2004 are set out in notes 20 and 23 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution at 31 December 2004 (2003: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers and the largest customer included therein accounted for 34% and 14%, respectively, of the total sales for the year. Purchases from the Group's five largest suppliers and the largest supplier included therein accounted for 9% and 4%, respectively, of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this Report were:

Executive Directors:

XI Yu *(Chairman)*	
TANG Kwok Yuen *(Vice-Chairman)*	
HUA Zhixiang	(resigned on 9 December 2004)
CHAN Loong Sang, Tommy	(resigned on 6 October 2004)

Independent Non-Executive Directors:

CHAN Yan Cheong	
YUEN Kim Hung, Michael	
HO Yau Hong, Alfred	(appointed on 30 September 2004)

In accordance with articles 86 and 87 of the Company's articles of association, Messrs CHAN Yan Cheong and HO Yau Hong, Alfred will retire at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has entered into a service agreement with the Company for a term of two years commencing 1 February 2005 for which will continue thereafter for such further term (if any) unless terminated by either party by three months' prior written notice to the others. Their service agreements are subject to retirement or rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as detailed in note 33 to the financial statements, there was no contract of significance to which the Company or its subsidiaries, or its holding companies or any of its fellow subsidiaries was a party, and in which a director of the Company has a material interest, whether directly or indirectly, subsisting during or at the end of the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the interests and short positions of the directors of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors under the GEM Listing Rules, were as follows:

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

Note:

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

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

Save as disclosed above and the interests of a director in the share options of the Company as disclosed in the section headed "Share Option Schemes" below and the note to the financial statements as referred thereto, as at 31 December 2004, none of the directors of the Company and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors under the GEM Listing Rules.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and the note to the financial statements as referred thereto, at no time during the year 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 spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 27 to the financial statements.

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

As at 31 December 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	**Holding capacity and nature of interest**	**Number of ordinary shares held** (Note 1)	**Percentage of the Company's issued share capital**
NUEL (Note 2)	Directly beneficially owned	1,020,481,000 (L)	68.51
Mr. XI Yu (Note 2)	Held by controlled corporation	1,020,481,000 (L)	68.51

Note:

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

2. NUEL is beneficially owned as to approximately 83.66% by Mr. XI Yu who is an executive director of the Company.

Save as disclosed above, as at 31 December 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 year.

CONNECTED TRANSACTIONS

On 30 November 2004, NUEL, the Company's substantial shareholder, granted an unsecured interest-free loan of US$450,000 (approximately HK$3,510,000) to the Group's subsidiary, Bestwin (China) Limited. The loan is repayable on 31 December 2006. The Board considered the financial assistance provided by NUEL was exempted transaction under the GEM Listing Rules.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year 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 or might compete with the Company or might compete with the business of the Group.

AUDIT COMMITTEE

The audit committee has three members comprising three Independent Non-Executive Directors, Dr. CHAN Yan Cheong (Chairman), Mr. YUEN Kim Hung, Michael, and Mr. HO Yau Hong, Alfred.

During the year, the audit committee held four meetings and performed the following duties:

1. reviewed and commented on the Company's annual report, half-yearly report and quarterly reports;

2. reviewed and commented on the Company's internal control system;

3. met with external auditors and discussed certain financial matters of the Company arose during the course of the audits for the year ended 31 December 2004; and

4. participated in the appointment and assessment of the performance of the external auditors.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 of the GEM Listing Rules throughout the accounting period covered by this annual report.

Report of the Directors

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules concerning securities transactions by directors of the Company throughout the accounting period covered by this annual report and all directors have complied with the required standard of dealings set out therein.

AUDITORS

Ernst & Young have acted as auditors of the Company for the years ended 31 December 2002 and 2003. On 6 December 2004, Ernst & Young resigned as auditors of the Company. At an extraordinary general meeting of the Company held on 28 December 2004, an ordinary resolution was duly passed by the shareholders of the Company approving the appointment of CCIF CPA Limited as auditors of the Company to fill the casual vacancy.

CCIF CPA Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

XI Yu
Chairman
Hong Kong, 29 March 2005

CCIF

CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

To the members
New Universe International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

Year ended 31 December 2004

Consolidated Income Statement

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER			
Continuing operations	6	**85,741**	70,106
Cost of sales		**(71,316)**	(52,944)
Gross profit		**14,425**	17,162
Other revenue and gains	6	**4,153**	1,682
Selling and distribution costs		**(5,028)**	(3,946)
Administrative expenses		**(13,259)**	(11,532)
Other operating expenses		**(7,499)**	(2,116)
Revaluation deficit on property, plant and equipment		**(24,863)**	–
Gain on disposal of a subsidiary (Discontinued operation)	4	**–**	11,060
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	7	**(32,071)**	12,310
Finance costs	8	**(827)**	(527)
(LOSS)/PROFIT BEFORE TAXATION			
Continuing operations		**(32,898)**	723
Discontinued operation	4	**–**	11,060
		(32,898)	11,783
Taxation			
Continuing operations	11	**50**	(80)
(LOSS)/PROFIT AFTER TAXATION		**(32,848)**	11,703
Minority interests		**34**	–
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12, 28	**(32,814)**	11,703
(LOSS)/EARNINGS PER SHARE (cents)	13		
Basic		**(2.55)**	1.68
Diluted		**N/A**	N/A

Consolidated Balance Sheet

	Notes	**2004 HK$'000**	2003 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**47,159**	56,070
Land use rights	15	**2,154**	–
Long term investment	17	**–**	1,500
		49,313	57,570
CURRENT ASSETS			
Inventories	18	**21,377**	15,732
Trade receivables	19	**9,721**	8,397
Prepayments, deposits and other receivables		**1,658**	3,662
Tax recoverable		**1,599**	1,401
Cash and bank balances		**12,884**	9,102
		47,239	38,294
CURRENT LIABILITIES			
Interest-bearing bank borrowings	20	**11,515**	5,330
Trade and bills payables	21	**14,177**	14,948
Deposits received		**14,478**	8,118
Accrued liabilities and other payables		**8,970**	9,078
Finance lease payables	22	**749**	2,839
Due to a director	24	**503**	–
		50,392	40,313
NET CURRENT LIABILITIES		**(3,153)**	(2,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		**46,160**	55,551
NON-CURRENT LIABILITIES			
Finance lease payables	22	**(655)**	(1,379)
Shareholder's loans	23	**(3,510)**	–
Due to a director		**–**	(515)
Deferred tax liabilities	25	**(930)**	(980)
		(5,095)	(2,874)
		41,065	52,677

31 December 2004

Consolidated Balance Sheet

	Notes	2004 HK$'000	2003 HK$'000
CAPITAL AND RESERVES			
Issued capital	26	**74,480**	53,200
Reserves	28	**(34,341)**	(523)
		40,139	52,677
Minority interests		**926**	–
		41,065	52,677

XI Yu
Director

TANG Kwok Yuen
Director

Consolidated Statement of Changes in Equity

	Notes	2004 HK$'000	2003 HK$'000
Total equity at 1 January		**52,677**	12,981
Exchange differences on translation of the financial statements of an overseas subsidiary and gains not recognised in the income statement	28	**(185)**	–
Issue of shares	26(a) & (b)	**–**	29,700
Rights issue	26(c)	**21,280**	–
Share issue expenses	26, 28	**(819)**	(1,707)
Net (loss)/profit from ordinary activities attributable to shareholders	28	**(32,814)**	11,703
Total equity at 31 December		**40,139**	52,677

Year ended 31 December 2004

Consolidated Cash Flow Statement

	Notes	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(32,898)**	11,783
Adjustments for:			
Interest expenses	8	**827**	527
Interest income	6	**(36)**	(12)
(Gain)/loss on disposal of property, plant and equipment	6	**(68)**	369
Revaluation deficit on property, plant and equipment	7	**24,863**	–
Gain on disposal of a subsidiary	4	**–**	(11,060)
Impairment loss on goodwill	7	**735**	–
Provision for doubtful debts	7	**2,441**	538
Provision for obsolete inventories	7	**1,144**	–
Depreciation and amortisation	7	**10,146**	9,808
Operating profit before working capital changes		**7,154**	11,953
Increase in inventories		**(3,820)**	(4,920)
Increase in trade receivables		**(13)**	(3,677)
Decrease/(increase) in prepayments, deposits and other receivables		**2,331**	(71)
(Decrease)/increase in trade and bills payables		**(4,818)**	7,436
Decrease in accrued liabilities and other payables		**(2,273)**	(240)
Increase in deposits received		**6,360**	731
(Decrease)/increase in trust receipt loans		**(2,272)**	2,123
Decrease in an amount due to a director		**(12)**	(1,139)
Cash generated from operations		**2,637**	12,196
Tax paid		**(198)**	–
Interest received		**36**	12
Interest paid		**(417)**	(27)
Interest element on finance lease rental payments		**(410)**	(500)
Net cash inflow from operating activities		**1,648**	11,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,466)**	(4,655)
Proceeds from disposal of property, plant and equipment		**77**	353
Purchase of long term investment	17	**–**	(1,500)
Initial acquisition of subsidiaries		**1,500**	–
Acquisition of subsidiaries	29(a)	**(12,979)**	–
Net cash outflow from investing activities		**(13,868)**	(5,802)

Consolidated Cash Flow Statement

	Notes	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	3,170
Repayment of bank loans		**(5,221)**	(797)
Proceeds from issue of new shares	26	**21,280**	4,700
Share issue expenses	26	**(819)**	(1,707)
Loans from a shareholder		**3,510**	–
Capital element of finance lease rental payments		**(2,814)**	(3,993)
Net cash inflow from financing activities		**15,936**	1,373
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,716**	7,252
Cash and cash equivalents at beginning of year		**9,102**	1,850
Effect of foreign exchange rate changes, net		**66**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**12,884**	9,102
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**12,884**	9,102

31 December 2004

Balance Sheet

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**60,865**	45,534
CURRENT ASSETS			
Prepayments		**194**	19
Cash and bank balances		**1,984**	393
		2,178	412
CURRENT LIABILITIES			
Interest-bearing bank borrowings	20	**3,057**	5,330
Accrued liabilities and other payable		**110**	520
		3,167	5,850
NET CURRENT LIABILITIES		**(989)**	(5,438)
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,876**	40,096
CAPITAL AND RESERVES			
Issued capital	26	**74,480**	53,200
Reserves	28	**(14,604)**	(13,104)
		59,876	40,096

XI Yu
Director

TANG Kwok Yuen
Director

1. CORPORATE INFORMATION

The registered office of New Universe International Group Limited is located at Rooms 1802-1803, 18/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Group was involved in the manufacture and sale of high precision molds and plastic products.

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

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements also comply with the applicable disclosure provisions of Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

Going concern basis

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

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of those adjustments have not been reflected in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture company

The Group's joint venture company is an independent business entity established and operating in mainland China. The joint venture agreement and related constitution stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared in accordance with the terms of the joint venture agreement.

The Group's joint venture company is accounted for a subsidiary as the Group has unilateral control over the joint venture company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building and factory improvements	Over the remaining lease terms or the tenure of the joint venture
Plant and machinery	10% – 20%
Computers and equipment	20% – 30%
Furniture and fixtures	20%
Motor vehicles	30%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Land use rights

The cost of land use rights is capitalised and amortised on a straight line basis over the unexpired period of the rights granted or the remaining operating period of the relevant company, whichever is shorter.

Long term investment

Long term investment in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, is stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and manufactured finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Deferred taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture company, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture company, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and a joint venture company are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries and a joint venture company are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and a joint venture company are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and a joint venture company which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A subsidiary established in mainland China maintains a defined contribution retirement plan for certain of its employees. It contributes to a state-sponsored retirement plan of approximately 17% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. There were no forfeited contributions available to the Group to reduce its contributions in future years. The contributions are charged to the income statement as they become payable in accordance with the rules of the state-sponsored retirement plan.

Share option schemes

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes 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 income statement 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. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is stated at cost less any impairment loss.

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over remaining average useful life of the acquired depreciable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated income statement and any relevant reserves as appropriate.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. DISCONTINUED OPERATION

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.

The gain on disposal of the subsidiary of HK$11,060,000 (note 29(b)) in respect of the discontinued operation was disclosed on the face of the consolidated income statement for the year ended 31 December 2003.

5. SEGMENT INFORMATION

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

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

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.

5. SEGMENT INFORMATION *(Continued)*

During the current and prior years, there were no intersegment transactions.

(a) Business segments

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

Group

	Continuing operations				Discontinued operation			
	Mold products		Plastic products				Consolidated	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Segment revenue:								
Sales to external customers	**46,048**	41,358	**39,693**	28,748	**–**	–	**85,741**	70,106
Other revenue and gains	**1,340**	496	**470**	210	**–**	11,060	**1,810**	11,766
Total	**47,388**	41,854	**40,163**	28,958	**–**	11,060	**87,551**	81,872
Segment results	**(28,880)**	1,113	**4,759**	1,411	**–**	11,060	**(24,121)**	13,584
Unallocated other revenue and gains							**2,343**	976
Unallocated expenses							**(10,293)**	(2,250)
(Loss)/profit from operating activities							**(32,071)**	12,310
Finance costs							**(827)**	(527)
(Loss)/profit before taxation							**50**	(80)
(Loss)/profit after taxation							**(32,848)**	11,703
Minority interests							**34**	–
Net (loss)/profit from ordinary activities attributable to shareholders							**(32,814)**	11,703

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

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

Group

	Mold products		Plastic products		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**63,850**	58,871	**27,296**	32,063	**91,146**	90,934
Unallocated assets					**5,406**	4,930
Total assets					**96,552**	95,864
Segment liabilities	**38,773**	21,507	**4,112**	6,455	**42,885**	27,962
Unallocated liabilities					**12,602**	15,225
Total liabilities					**55,487**	43,187
Other segment information:						
Depreciation	**7,231**	6,587	**2,559**	3,221	**9,790**	9,808
Other non-cash expenses:						
– Revaluation deficit on property, plant and equipment	**24,074**	–	**789**	–	**24,863**	–
– Provision for doubtful debts	**2,441**	538	**–**	–	**2,441**	538
– Capital expenditure	**1,897**	3,735	**569**	2,920	**2,466**	6,655

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

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

Group

	Hong Kong		Mainland China		North America*		Japan		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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	**32,514**	26,154	**34,784**	18,612	**1,457**	15,522	**3,967**	1,608	**13,019**	8,210	**85,741**	70,106
Other revenue	**2,588**	140	**1,565**	566	**–**	–	**–**	–	**–**	–	**4,153**	706
	35,102	26,294	**36,349**	19,178	**1,457**	15,522	**3,967**	1,608	**13,019**	8,210	**89,894**	70,812

	Hong Kong		Mainland China		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Segment assets	**19,043**	20,640	**77,509**	73,823	**–**	–	**96,552**	94,463
Capital expenditure	**40**	146	**2,426**	6,509	**–**	–	**2,466**	6,655

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

6. TURNOVER AND REVENUE

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

	Group	
	2004	2003
	HK$'000	HK$'000
Turnover – sale of goods	**85,741**	70,106
Interest income	**36**	12
Exchange gains, net	**34**	184
Sub-contracting income	**239**	–
Scrap sales	**597**	–
Gain on disposal of property, plant and equipment	**68**	–
Bad debts recovery	**280**	–
Rental overprovided in previous years	**970**	–
Overpayment from customers	**333**	–
Sundry income	**1,596**	1,486
Other revenue	**4,153**	1,682
Total	**89,894**	71,788

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	2004 **HK$'000**	2003 HK$'000
Depreciation		
– Owned assets	**9,496**	4,878
– Assets held under finance leases	**294**	4,930
Amortisation of land use rights	**356**	–
Auditors' remuneration	**395**	550
Staff costs (exclusive of directors' remuneration disclosed in note 9):		
Wages and salaries	**17,456**	11,335
Retirement benefits scheme contributions	**141**	109
Less: Forfeited contributions	**–**	(65)
Net retirement benefits scheme contributions	**141**	44
	17,597	11,379
Minimum lease payments under operating leases in respect of land and buildings	**469**	1,419
Payment for the use of an industrial plant	**3,400**	2,581
Cost of inventories consumed	**70,584**	52,498
Revaluation deficit on property, plant and equipment	**24,863**	–
Loss on disposal of property, plant and equipment	**–**	369
Provision for doubtful debts	**2,441**	538
Provision for obsolete inventories	**1,144**	–
Impairment loss on goodwill	**735**	–

8. FINANCE COSTS

	2004 **HK$'000**	2003 HK$'000
Interest expense on:		
Bank loans wholly repayable within five years	**327**	16
Finance leases	**409**	500
Import bills	**91**	11
	827	527

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Fees	**270**	240
Other emoluments:		
Basic salaries and allowances	**1,077**	1,196
Retirement benefits scheme contributions	**22**	24
	1,369	1,460

The amounts of the remuneration paid by the Group to the two (2003: two) executive directors of the Company for the year ended 31 December 2004, analysed on an individual basis, were HK$792,000 (2003: HK$792,000) and HK$307,000 (2003: HK$428,000), respectively.

The amounts of the remuneration paid by the Group to the three (2003: two) independent non-executive directors of the Company for the year ended 31 December 2004, analysed on an individual basis, were HK$120,000 (2003: HK$120,000), HK$120,000 (2003: HK$120,000) and HK$30,000 (2003: Nil), respectively.

During the year, there was no arrangement under which a director waived or agreed to waive any remuneration (2003: HK$766,000).

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2003: two) directors, details of whose emoluments are set out in note 9 above. Details of the remuneration of the remaining three (2003: three) employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Basic salaries and allowances	**948**	993
Retirement benefits scheme contributions	**35**	36
	983	1,029

The remuneration of the employees fell within the following band:

	Number of employees	
	2004	2003
Nil – HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to the three employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

11. TAXATION

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. No provision for Hong Kong profits tax had been made in the prior year as the Group had no assessable profits arising in Hong Kong during that 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.

	Group	
	2004	2003
	HK$'000	HK$'000
Deferred tax (credited)/charged for the year (note 25)	**(50)**	80

The PRC enterprise income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited, a wholly-owned subsidiary established in mainland China, is 24%.

11. TAXATION *(Continued)*

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe Tooling and Plastic Limited is eligible for a 100% relief from PRC enterprise income tax for the first two years from its first profit-making year of operation and thereafter, it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. However, the subsidiary sustained a loss since incorporation.

A reconciliation of the tax expense applicable to (loss)/profit before taxation using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2004

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before taxation	**(18,882)**		**(14,016)**		**(32,898)**	
Tax at the statutory/ applicable tax rates	**(3,304)**	**17.5**	**(3,364)**	**24.0***	**(6,668)**	**20.3***
Income not subject to tax	**(14)**		**–**		**(14)**	
Expenses not deductible for tax	**3,327**		**3,364**		**6,691**	
Tax losses utilised from previous periods	**(59)**		**–**		**(59)**	
Tax charge at the Group's effective rate	**(50)**	**0.3***	**–**	**–**	**(50)**	**0.2***

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	13,053		(1,270)		11,783	
Tax at the statutory/ applicable tax rates	2,284	17.5	(305)	24.0	1,979	16.8*
Effect on opening deferred tax of increase in tax rate	13		–		13	
Income not subject to tax	(1,962)		–		(1,962)	
Expenses not deductible for tax	1,349		305		1,654	
Tax losses utilised from previous periods	(1,604)		–		(1,604)	
Tax charge at the Group's effective rate	80	0.6	–	–	80	0.7

* representing effective tax rate

12. NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 of HK$681,000 (2003: Nil) which has been dealt with in the financial statements of the Company.

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss (2003: earnings) per share is based on the net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 of HK$32,814,000 (2003: net profit of HK$11,703,000), and the weighted average of 1,286,102,732 (2003: 696,569,863) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2004 and 2003 have not been presented as the effect of any dilution is anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Building and factory improvements HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At beginning of year	28,907	67,032	2,474	4,162	1,806	104,381
Reclassification	–	(102)	–	–	102	–
Acquisition of subsidiaries	12,639	11,516	619	150	440	25,364
Additions	483	1,621	123	–	239	2,466
Disposals/write-off	–	(133)	(27)	–	–	(160)
Revaluation	(28,419)	(15,497)	(1,797)	(3,967)	(50)	(49,730)
Exchange adjustments	(66)	(291)	(2)	(1)	(2)	(362)
At 31 December 2004	**13,544**	**64,146**	**1,390**	**344**	**2,535**	**81,959**
Accumulated depreciation and impairment:						
At beginning of year	8,261	33,389	1,600	3,995	1,066	48,311
Reclassification	–	(102)	–	–	102	–
Acquisition of subsidiaries	285	1,280	111	20	146	1,842
Charge for the year	1,854	7,035	407	79	415	9,790
Disposals	–	(133)	(18)	–	–	(151)
Revaluation	(8,201)	(11,026)	(1,603)	(3,948)	(89)	(24,867)
Exchange adjustments	(1)	(123)	–	–	(1)	(125)
At 31 December 2004	**2,198**	**30,320**	**497**	**146**	**1,639**	**34,800**
Net book value:						
At 31 December 2004	**11,346**	**33,826**	**893**	**198**	**896**	**47,159**
At 31 December 2003	20,646	33,643	874	167	740	56,070
Representing:						
At cost	483	1,621	123	–	239	2,466
At valuation	13,061	62,525	1,267	344	2,296	79,493

The net book value of the property, plant and equipment of the Group held under finance leases as at 31 December 2004 amounted to HK$2,610,035 (2003: HK$10,407,201).

Certain property, plant and equipment with net book value of HK$46,396,000 at 31 December 2004 were revalued by an independent qualified valuer , BMI Appraisals Limited on 31 December 2004 and the directors of the Company on 31 December 2004 at the respective fair market value of HK$24,390,000 and HK$21,533,000 as at 31 December 2004. The aggregate revaluation deficit of HK$24,863,000 has been charged to the consolidated income statement for the year ended 31 December 2004.

15. LAND USE RIGHTS

	2004	2003
	HK$'000	HK$'000
Cost		
Acquisition of subsidiaries	**2,595**	–
Exchange adjustment	**(10)**	–
	2,585	–
Amortisation		
Acquisition of subsidiaries	**75**	–
Charge for the year	**356**	–
	431	–
Net book value		
At end of the year	**2,154**	–

The Group's interest in land use rights are held in Suzhou, the PRC and on lease over the period of 50 years.

As at 31 December 2004, the land use rights with carrying value of HK$2,154,000 (2003: HK$ Nil) were pledged to a bank to secure the banking facilities granted to the Group (note 31).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**58,078**	58,078
Due from subsidiaries	**102,787**	87,456
	160,865	145,534
Provision for impairment	**(100,000)**	(100,000)
	60,865	45,534

16. INTERESTS IN SUBSIDIARIES *(Continued)*

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company 2004	2003	Principal activities
Smartech International Group Limited	British Virgin Islands/ Hong Kong	US$1,000,000	**100**	100	Investment holding
Smartech Manufacturing Limited	Hong Kong	HK$5,000,000	**100**	100	Sale of molds
Dongguan Smartech Tooling & Plastics Limited ("Dongguan Smartech")	People's Republic of China	US$7,200,000 *(Note)*	**100**	100	Manufacture and sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong	HK$100	**100**	100	Sale of plastic products
Smartech Services Limited	Hong Kong	HK$2	**100**	100	Provision of management services
Smartech Solutions Limiteds	Hong Kong	HK$2	**100**	100	Sale of dyeing plastics
Bestwin (China) Limited	Hong Kong	HK$15,000,000	**97**	10	Investment holding
Suzhou New Universe Tooling and Plastic Limited	People's Republic of China	US$2,450,000	**97**	10	Manufacture and sale of molds and plastic products

Except for Smartech International Group Limited, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Note: Dongguan Smartech is a Sino-foreign co-operative joint venture established in mainland China with a tenure of 20 years expiring on 21 March 2016. The investment and registered capital of Dongguan Smartech are US$17,865,000 and US$7,200,000, respectively, and the registered capital was solely contributed and fully paid up by the Group. According to the terms of the co-operative joint venture agreement, the Group is entitled to all the distributable profits of Dongguan Smartech after the payment of agreed annual fees, including the payment for the use of the industrial plant on a lease basis, to the PRC joint venture partner. Upon dissolution of the joint venture, the Group is entitled to the assets of the joint venture which are contributed by the Group. The directors of the Company are of the opinion that the Group is entitled to 100% of the operating results and net assets of the joint venture and, accordingly, the joint venture has been accounted for as a wholly-owned subsidiary of the Group.

17. LONG TERM INVESTMENT

	Group	
	2004	2003
	HK$'000	HK$'000
Unlisted equity investment, at cost	**–**	1,500

18. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**2,661**	3,012
Work in progress	**940**	10,743
Finished goods	**16,984**	1,171
Consumable tools	**792**	806
	21,377	15,732

At 31 December 2004, included above were raw materials of HK$2,661,000 (2003: Nil) which were carried at net realisable value.

19. 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 ageing analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within 1 month	**3,162**	2,847
1 to 2 months	**1,636**	3,600
2 to 3 months	**1,603**	1,160
Over 3 months	**3,320**	790
	9,721	8,397

20. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	**6,538**	2,373	**2,779**	2,373
Bank loans – unsecured	**4,699**	–	**–**	–
Trust receipt loans – secured	**278**	2,957	**278**	2,957
Amounts due within one year classified as current liabilities	**11,515**	5,330	**3,057**	5,330

At the balance sheet date, all the above bank loans and trust receipt loans were payable on demand or not exceeding one year. The Company's and Group's banking facility was secured by (i) a corporate guarantee from a related company of which Mr. XI Yu ("Mr. XI"), an executive director of the Company, is a director and beneficial shareholder; (ii) personal guarantee from Mr. XI; and (iii) land use rights of a subsidiary *(note 15)*.

21. 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:

	Group	
	2004	2003
	HK$'000	HK$'000
Within 1 month	**2,814**	2,055
1 to 2 months	**2,983**	2,592
2 to 3 months	**2,071**	2,441
Over 3 months	**6,309**	7,860
	14,177	14,948

Included in trade and bills payables were trade payables of HK$Nil (2003: HK$822,000) due to a related company, which were repayable within 60 days, which represented similar credit terms to those offered by the related company to its major customers.

22. FINANCE LEASE PAYABLES

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

At 31 December 2004, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Amounts payable:				
Within one year	**837**	3,220	**749**	2,839
In the second year	**643**	804	**641**	747
In the third to fifth years, inclusive	**17**	646	**14**	632
Total minimum finance lease payments	**1,497**	4,670	**1,404**	4,218
Future finance charges	**(93)**	(452)		
Total net finance lease payables	**1,404**	4,218		
Portion classified as current liabilities	**(749)**	(2,839)		
Long term portion	**655**	1,379		

23. SHAREHOLDER'S LOANS

These shareholder's loans from New Universe Enterprises Limited are unsecured, interest-free and repayable on 31 December 2006. These loans constitute as the connected party transactions and, in the opinion of the Directors, were exempted transactions under the GEM Listing Rules.

24. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and due for repayment within the next twelve months.

25. DEFERRED TAX LIABILITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Balance at beginning of year	**980**	900
Deferred tax (credited)/charged to the income statement during the year (note 11)	**(50)**	80
Balance at end of year	**930**	980

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

The Group has tax losses arising in Hong Kong of HK$10,062,000 (2003: HK$13,625,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or a joint venture company as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. ISSUED CAPITAL

Shares

	Company 2004 HK$'000	2003 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each	**1,000,000**	1,000,000
Issued and fully paid:		
1,489,600,000 (2003: 1,064,000,000) ordinary shares of HK$0.05 each	**74,480**	53,200

Movements in the issued share capital of Company during the current and prior year were as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2003		470,000,000	23,500	30,373	53,873
Open offer	(a)	94,000,000	4,700	–	4,700
Loan capitalisation	(b)	200,000,000	10,000	–	10,000
Loan capitalisation	(b)	300,000,000	15,000	–	15,000
Share issue expenses		–	–	(1,707)	(1,707)
At 31 December 2003 and 1 January 2004		1,064,000,000	53,200	28,666	81,866
Rights issue	(c)	425,600,000	21,280	–	21,280
Share issue expenses		–	–	(819)	(819)
At 31 December 2004		**1,489,600,000**	**74,480**	**27,847**	**102,327**

Notes:

(a) Pursuant to an extraordinary general meeting passed on 20 March 2003, the Company raised HK$4,700,000, before expenses, by way of an open offer of 94,000,000 new ordinary shares of HK$0.05 each of the Company at HK$0.05 per share in the proportion of one offer share for every five then existing ordinary shares in issue. These shares rank pari passu in all respects with the existing shares of the Company.

26. ISSUED CAPITAL *(Continued)*

(b) On 9 April 2003 and 18 December 2003, 200,000,000 and 300,000,000 new ordinary shares, respectively, of HK$0.05 each were allotted and issued to New Universe Enterprises Limited, the substantial shareholder, at par. The aggregate subscription price of HK$25,000,000 was satisfied by the capitalisation of shareholder's loans of HK$25,000,000. These shares rank pari passu in all respects with the existing shares of the Company.

(c) On 21 June 2004, 425,600,000 new ordinary shares of HK$0.05 each were issued at HK$0.05 each by the proportion of two rights shares for every five existing ordinary shares in issue. These new shares rank pari passu in all respects with the existing shares of the Company.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 27 to the financial statements.

27. SHARE OPTION SCHEMES

The Company operates a Pre-IPO Share Option Plan (the "Pre-IPO Plan") and a new share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company previously also operated an old share option scheme (the "Old Scheme") for similar purpose.

(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 (as adjusted for the Share Consolidation) were granted under the Pre-IPO Plan, with a vesting period from 4 May 2003 to 3 May 2005. Eligible participants of the Pre-IPO Plan include the Company's executive directors and other employees of the Group.

At 31 December 2004, 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 0.75% 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 year, 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 holders. No share option had been granted or exercised under the Pre-IPO Plan during the year and up to the date of approval of these financial statements.

27. SHARE OPTION SCHEMES *(Continued)*

(i) The Pre-IPO Plan *(Continued)*

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

Name or category of participant	Number of share options (as adjusted for the Share Consolidation) At 1 January 2004	Lapsed during the year	At 31 December 2004	Date of grant of share options*	Exercise period of share options	Exercise price of share options** (as adjusted for the Share Consolidation)	Price of the Company's shares 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 2003 to 3 May 2005	HK$0.50 per share	N/A	N/A
	8,000,000	–	8,000,000					

* *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 income statement 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.

At the balance sheet date, 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).

27. SHARE OPTION SCHEMES *(Continued)*

(ii) The Old Scheme

The Old Scheme was adopted by the shareholders of the Company on 4 May 2000 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date. The Old Scheme became effective upon the listing of the Company's shares on 18 May 2000. Eligible participants of the Old Scheme included the Company's executive directors and other employees of the Group.

The maximum number of shares issuable under share options to each eligible participant in the Old Scheme was limited to 25% of the aggregate number of shares for the time being issued and issuable under the Old Scheme. The maximum number of ordinary shares in which options can be granted under the Old 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 was determinable by the directors. In any event such period of time might 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 was determinable by the directors, but might not be less than the higher of (i) the average closing price of the Company's shares in the Stock Exchange 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.

On 10 December 2003, an extraordinary general meeting was passed by the Company's shareholders for the adoption of the New Scheme in compliance with the requirements of the GEM Listing Rules and the termination of the Old Scheme. No option had been granted under the Old Scheme during the period from 4 May 2000 to the date of termination.

27. SHARE OPTION SCHEMES *(Continued)*

(iii) The New Scheme

Eligible participants of the New 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 New 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 New 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 New 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 12month 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 New Scheme during the year and up to the date of approval of these financial statements.

Notes to Financial Statements

28. RESERVES

Group

	Note	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus (note) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003		30,373	601	31,929	(73,422)	(10,519)
Share issue expenses		(1,707)	–	–	–	(1,707)
Net profit for the year		–	–	–	11,703	11,703
At 31 December 2003 and 1 January 2004		28,666	601	31,929	(61,719)	(523)
Translation differences arising on consolidation of an overseas subsidiary		–	(185)	–	–	(185)
Share issue expenses	26	(819)	–	–	–	(819)
Net loss for the year		–	–	–	(32,814)	(32,814)
At 31 December 2004		**27,847**	**416**	**31,929**	**(94,533)**	**(34,341)**

Company

	Note	Share premium account HK$'000	Contributed surplus (note) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003		30,373	58,078	(99,848)	(11,397)
Net profit for the year		–	–	–	–
Share issue expenses		(1,707)	–	–	(1,707)
At 31 December 2003 and 1 January 2004		28,666	58,078	(99,848)	(13,104)
Share issue expenses	26	(819)	–	–	(819)
Net loss for the year		–	–	(681)	(681)
At 31 December 2004		**27,847**	**58,078**	**(100,529)**	**(14,604)**

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2004 HK$'000	2003 HK$'000
Net assets/(liabilities) acquired:		
Property, plant and equipment	26,042	–
Trade receivables	3,752	–
Inventories	2,969	–
Prepayments and other receivables	328	–
Cash and bank balances	3,521	–
Trade payables	(4,047)	–
Accrued liabilities	(2,165)	–
Bank loans	(13,679)	–
	16,721	–
97% of net assets acquired	16,219	–
Goodwill on acquisition	735	–
Consideration	16,954	–

	2004 HK$'000	2003 HK$'000
Satisfied by:		
Cash paid	16,500	–
Other investment reclassified	1,500	–
Assignment of debts	(1,046)	–

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004 HK$'000	2003 HK$'000
Cash paid	16,500	–
Cash and bank balances acquired	(3,521)	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	12,979	–

On 2 July 2004, the Group acquired an additional 87% interest in Bestwin (China) Limited and its wholly owned subsidiary in mainland China, Suzhou New Universe Tooling and Plastic Limited. The purchase consideration for the acquisition was satisfied by cash of HK$16.5 million. In addition to 10% interest in Bestwin (China) Limited previously held by the Group, Bestwin (China) Limited became a 97% owned subsidiary of the Group upon the completion of the acquisition.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of a subsidiary

	2004 HK$'000	2003 HK$'000
Net liabilities disposed of:		
Property, plant and equipment	–	–
Trade receivables	–	–
Inventories	–	–
Prepayments and other receivables	–	–
Cash and bank balances	–	–
Trade payables	–	(1,574)
Accrued liabilities	–	(9,486)
Deposits received	–	–
	–	(11,060)
Gain on disposal of a subsidiary	–	11,060
	–	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2004 HK$'000	2003 HK$'000
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	–

The subsidiary disposed of during the year ended 31 December 2003 contributed HK$11.1 million to consolidated profit after taxation for the year ended 31 December 2003.

30. COMMITMENTS

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

(a) Capital commitment

	2004 HK$'000	2003 HK$'000
Contracted for but not provided for in the financial statements	**2,814**	114

(b) Operating lease arrangements

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

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2004 HK$'000	2003 HK$'000
Within one year	**3,694**	2,618
In the second to fifth years, inclusive	**13,678**	5,312
After five years	**–**	11,301
	17,372	19,231

The Company had no significant commitments at the both balance sheet dates.

31. PLEDGE OF ASSETS

At 31 December 2004, the Group pledged the land use rights with a carrying value of HK$2,154,000 (2003: Nil) and property, plant and equipment with a carrying value of HK$8,491,000 to a bank to secure banking facilities to the extent of HK$8,458,000 granted to the Group.

32. CONTINGENT LIABILITIES

At 31 December 2004, the Group has no significant contingent liabilities (2003: Nil). At the balance sheet date, the Company had the following contingent liabilities not provided for in the financial statements:

	2004 **HK$'000**	2003 HK$'000
Corporate guarantees on liabilities of a subsidiary in respect of obligations under finance leases	**1,302**	4,670

33. RELATED PARTY TRANSACTIONS

During the year, the Group purchased raw materials amounted to HK$6,480,964 (2003: HK$2,026,575) from a related company of which Mr. XI Yu, an executive director of the Company, is a director and beneficial shareholder. The Group also sold goods amounted to HK$4,245,814 (2003: HK$Nil) to another related company of which Mr. XI Yu is also a director. The board of directors considers that the sales and purchases with the related parties were transacted at arm's length basis and on normal commercial terms similar to those offered to other independent third parties.

The shareholders' loans from New Universe Enterprises Limited are disclosed in note 23 to the financial statements.

34. COMPARATIVE FIGURES

Certain items in the financial statements were reclassified which would result in a more appropriate presentation of transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2005.

Financial Summary

RESULTS

	Year ended 31 December				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
TURNOVER – continuing operations	**85,741**	70,106	50,390	102,089	111,472
(LOSS)/PROFIT BEFORE TAXATION					
Continuing operations	**(32,898)**	723	(31,198)	(43,116)	13,535
Discontinued operation	**–**	11,060	–	(34,876)	–
	(32,898)	11,783	(31,198)	(77,992)	13,535
Tax – continuing operations	**50**	(80)	–	364	(3,413)
(LOSS)/PROFIT AFTER TAXATION	**(32,848)**	11,703	(31,198)	(77,628)	10,122
Minority interests	**34**	–	7	8	2
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(32,814)**	11,703	(31,191)	(77,620)	10,124

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
TOTAL ASSETS	**96,552**	95,864	82,857	121,752	194,805
TOTAL LIABILITIES	**(56,413)**	(43,187)	(69,876)	(78,146)	(95,442)
MINORITY INTERESTS	**926**	–	–	(23)	(31)
	41,065	52,677	12,981	43,583	99,332

The summary financial information of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate.