NEW UNIVERSE INTERNATIONAL GROUP LIMITED
新宇國際實業(集團)有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code : 8068

2005

ANNUAL REPORT

Corporate Information

BOARD OF DIRECTORS

Executive Directors
XI Yu *(Chairman)*
KUNG May Lan *(Managing Director)*
CHEUNG Siu Ling

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

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

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

AUTHORISED REPRESENTATIVES
XI Yu
HON Wa Fai, Kenneth

COMPLIANCE OFFICER
XI Yu

QUALIFIED ACCOUNTANT
HON Wa Fai, Kenneth

COMPANY SECRETARY
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 2110-2112
Telford House
16 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

AUDITORS
CCIF CPA Limited
Certified Public Accountants

SHARE REGISTRAR AND TRANSFER OFFICES

Principal
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
Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE
8068

WEBSITE
www.nuigl.com

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

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

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.

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

This annual report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, 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.

Chairman's Statement

The Group is

confident of our growth in 2006

Chairman's Statement

On behalf of the Board of directors ("Board") of New Universe International Group Limited ("Company"), I present to the shareholders the annual report of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2005.

I feel pleased to see that the Group has overcome a challenging year of 2005. The Group reported a decrease in turnover during this transitional year of management changes. With effective control on cost and production quality, the Group's loss was reduced by 82.7% from HK$32,814,000 in the previous year to HK$5,683,000 in the current year.

BUSINESS REVIEW

Overview

The Group has a turnover of HK$60,442,000 in 2005 (2004: HK$85,741,000) and the total equity was HK$36,832,000 as of 31 December 2005 (2004: HK$41,065,000). Sales of tooling products and plastic products represented 77.9% and 22.1% respectively of the Group's turnover in 2005, as compared to 53.7% and 46.3% respectively for the year 2004. Substantial hikes in statutory minimum wages in Mainland China and generally tight labour supply in Dongguan did cause unexpected cost increases that the Group's management had to deal with in 2005. Despite tight control on cost of the Group in 2005, factors, such as countrywide energy shortage in Mainland China and appreciation of Renminbi, still posed direct or indirect impact to the production cost of the Group.

Streamline of operations

During the year under review, the Board has been refreshed by new members and the management team has started strategic planning and operational reengineering of the Group's factories. While maintaining the Group's operational efficiency and production capacities, the Group would continue its effort on cost control and lead time optimization on production.

Commencing June 2005, with the support of ultimate holding company, New Universe Enterprises Limited ("NUEL"), the Group has started upgrading its existing ERP system to a new ERP system with emphasis on latest manufacturing solutions. By implementing the new system, lean manufacturing concept will be introduced to the Group. The product lifecycle management module of the new ERP system acquired will expect to provide space for enhancing new product development and engineering change management of the Group in the future.

Performance of two plants in Mainland China

Though the total turnover of the Group declined in 2005, the overall performance of its two factories in Mainland China was comparatively improved in current year. The Group has planned to continuously strengthen its facilities of plastic injection and tooling production for two plants in Mainland China.

Dongguan Smartech Tooling & Plastics Limited ("Dongguan Smartech"):

Tooling sales represented 70.5% of the total turnover of Dongguan Smartech in 2005, of which 76.9% was sales to Hong Kong and overseas customers. Plastics sales represented 29.5% of the turnover of Dongguan Smartech, of which 88.2% was sales to Hong Kong and overseas customers. After re-organisation of the operations in Dongguan Smartech has been carried out since early 2005, the factory has strengthened its workflows as a foundation for further business expansions in the future. While maintaining long lasting relationship with its major clients, Dongguan Smartech started cooperation with new renowned customers proficient in products development. Dongguan Smartech positions itself to serve overseas customers, and keeps long lasting relationship with clients by its assured quality. The top management of Dongguan Smartech considers that the existing production capacity of the plant is able to cope with new challenges in the future, and considers increase of capital expenditure will be needed to enhance it.

Suzhou New Universe Tooling & Plastic Limited ("Suzhou New Universe"):

Suzhou New Universe has confined its effort on sales of molding products in 2005, and was breakeven in current year. Tooling sales of Suzhou New Universe in current year was triple the post-acquisition tooling sales in 2004. The total turnover of Suzhou New Universe was HK$15,117,000 in 2005, of which 77.5% was sales in Mainland China. Suzhou New Universe is expected to sustain growth by maintaining a list of renowned customers. The top management of Suzhou New Universe considers that the factory performance will grow steadily in the coming year.

Investments and finance

The Group intends to increase capital expenditure for replacing certain machineries of Dongguan Smartech and will review from time to time the need for enhancing technical know-how and production efficiency of the two plants in Mainland China.

The Group's long-range plan on establishing a new plant in Pearl River delta has been temporarily suspended since the third quarter of 2005. Feasibility studies on the choice of plant location have been carrying on, but not yet finalised. There is no legally binding documents being signed in respect of the intended investment. The Board is still locating a satisfactory site for the new plant. Once the plan becomes concrete, the Board intends to finance the project by the Group's internal resources and support of its bankers and/or NUEL.

PROSPECTS

Entering the year of 2006, we see optimism on the strength of continuous economic growth in Mainland China and the stability of global economic environment. Given a marketing and management platform in Hong Kong and the timely backup by NUEL, improvement of Group's performance in 2006 and beyond will be closely tied to the continuous betterment of the productivity and technology of Dongguan Smartech and the Suzhou New Universe.

The Group's mold making facilities in Dongguan Smartech and Suzhou New Universe contain the latest state-of-the-art mold making equipment and technology with core competence on production of plastic injection molds for automobile parts, office equipment and domestic appliance. Our experienced production teams provide sophisticated engineering and design services. Quality in-house control of manufacturing of our own molds ensures competitive pricing and reduced lead-times. The factories' quality systems have to pass periodical internal audits. From conceptual prototype to final product packaging, the Group's facilities provide complete value chain to satisfy customers' need.

The Board believes the existing production facilities in Dongguan Smartech will strengthen the Group's customer network surrounding the Pearl River Delta, and the production facilities in Suzhou New Universe will capture 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. The Board remains confident in our future sustainable growth and that our performance will be better in the coming year.

By Order of the Board

XI Yu
Chairman
Hong Kong, 20 March 2006

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a turnover of HK$60,442,000 for the year ended 31 December 2005, reflecting a decrease of 29.5% from HK$85,741,000 for last year. Two plants of the Group in Dongguan Smartech and Suzhou New Universe have contributed 75% and 25% respectively to the Group's turnover in 2005. The gross profit of the Group in 2005 decreased by 28.5% to HK$10,313,000 compared to HK$14,425,000 in 2004. Owing to tight control on production cost in current year of increasing materials and labour cost, gross profit margin was kept at 17.1% in 2005 as compared to last year of 16.8%. Net loss for 2005 was HK$5,683,000 decreased from HK$32,814,000 for last corresponding year in 2004.

The Group's selling and distribution expenses were increased by 9.4% to HK$5,499,000 in current year, representing 9.1% to the Group's turnover in 2005, as compared to HK$5,028,000 in last year which representing 5.9% to the turnover in 2004. The current increase in selling and distribution expenses is attributable to increases in expenses for after sales services and freight cost.

The Group's administrative expenses were decreased by 7.3% to HK$12,292,000 in current year, representing 20.3% to the Group's turnover in 2005, as compared to HK$13,259,000 in last year which representing 15.5% to the turnover in 2004.

The Group's other operating expenses decreased by 44.3% to HK$4,180,000 in current year, representing 6.9% to the Group's turnover in 2005, as compared to HK$7,499,000 in last year which representing 8.7% to the turnover in 2004. The reason for decrease in other operating expenses was mainly because the Group did not need to make additional provision for doubtful debts in current year, as the Group insisted on implementing conservative credit policy. The Group did not have any revaluation deficit on property, plant and equipment during the year under review. The Board considered that the net book value of the Group's property, plant and equipment as at 31 December 2005 was close to the fair market value.

The total finance cost of the Group decreased by 4.1% to HK$793,000 in 2005 as compared to HK$827,000 in 2004. With timely backup by NUEL, the Group could utilize its banking facilities in an effective way.

The Group's net loss attributable to equity holders for the year ended 31 December 2005 was HK$5,683,000 compared to loss of HK$32,814,000 in 2004. Loss per share was Hong Kong cents 0.38 for the year 2005 compared to loss per share of Hong Kong cents 2.55 for last year.

The Group's earnings arising from operating activities before interest, taxes, depreciation and amortization ("EBITDA") was HK$1,992,000 in current year, and EBITDA was HK$2,972,000 for 2004.

Segment results

Details of segment results of the Group are set out in note 3 to the financial statements.

Save as disclosed in the financial statements, sales distribution by business and geographical area has changed slightly during the year under review. The sales distribution by tooling products and plastic products was 77.9% and 22.1% respectively. The Group's biggest market was still Mainland China in 2005. The sales distribution for Mainland China (excluding Hong Kong and Taiwan), Hong Kong, European countries, North America and others (including Taiwan) was 34.2%, 30.3%, 21.9%, 4.8% and 8.8% respectively.

Net profit/loss from ordinary activities attributable to equity holders

The Group recorded a net loss from ordinary activities attributable to equity holders of HK$5,683,000 for the year ended 31 December 2005, whereas the net loss for the year 2004 was HK$32,814,000.

Employee information

As at 31 December 2005, the Group employed 661 (2004: 763) employees in Hong Kong and factories in Mainland China.

Total staff and labour costs of the Group (excluding directors' remuneration but including amount capitalized as inventory) was HK$16.58 million for the year ended 31 December 2005, a 5.8% decrease from HK$17.60 million for 2004. The decrease was mainly attributed to decrease in average head count of the Group during the year.

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

Liquidity and financial resources

The Group operates with conservative treasury policies to avoid risky investments and to minimize interest-bearing borrowings. The Group's liquidity position has improved during the year of 2005 though the position was slightly tightened for the second and third quarters of 2005 to reduce trade payables. In current year, the Group financed its operation activities with internally generated cash flows, banking facilities, and short term revolving bank loans, and financed its investing activities with the financial support of NUEL.

As at 31 December 2005, the Group had total cash and bank balances of HK$12,953,000 and had outstanding interest-bearing borrowings of approximately HK$15,287,000, comprising trust receipt loans of HK$327,000, clean import loan of HK$3,937,000, secured bank loans of HK$8,655,000, finance lease payables of HK$2,368,000. The Group also had outstanding non-interest borrowings in respect of the unsecured interest-free loans from a controlling shareholder of HK$10,772,000 (at fair value of HK$10,052,000). Out of the total indebtedness as at 31 December 2005, approximately HK$14,687,000 is repayable within one year.

Gearing ratio

The gearing ratio was 148% as at 31 December 2005 (2004: 135%), representing total liabilities of HK$54.46 million (2004: HK$55.49 million) divided by total equity of HK$36.83 million (2004: HK$41.07 million).

Capital structure

There was no material change in the capital structure of the Company for the year ended 31 December 2005.

Material acquisition and disposals of subsidiaries

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2005.

Charges on Group assets

As at 31 December 2005, the Group pledged the land use rights with a carrying value of HK$2,158,000 (2004: HK$2,154,000), and property, plant and equipment with carrying value of HK$8,460,000 (2004: HK$8,491,000) to a bank in Mainland China to secure banking facilities to the extent of HK$8,654,000 (2004: HK$8,458,000) granted to the Group.

Exposure to exchange rate fluctuations

During the year ended 31 December 2005, the Group experienced minimal fluctuation on exchange rates as the Group's business was conducted and most of its monetary assets and liabilities were denominated in Hong Kong Dollars, US Dollars and Chinese Renminbi Yuan. Although Chinese Renminbi Yuan was appreciated in July 2005 relative to both Hong Kong Dollars and US Dollars, the appreciation mainly captured increase in translation reserves arising on equity investments in Mainland China. The Group considered that as the exchange rate risk of the Group was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2005 (2004: Nil). At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements relating to corporate guarantees on the liabilities of subsidiaries in respect of obligations under finance leases amounted to HK$2,349,000 (2004: HK$1,302,000)

Profile of Directors and Senior Management

DIRECTORS

Executive Directors

XI Yu (Age 48)

Chairman and Compliance Officer

Mr. XI was appointed a director of the Company on 7 June 2002. Mr. XI is the chairman of the Company's Board of directors and 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.

KUNG May Lan (Age 53)

Managing Director

Ms. KUNG was appointed a director of the Company on 1 April 2005. Ms. KUNG was appointed general manager of the Group and director of Dongguan Smartech Tooling and Plastics Limited in 2005. Ms. KUNG is seconded by the Group's ultimate holding company, NUEL, and is responsible for the sales and marketing, research and development and production functions of the Group. 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 13 years of teaching experience in Hong Kong; and she also has more than 15 years of experience in production planning and control, materials and inventory management in multinational electronics corporations in California, U.S.A.

CHEUNG Siu Ling (Age 44)

Group Director

Ms. CHEUNG was appointed a director of the Company on 1 April 2005. Ms. CHEUNG was appointed director of all principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. She holds a Master's degree 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.

Independent non-executive Directors

CHAN Yan Cheong (Age 52)

Prof. CHAN was appointed an independent non-executive director of the Company on 17 November 1999. 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. Prof. CHAN is a fellow of The Hong Kong Institution of Engineers (Electronics & Material Divisions), the Institution of Electrical Engineers (HK), and the Institute of Electrical and Electronics Engineers (USA). He is a chartered engineer. Prof. CHAN is currently a chair professor in the Department of Electronic Engineering of the City University of Hong Kong and a director of the Center for Electronic Packaging and Assemblies, Failure Analysis and Reliability Engineering (EPA Centre). He has provided consultancy in the areas of advanced electronics manufacturing, failure analysis and reliability engineering for over 15 years.

YUEN Kim Hung, Michael (Age 44)

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. Mr. YUEN is practicing in Hong Kong in this own accounting firm. He has over 10 years of experience in accounting, tax and auditing.

HO Yau Hong, Alfred (Age 48)

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 part-time professor with Algonquin College, Ottawa, Canada in accounting and auditing. Mr. HO has over 20 years of experience in accounting, auditing and taxation. Mr. HO is practicing in Hong Kong in his own accounting firm. He is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation, and a part-time tutor of the Open University of Hong Kong in taxation.

SENIOR MANAGEMENT

ZHANG Wang Dong (Age 34)

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 management, production and marketing strategies of the Suzhou New Universe. 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 from the Jinan University. He has over 10 years of experience in production management, strategic planning and business control in major enterprises in Mainland China.

Ramiz Hani AMMARI (Age 33)

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.

HON Wa Fai, Kenneth (Age 45)

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 both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 18 years of experience in accounting, auditing, taxation and finance.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2005.

PRINCIPAL PLACE OF BUSINESS

New Universe International Group Limited is incorporated in Cayman Islands as an exempted company with limited liability and its principal place of business is situated at Rooms 2110-2112, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and trading of high precision molds and plastic products, with details and other particulars set out in note 14 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in note 3 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	8.5%	
Five largest customers in aggregate	25.6%	
The largest supplier		3.0%
Five largest suppliers in aggregate		9.2%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the these major customers or suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 28 to 79.

TRANSFER TO RESERVES

Loss attributable to equity holders of the Company of HK$5,683,000 (2004: 32,814,000) have been transferred to reserves. Movements in the reserves of the Company and the Group are set out in note 25 to the financial statements.

The Board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2005 (2004: Nil).

Report of the Directors

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the financial statements.

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.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2005 are set out in note 14 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2005 are set out in notes 19, 21 and 23 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years is set out on page 80 of the annual report.

DIRECTORS

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

Executive Directors:

XI Yu *(Chairman)*	
KUNG May Lan	(appointed on 1 April 2005)
CHEUNG Siu Ling	(appointed on 1 April 2005)
TANG Kwok Yuen	(resigned on 30 April 2005)

Independent Non-Executive Directors:

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

In accordance with articles 86 of the Company's articles of association, Ms. CHEUNG Siu Ling and Ms. KUNG May Lan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with articles 87 of the Company's articles of association, Mr. YUEN Kim Hung, Michael will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual written confirmation of independent pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive directors are independent to the Company.

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 10 to 11 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The tenure of office of each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is for a period of two years commencing 1 February 2005 and is subject to retirement or rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 2005, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

(1) Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.05 each				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of share held**	**% of total shares in issue**
XI Yu ("Mr. XI")*	–	–	1,020,481,000	1,020,481,000	68.51

Notes:

* Mr. XI is the beneficial owner of 16,732 shares of USD1.00 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.

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

	Number of ordinary shares of USD1.00 each				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of share held**	**% of total shares in issue**
CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14

Save as disclosed above, as at 31 December 2005, none of the directors and chief executive of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors under the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company's shareholders in general meeting on 10 December 2003 ("Share Option Scheme"), whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for a period of 10 years ending on 9 December 2013, after which no further options will be granted.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2005 was 76,400,000 shares which represented the current scheme mandate limit given to the directors to issue 10 per cent. of the Company's shares as at the adoption date of the Share Option Scheme on 10 December 2003.

Under the rules of the share option scheme:

(1) the maximum numbers of the Company's shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the Share Option Scheme and those options that have lapsed in accordance with the terms of the Share Option Scheme) shall not, in aggregate, exceed the scheme mandate limit; and

(2) the maximum numbers of the Company's shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not, in any event and in aggregate, exceed 30 per cent. of the Company's shares in issue from time to time.

For options to be granted under the Share Option Scheme, the exercise price of options is the highest of:

(1) the nominal value of the Company's shares;

(2) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the date of grant; and

(3) the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

At 31 December 2005, no options have been granted under the Company's Share Option Scheme adopted on 10 December 2003.

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

As at 31 December 2005, 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 shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.05 each				
Substantial shareholder	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of share held**	**% of total shares in issue**
NUEL	1,020,481,000	–	–	1,020,481,000	68.51
Mr. XI	–	–	1,020,481,000*	1,020,481,000	68.51

Notes:

* The interest disclosed by Mr. XI is the same as the 1,020,481,000 shares disclosed by NUEL.

Save as disclosed above, as at 31 December 2005, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2005, the Group purchased raw materials amounting to HK$230,000 from a related company, China (HK) Chemical & Plastics Co. Limited ("China HK Chemical"). The Company's directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of China HK Chemical. The Board considered that the aforementioned purchases were in the ordinary and usual course of business of the Group and were transacted on normal commercial terms no less favourable to the Group than those available from other independent third parties.

As at 31 December 2005, a 97% owned subsidiary of the Group, Bestwin (China) Limited ("Bestwin") owed an unsecured interest-free loan of USD450,000 (equivalent approximately to HK$3,510,000) to the Company's substantial shareholder, NUEL, pursuant to a loan agreement dated 30 November 2004. The loan is originally repayable on 31 December 2006, but now being extended to 31 March 2007. The Board considered the financial assistance provided by NUEL was an exempted transaction under the GEM Listing Rules.

On 20 October 2005, a new loan agreement was entered into between Bestwin as borrower and NUEL as lender, pursuant to which NUEL granted an unsecured interest-free loan of USD290,000 (equivalent to approximately HK$2,262,000) to Bestwin. The Board considered the financial assistance provided by NUEL was an exempted transaction under the GEM Listing Rules.

On 30 December 2005, NUEL granted an unsecured interest-free revolving loan facility of HK$5,000,000 to the Company. The Board considered the financial assistance provided by NUEL was an exempted transaction under the GEM Listing Rules.

Save as disclosed above, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2005, none of the directors of the Company or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with the Company or might compete with the business of the Group.

AUDITORS

Ernst & Young have acted as auditors of the Company for the years ended 31 December 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 retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

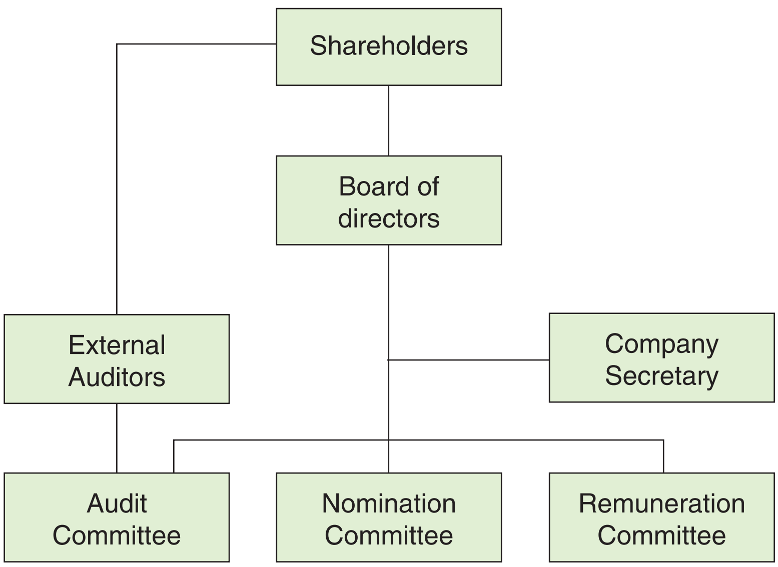
XI Yu
Chairman
Hong Kong, 20 March 2006

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good standard of corporate governance to ensure transparency and quality of disclosure and effective risk control. Every effort will be undertaken by the Board of directors to comply with the principles and practices in order to protect and enhance the benefits of the Company's shareholders.

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2005.

Organization structure in relation to corporate governance of the Company:



DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all directors, the Directors of the Company have complied with the required standard of dealings set out in the GEM Listing Rules throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

(a) Board composition

The Board currently comprises 6 members, 3 of them are executive directors, and 3 of them are independent non-executive directors, serving the role of guiding the management.

The Board members for the year ended 31 December 2005 were:

Chairman
Mr. XI Yu

Executive directors
Ms. KUNG May Lan *(Managing director)*
Ms. CHEUNG Siu Ling

Independent non-executive directors
Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

(b) Role and function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring the Board procedures, all applicable rules and regulations, are followed.

The Board gives clear directions as to the power delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2005, the Board:

(i) reviewed the performance of the Group and formulated business strategy of the Group;

(ii) reviewed and approved the annual report for the year ended 31 December 2004;

(iii) reviewed the general mandates to issue and repurchase shares of the Company;

(iv) reviewed and approved the quarterly report for the 3 months ended 31 March 2005;

(v) reviewed and approved the interim results for 6 months ended 30 June 2005 as reviewed by independent accountants, CCIF CPA Limited;

(vi) reviewed and approved the quarterly report for 9 months ended 30 September 2005;

(vii) reviewed effective internal control taken by the Group;

(viii) reviewed and approved the resignation of an executive director, Mr. TANG Kwok Yuen;

(ix) reviewed and approved the appointment of new executive directors, Ms. KUNG May Lan and Ms. CHEUNG Siu Ling;

(x) approved the re-designation of executive director, Mr. XI Yu, as chairman of the Board; and

(xi) reviewed and approved the change of principal place of address of the Group in Hong Kong.

To the best knowledge of the Company, there is no financial, business and family relationship between the chairman and the chief executive officer (or the managing director). All directors of the Company are free to exercise their independent judgment.

(c) Meeting records

There were 13 Board meetings held for the year ended 31 December 2005.

The following was an attendance record of the Board meetings held by the Board during the year:

Board member	**Number of meetings attended/held**
Mr. XI Yu	13/13
Ms. KUNG May Lan	7/13
Ms. CHEUNG Siu Ling	8/13
Mr. TANG Kwok Yuen (resigned on 30 April 2005)	5/13
Dr. CHAN Yan Cheong	5/13
Mr. YUEN Kim Hung, Michael	5/13
Mr. HO Yau Hong, Alfred	5/13

(d) Independent non-executive directors

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all non-executive directors as to their independence with reference to the factors as set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and the managing director (acting as in the capacity of the Company's chief executive officer) are Mr. XI Yu and KUNG May Lan respectively.

The chairman's responsibility is to manage the Board and the managing director's (in the capacity of chief executive officer) responsibility is to manage the Company's business. The division of responsibilities between the chairman and managing director of the Company is clearly established.

NON-EXECUTIVE DIRECTORS

The tenure of office of each of the Company's independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is for a period of two years commencing 1 February 2005 and is subject to retirement or rotation in accordance with the Company's articles of association.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Board Committees makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(a) Audit Committee

In May 2000, the Company's audit committee had been established with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules.

Composition of audit committee

Dr. CHAN Yan Cheong *(chairman of audit committee)*
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

Role and function

The audit committee is mainly responsible for:

(i) discussion with the external auditors before the audit commences, the nature and scope of audit;

(ii) review of the draft financial statements, including but not limited to, draft annual report, interim report, and quarterly reports, before submission to, and providing advice and comments thereon on to the Board of directors;

(iii) considering the appointment of external auditors, their audit fees and questions of resignation or dismissal; and

(iv) discussing problems and reservation arising from the quarterly, interim and final audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary).

Meeting records

The audit committee had 4 meetings during the year ended 31 December 2005 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2004;

(ii) reviewed the quarterly report for the 3 months ended 31 March 2005;

(iii) reviewed the interim results for 6 months ended 30 June 2005 as reviewed by independent accountants, CCIF CPA Limited; and

(iv) reviewed the quarterly report for 9 months ended 30 September 2005.

The following was an attendance record of the audit committee meetings during the year:

Audit committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	4/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

(b) Nomination Committee

In May 2005, the Company's nomination committee had been established with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company.

Composition of nomination committee

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

Role and function

The nomination committee is mainly responsible for:

(i) review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) identification of individuals suitably qualified to become Board members and selection of, or making recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) assessment of the independence of independent non-executive directors; and

(iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

Meeting records

The nomination committee had 1 meeting during the year ended 31 December 2005.

The following was an attendance record of the nomination committee meetings during the year:

Nomination committee member	Number of meetings attended/held
Dr. CHAN Yan Cheong	1/1
Mr. YUEN Kim Hung, Michael	1/1
Mr. HO Yau Hong, Alfred	1/1

(c) Remuneration Committee

In May 2005, the Company's remuneration committee had been established with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company.

Composition of remuneration committee

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

Role and function

The remuneration committee is mainly responsible for:

(i) making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(ii) having the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

(iii) ensuring no director or any of his associates is involved in deciding his own remuneration;

(iv) advising shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval;

(v) making such alterations or additions to option scheme rules as do not require shareholders' consent as the remuneration committee considers necessary or desirable subject to the limits set out in such rules; and

(vi) consideration and resolving upon all grants of options under the Company's share option schemes.

Meeting records

The remuneration committee had 1 meeting during the year ended 31 December 2005.

The following was an attendance record of the remuneration committee meetings during the year:

Remuneration committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	1/1
Mr. YUEN Kim Hung, Michael	1/1
Mr. HO Yau Hong, Alfred	1/1

SHAREHOLDERS RIGHTS

It is the Company's responsibility to ensure shareholders' interest. To do so, the Company maintains on-going dialogue with shareholders – to communicate with them and encourage their participation – through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

Any registered shareholders is entitled to attend the annual and extraordinary general meetings, provided that their shares have been recorded in the register of shareholders of the Company.

Shareholders who are unable to attend a general meeting may complete and return to the Branch Share Registrar in Hong Kong the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or chairman of the meetings.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:

Telephone number:	(852) 2435 6811
Fascimile number:	(852) 2435 3220
E-mail:	comsec@nuigl.com
Postal address:	Rooms 2110-2112, 21/F., Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong

EXTERNAL AUDITORS

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

Apart from the provision of annual audit services, the Group's external auditors also carried out interim review of the Group's results, taxation advisory services.

For the year ended 31 December 2005, CCIF CPA Limited, the external auditors provided the following services to the Group:

	2005 HK$'000
Annual audit services	395
Interim review services	–
Taxation advisory services	–

Report of the Auditors

CCIF

CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong
www.ccifcpa.com.hk

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

We have audited the financial statements on pages 28 to 79 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 Hong Kong Standards on Auditing 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 2005 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, 20 March 2006

Choi Man On
Practising Certificate Number P02410

Consolidated Income Statement

	Note	2005 HK$'000	2004 HK$'000
Turnover	4	**60,442**	85,741
Cost of sales		**(50,129)**	(71,316)
Gross profit		**10,313**	14,425
Other income	4	**5,838**	4,153
Selling and distribution costs		**(5,499)**	(5,028)
Administrative expenses		**(12,292)**	(13,259)
Other operating expenses		**(4,180)**	(7,499)
Loss from operations	5	**(5,820)**	(7,208)
Revaluation deficit on property, plant and equipment		**–**	(24,863)
Finance costs	6	**(793)**	(827)
Loss before taxation		**(6,613)**	(32,898)
Income tax	9	**930**	50
Loss for the year		**(5,683)**	(32,848)
Attributable to:			
Equity holders of the Company	10	**(5,683)**	(32,814)
Minority interests		**–**	(34)
		(5,683)	(32,848)
Dividends		**–**	–
Loss per share for loss attributable to the equity holders of the Company (expressed in HK cents per share)	11		
Basic		**(0.38)**	(2.55)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**44,957**	47,159
Interest in leasehold land held for own use under operating lease	13	**2,158**	2,154
		47,115	49,313
Current assets			
Inventories	15	**22,558**	21,377
Trade receivables	16	**7,162**	9,721
Prepayments, deposits and other receivables		**1,508**	1,658
Tax recoverable	17	**–**	1,599
Cash and bank balances	18	**12,953**	12,884
		44,181	47,239
Total assets		**91,296**	96,552
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	19	**12,919**	11,515
Trade and bills payables	20	**9,571**	14,177
Deposits received		**14,982**	14,478
Accrued liabilities and other payables		**4,572**	8,970
Obligations under finance leases	21	**1,768**	749
Amount due to a director	22	**–**	503
		43,812	50,392
Net current assets/(liabilities)		**369**	(3,153)
Total assets less current liabilities		**47,484**	46,160
Non-current liabilities			
Obligations under finance leases	21	**600**	655
Shareholder's loans	23	**10,052**	3,510
Deferred taxation	17	**–**	930
		10,652	5,095
Total liabilities		**54,464**	55,487
Net assets		**36,832**	41,065

Consolidated Balance Sheet

	Note	2005 HK$'000	2004 HK$'000
CAPITAL AND RESERVES			
Share capital	24	**74,480**	74,480
Reserves	25	**(38,574)**	(34,341)
Equity attributable to equity holders of the Company		**35,906**	40,139
Minority interests		**926**	926
Total equity		**36,832**	41,065

XI Yu
Chairman

KUNG May Lan
Managing Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
TOTAL EQUITY AT 1 JANUARY			
Attributable to equity holders of the Company		**40,139**	52,677
Minority interests		**926**	–
		41,065	52,677
Net income recognized directly in equity:			
Exchange differences on translation of–			
– financial statements of overseas subsidiaries		**1,646**	(185)
– related borrowings		**(196)**	–
	25	**1,450**	(185)
Net loss for the year:			
Attributable to equity holders of the Company		**(5,683)**	(32,814)
Minority interests		**–**	34
		(5,683)	(32,780)
Movements in equity arising from capital transactions:			
Rights issue		**–**	21,280
Share issue expenses		**–**	(819)
Minority interests		**–**	892
		–	21,353
TOTAL EQUITY AT 31 DECEMBER		**36,832**	41,065

Consolidated Cash Flow Statement

	Note	2005 HK$'000	2004 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(6,613)**	(32,898)
Adjustments for:			
Interest expenses	6	**793**	827
Interest income	4	**(23)**	(36)
Loss/(gain) on disposal of property, plant and equipment	4, 5	**157**	(68)
Revaluation deficit on property, plant and equipment	5	**–**	24,863
Impairment loss on goodwill	5	**–**	735
Provision for doubtful debts	5	**–**	2,441
Provision for obsolete inventories	5	**1,013**	1,144
Depreciation and amortisation		**7,812**	10,146
Gain on deregistration of subsidiaries		**(2,220)**	–
Gain on fair value of shareholder's loans		**(720)**	–
Operating profit before working capital changes		**199**	7,154
Increase in inventories		**(2,194)**	(3,820)
Decrease/(increase) in trade receivables		**2,555**	(13)
Decrease in prepayments, deposits and other receivables		**150**	2,331
Decrease in trade and bills payables		**(4,606)**	(4,818)
Decrease in accrued liabilities and other payables		**(2,230)**	(2,273)
Increase in deposits received		**560**	6,360
Increase/(decrease) in trust receipt loans		**1,208**	(2,272)
Decrease in amount due to a director		**(503)**	(12)
Cash (used in)/generated from operations		**(4,861)**	2,637
Tax refunded/(paid)		**1,599**	(198)
Interest received		**23**	36
Interest paid		**(665)**	(418)
Interest element on finance lease rental paid		**(128)**	(409)
Net cash (used in)/generated from operating activities		**(4,032)**	1,648
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	12	**(2,396)**	(2,466)
Proceeds from disposal of property, plant and equipment		**–**	77
Initial acquisition of subsidiaries	26(a)	**–**	1,500
Acquisition of subsidiaries	26(a)	**–**	(12,979)
Net cash used in investing activities		**(2,396)**	(13,868)

Consolidated Cash Flow Statement

	Note	2005 HK$'000	2004 HK$'000
FINANCING ACTIVITIES			
Repayment of bank loans		**–**	(5,221)
Proceeds from issue of new shares		**–**	21,280
Share issue expenses		**–**	(819)
Loans from a shareholder		**7,262**	3,510
Capital element of finance lease rental paid		**(1,286)**	(2,814)
Net cash generated from financing activities		**5,976**	15,936
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(452)**	3,716
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**12,884**	9,102
Effect of foreign exchange rate changes, net		**521**	66
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**12,953**	12,884
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**12,953**	12,884

Balance Sheet

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**63,306**	60,865
Current assets			
Prepayments		**195**	194
Cash and bank balances	18	**5,193**	1,984
		5,388	2,178
Total assets		**68,694**	63,043
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	19	**4,264**	3,057
Accrued liabilities and other payables		**141**	110
		4,405	3,167
Net current assets/(liabilities)		**983**	(989)
Total assets less current liabilities		**64,289**	59,876
Non-current liabilities			
Shareholder's loans	23	**4,721**	–
		4,721	–
Total liabilities		**9,126**	3,167
Net assets		**59,568**	59,876
CAPITAL AND RESERVES			
Share capital	24	**74,480**	74,480
Reserves	25	**(14,912)**	(14,604)
Total equity		**59,568**	59,876

XI Yu
Chairman

KUNG May Lan
Managing Director

1. GENERAL

As at 31 December 2005, the directors of the Company consider the parent and ultimate controlling party of the Group to be New Universe Enterprises Limited ("NUEL") which is incorporated in the British Virgin Islands.

During the year, the principal activities of the Group were the manufacture and sale of high precision molds and plastic products. The financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The adoption of new/revised HKFRSs did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has effected the presentation of minority interests and other disclosures.

– HKAS 24 has effected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, land use rights were accounted for at cost less accumulated depreciation and accumulated impairment loss.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets/financial liabilities at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement of compliance *(Continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2005 comprise the financial statements of the Company and its subsidiaries ("Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the Board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(continued)*

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss. On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

The following property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings and factory improvements situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

Plant and machinery	5-10 years
Computers and equipment	3-5 years
Furniture and fixtures	5 years
Motor vehicles	3 years

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as impairment of assets. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– interest in leasehold land held for own use under operating lease;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale); and

– goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are carried 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 price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts, if any, that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Retirement benefits scheme

The Group in Hong Kong 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.

Subsidiaries established in Mainland China maintain 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 fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest. During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sale of goods

Revenue is recognised 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. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. SEGMENT REPORTING

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

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the mold products segment engages in the manufacture and sale of high precision molds; and

(b) the plastic products segment engages in the manufacture and sale of plastic products.

3. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

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

Group

	Mold products		Plastic products		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**47,108**	46,048	**13,334**	39,693	**60,442**	85,741
Other income	**1,787**	1,340	**251**	470	**2,038**	1,810
Total	**48,895**	47,388	**13,585**	40,163	**62,480**	87,551
Segment results	**238**	(28,880)	**(3,180)**	4,759	**(2,942)**	(24,121)
Unallocated other income					**3,800**	2,343
Unallocated expenses					**(6,678)**	(10,293)
Loss from operations					**(5,820)**	(32,071)
Finance costs					**(793)**	(827)
Loss before taxation					**(6,613)**	(32,898)
Income tax					**930**	50
Loss after taxation					**(5,683)**	(32,848)

3. SEGMENT REPORTING *(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	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**68,675**	63,850	**16,033**	27,296	**84,708**	91,146
Unallocated assets					**6,588**	5,406
Total assets					**91,296**	96,552
Segment liabilities	**35,934**	38,773	**2,798**	4,112	**38,732**	42,885
Unallocated liabilities					**15,732**	12,602
Total liabilities					**54,464**	55,487
Other segment information:						
Depreciation and amortization	**5,571**	7,587	**2,241**	2,559	**7,812**	10,146
Other non-cash expenses:						
– Revaluation deficit on property, plant and equipment	**–**	24,074	**–**	789	**–**	24,863
– Provision for doubtful debts	**–**	2,441	**–**	–	**–**	2,441
Capital expenditure	**4,532**	1,897	**114**	569	**4,646**	2,466

3. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

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

Group

	Hong Kong		Mainland China		North America		Europe		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**18,293**	32,514	**20,683**	34,784	**2,883**	1,457	**13,241**	9,937	**5,342**	7,049	**60,442**	85,741
Other income	**1,559**	2,588	**1,153**	1,565	**–**	–	**–**	–	**3,126**	–	**5,838**	4,153
	19,852	35,102	**21,836**	36,349	**2,883**	1,457	**13,241**	9,937	**8,468**	7,049	**66,280**	89,894

	Hong Kong		Mainland China		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Segment assets	**13,194**	19,043	**78,102**	77,509	**–**	–	**91,296**	96,552
Capital expenditure	**38**	40	**4,608**	2,426	**–**	–	**4,646**	2,466

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

4. TURNOVER AND OTHER INCOME

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

	Group	
	2005	2004
	HK$'000	HK$'000
Turnover – sale of goods	**60,442**	85,741
Other income		
Interest income	**23**	36
Exchange gains, net	**–**	34
Gain on fair value of shareholder's loans	**720**	–
Waiver of a director's remuneration	**503**	–
Net gain on deregistration of subsidiaries*	**2,220**	–
Sub-contracting income	**–**	239
Scrap sales	**768**	597
Net gain on disposal of property, plant and equipment	**–**	68
Bad debts recovery**	**1,006**	280
Rental overprovided in previous years	**–**	970
Overpayment from customers	**–**	333
Sundry income	**598**	1,596
	5,838	4,153
Total	**66,280**	89,894

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

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

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

5. LOSS FROM OPERATIONS

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

	2005 HK$'000	2004 HK$'000
Staff costs		
(exclusive of directors' remuneration disclosed in note 7):		
Retirement costs		
Contributions to retirement benefits schemes	**98**	141
Less: Forfeited contributions	**–**	–
Net retirement benefits scheme contributions	**98**	141
Salaries, wages and other benefits	**16,479**	17,456
	16,577	17,597
Other items		
Depreciation		
– owned assets	**7,517**	9,496
– assets held under finance leases	**249**	294
Loss on disposal of property, plant and equipment	**157**	–
Amortisation of leasehold land under operating lease	**46**	356
Impairment losses		
– on goodwill	**–**	735
– property, plant and equipment	**–**	24,863
– trade and other receivables (doubtful)	**–**	2,441
– inventories (obsolete)	**1,013**	1,144
Auditors' remuneration		
– audit services	**395**	395
– tax services	**–**	–
– other services	**–**	–
Operating lease charges: minimum lease payments		
– hire of properties	**357**	469
– hire of an industrial plant	**3,346**	3,400
Cost of inventories consumed	**50,129**	70,584

6. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest expense on:		
Bank loans wholly repayable within five years	**487**	327
Bank import loans wholly repayable within five years	**166**	91
Finance charges on obligations under finance leases	**128**	409
Others	**12**	–
	793	827

7. 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:

	Director's fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2005 Total HK$'000
Executive directors						
XI Yu	-	-	-	-	-	-
KUNG May Lan	-	-	-	-	-	-
CHEUNG Siu Ling	-	-	-	-	-	-
TANG Kwok Yuen*	-	240	-	-	4	244
Independent non-executive directors						
CHAN Yan Cheong	120	-	-	-	-	120
YUEN Kim Hung, Michael	120	-	-	-	-	120
HO Yau Hong, Alfred	120	-	-	-	-	120
	360	240	-	-	4	604

* Mr. TANG Kwok Yuen resigned on 30 April 2005.

7. DIRECTORS' REMUNERATION *(Continued)*

	Director's fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2004 Total HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
HUA Zhixiang	–	–	–	–	–	–
TANG Kwok Yuen	–	780	–	–	12	792
CHAN Loong Sang**	–	297	–	–	10	307
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred***	30	–	–	–	–	30
	270	1,077	–	–	22	1,369

** Mr. CHAN Loong Sang resigned on 6 October 2004.

*** Mr. HO Yan Hong, Alfred was appointed on 30 September 2004.

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**360**	270
Other emoluments:		
Basic salaries and allowances	**240**	1,077
Retirement benefits scheme contributions	**4**	22
	604	1,369

Mr. TANG Kwok Yuen waived a total remuneration of HK$503,000 accrued in prior years upon his resignation during the year. Apart from the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals of the Group with highest emoluments, one (2004: two) director(s) whose emoluments were disclosed in note 7 to the financial statements. The details of the emoluments in respect of the other four (2004: three) individuals are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries and allowances	**1,110**	948
Retirement benefits scheme contributions	**40**	35
	1,150	983

The emoluments of the 4 (2004: 3) individuals with the highest emoluments are within the following band:

	2005 Number of individuals	2004 Number of individuals
Nil – HK$1,000,000	**4**	3

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Group	
	2005	2004
	HK$'000	HK$'000
Currrent tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
	–	–
Current tax – Overseas		
Provision for the year	**–**	–
	–	–
Deferred taxation credit		
Origination and reversal of temporary differences	**930**	50
	930	50

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

The provision for Hong Kong profits tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC enterprise income tax rate applicable to Dongguan Smartech Tooling and Plastics Limited, a wholly-owned subsidiary established in Mainland China, is 15%.

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.

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

Group – 2005

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

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

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 credit at the Group's effective rate	(50)	0.3*	–	–	(50)	0.2*

* representing effective tax rate

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidation loss attributable to equity holders of the Company includes a loss of HK$308,000 (2004: loss of HK$681,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss (2004: loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year ended 31 December 2005 of HK$5,683,000 (2004: net loss of HK$32,814,000), and the weighted average of 1,489,600,000 (2004: 1,286,102,732) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2005 and 2004 have not been presented as the effect of any dilution is anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings 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 1 January 2005	13,259	62,866	1,279	324	2,389	80,117
Additions	240	4,109	282	15	–	4,646
Disposals/write-off	(165)	–	(157)	(165)	–	(487)
Exchange adjustments	280	1,471	18	3	18	1,790
At 31 December 2005	**13,614**	**68,446**	**1,422**	**177**	**2,407**	**86,066**
Representing:						
At cost	734	5,768	407	14	245	7,168
At valuation – 2005	12,880	62,678	1,015	163	2,162	78,898
Accumulated depreciation and impairment:						
At 1 January 2005	1,913	29,040	386	126	1,493	32,958
Charge for the year	989	6,173	251	44	309	7,766
Disposals/write-off	(96)	–	(138)	(96)	–	(330)
Exchange adjustments	18	689	4	–	4	715
At 31 December 2005	**2,824**	**35,902**	**503**	**74**	**1,806**	**41,109**
Net book value:						
At 31 December 2005	**10,790**	**32,544**	**919**	**103**	**601**	**44,957**

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings 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 1 January 2004	28,907	67,032	2,474	4,162	1,806	104,381
Reclassification	–	(102)	–	–	102	–
Acquisition of subsidiaries	12,354	10,236	508	130	294	23,522
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	13,259	62,866	1,279	324	2,389	80,117
Representing:						
At cost	483	1,621	123	–	239	2,466
At valuation – 2004	12,776	61,245	1,156	324	2,150	77,651
Accumulated depreciation and impairment:						
At 1 January 2004	8,261	33,389	1,600	3,995	1,066	48,311
Reclassification	–	(102)	–	–	102	–
Charge for the year	1,854	7,035	407	79	415	9,790
Disposals/write-off	–	(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	1,913	29,040	386	126	1,493	32,958
Net book value:						
At 31 December 2004	11,346	33,826	893	198	896	47,159

The net book value of the property, plant and equipment of the Group held under finance leases as at 31 December 2005 amounted to HK$4,584,000 (2004: HK$2,610,000).

Property, plant and equipment with net book value of HK$44,957,000 at 31 December 2005 (2004: HK$47,159,000) was considered by the Directors of the Company to be at fair market value. Property, plant and equipment with net book value of HK$21,533,000 as at 31 December 2004 was revalued by an independent qualified value, BMI Appraisals Limited at fair market value. There was no revaluation deficit being charged to the consolidated income statement for the year ended 31 December 2005 (2004: HK$24,863,000).

13. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	Group	
	2005	2004
	HK$'000	HK$'000
Cost		
At beginning of year	**2,585**	–
Acquistition of subsidiaries	**–**	2,595
Exchange adjustment	**60**	(10)
	2,645	2,585
Amortisation		
At beginning of year	**431**	–
Acquisition of subsidiaries	**–**	75
Charge for the year	**46**	356
Exchange adjustment	**10**	–
	487	431
Net book value		
At end of the year	**2,158**	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 2005, the land use rights with carrying value of HK$2,158,000 (2004: HK$2,154,000) were pledged to a bank to secure the banking facilities granted to the Group (note 19).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**58,078**	58,078
Due from subsidiaries	**105,228**	102,787
	163,306	160,865
Provision for impairment loss	**(100,000)**	(100,000)
	63,306	60,865

14. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Particulars of all 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 2005	2004	Principal activity
Smartech International Group Limited	British Virgin Island/ Hong Kong Limited liability company	US$1,000,000	100	100	Investment holding
Smartech Manufacturing Limited	Hong Kong Limited liability company	HK$5,000,000	100	100	Sale of molds
Dongguan Smartech Tooling & Plastics Limited	People's Republic of China Limited liability company	US$7,215,000	100	100	Manufacture and sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong Limited liability company	HK$100	100	100	Sale of plastic products
Smartech Services Limited	Hong Kong Limited liability company	HK$2	100	100	Provision of management services
Smartech Solutions Limited	Hong Kong Limited liability company	HK$2	100	100	Sale of dyeing plastics
Bestwin (China) Limited	Hong Kong Limited liability company	HK$15,000,000	97	97	Investment holding
Suzhou New Universe Tooling and Plastic Limited	People's Republic of China Limited liability company	US$2,450,000	97	97	Manufacture and sale of molds and plastic products
New Universe International (Guangdong) Limited	Hong Kong Limited liability company	HK$10,000,000	100	-	Dormant

14. INTERESTS IN SUBSIDIARIES *(Continued)*

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.

15. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**2,028**	2,661
Work in progress	**18,570**	940
Finished goods	**1,189**	16,984
Consumable tools	**771**	792
	22,558	21,377

At 31 December 2005, included in the inventories, raw materials, work in progress and finished goods of Nil (2004: HK$2,661,000), HK$1,136,000 (2004: Nil) and HK$456,000 (2004: Nil) were carried at net realizable value respectively.

16. 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	
	2005	2004
	HK$'000	HK$'000
Within 1 month	**2,663**	3,162
1 to 2 months	**2,114**	1,636
2 to 3 months	**335**	1,603
Over 3 months	**2,050**	3,320
	7,162	9,721

16. TRADE RECEIVABLES *(Continued)*

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2005	2004
	'000	'000
United States Dollars	**338**	794
Chinese Renminbi Yuan	**3,295**	2,531

17. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

Tax recoverable in the consolidated balance sheet represents:

	Group	
	2005	2004
	HK$'000	HK$'000
Balance of Profits Tax recoverable	**1,599**	1,401
Provision for Hong Kong Profits Tax for the year	**–**	–
Profits Tax (refunded)/paid	**(1,599)**	198
	–	1,599

Deferred tax liabilities recognized:

	Group	
	2005	2004
	HK$'000	HK$'000
Net deferred tax liability recognized on the consolidated balance sheet	**930**	980
Deferred tax credited to the income statement during the year *(note 9)*	**(930)**	(50)
	–	930

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

17. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

Deferred tax assets not recognized:

In accordance with the accounting policy of the Group, the Group has not recognized deferred assets in respect of cumulated tax losses arising in Hong Kong of HK$14,435,000 (2004: HK$10,062,000) 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.

Deferred tax liabilities not recognized:

At 31 December 2005, there is no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

18. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**12,953**	12,884	**5,193**	1,984

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		**Company**	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
United States Dollars	**111**	451	**–**	–
Chinese Renminbi Yuan	**4,327**	4,210	**–**	–

19. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	**7,784**	6,538	**3,937**	2,779
Bank loans – unsecured	**4,808**	4,699	**–**	–
Trust receipt loans – unsecured	**327**	278	**327**	278
Amounts due within one year classified as current liabilities	**12,919**	11,515	**4,264**	3,057

Included in the interest-bearing bank borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
United States Dollars	**123**	36	**123**	36
Chinese Renminbi Yuan	**9,000**	9,000	**–**	–

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 facilities were secured by (i) a corporate guarantee from a related company of which Mr. XI Yu ("Mr. XI") and Ms. CHEUNG Siu Ling, executive directors of the Company, are directors and beneficial shareholders; (ii) personal guarantee from Mr. XI; and (iii) land use rights of a subsidiary (note 13).

20. 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	
	2005	2004
	HK$'000	HK$'000
Within 1 month	**2,323**	2,814
1 to 2 months	**1,215**	2,983
2 to 3 months	**1,965**	2,071
Over 3 months	**4,068**	6,309
	9,571	14,177

Included in trade and bills payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2005	2004
	'000	'000
United States Dollars	**24**	22
Chinese Renminbi Yuan	**9,231**	13,848

21. OBLIGATIONS UNDER FINANCE LEASES

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 2005, 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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**1,865**	837	**1,768**	749
In the second year	**603**	643	**591**	641
In the third to fifth years, inclusive	**11**	17	**9**	14
Total minimum finance lease payments	**2,479**	1,497	**2,368**	1,404
Future finance charges	**(111)**	(93)		
Total net finance lease payables	**2,368**	1,404		
Portion classified as current liabilities	**(1,768)**	(749)		
Long term portion	**600**	655		

22. AMOUNT DUE TO A DIRECTOR

The amount due to an ex-director was unsecured, interest-free and repayable on demand. The director has waived the amount due upon his resignation on 30 April 2005.

23. SHAREHOLDER'S LOANS

These shareholder's loans from New Universe Enterprises Limited are unsecured, interest-free and repayable on 31 March 2007. These loans constitute as the connected party transactions and, in the opinion of the Directors, were exempted transactions under the GEM Listing Rules.

Included in shareholder's loans are the following par value amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		**Company**	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
United States Dollars	**740**	450	**–**	–

24. SHARE CAPITAL

	Company 2005 HK$'000	Company 2004 HK$'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 ordinary shares of HK$0.05 each	**74,480**	74,480

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

	Note	**Number of shares in issue**	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2004		1,064,000,000	53,200	28,666	81,866
Rights issue	*(a)*	425,600,000	21,280	–	21,280
Share issue expenses		–	–	(819)	(819)
At 31 December 2004 and 31 December 2005		1,489,600,000	74,480	27,847	102,327

Note:

(a) 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 in pari passu in all respects with the existing shares of the Company.

25. RESERVES

Group

	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority Interests HK$'000
At 1 January 2004	28,666	601	31,929	(61,719)	(523)	–
Translation differences arising on consolidation of overseas subsidiaries	–	(185)	–	–	(185)	–
Share issue expenses	(819)	–	–	–	(819)	–
Net loss for the year	–	–	–	(32,814)	(32,814)	926
At 31 December 2004 and 1 January 2005	27,847	416	31,929	(94,533)	(34,341)	926
Translation differences arising on consolidation of overseas subsidiaries	–	1,450	–	–	1,450	–
Net loss for the year	–	–	–	(5,683)	(5,683)	–
At 31 December 2005	**27,847**	**1,866**	**31,929**	**(100,216)**	**(38,574)**	**926**

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	28,666	58,078	(99,848)	(13,104)
Share issue expenses	(819)	–	–	(819)
Net loss for the year	–	–	(681)	(681)
At 31 December 2004 and 1 January 2005	27,847	58,078	(100,529)	(14,604)
Net loss for the year	–	–	(308)	(308)
At 31 December 2005	**27,847**	**58,078**	**(100,837)**	**(14,912)**

25. RESERVES *(Continued)*

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by the article 146(1) of the articles and association of the Company and Section 48B of the Hong Kong Companies Ordinance.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies.

(c) Contributed surplus

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.

(d) Distributability of reserves

At 31 December 2005, the Company did not have reserves available for distribution to its equity shareholders (2004: Nil).

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2005 **HK$'000**	2004 HK$'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

	2005 **HK$'000**	2004 HK$'000
Satisfied by:		
Cash paid	–	16,500
Other investment reclassified	–	1,500
Assignment of debts	–	(1,046)

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

(a) Acquisition of subsidiaries *(Continued)*

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

	2005	2004
	HK$'000	HK$'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 of 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 the 10% interest in Bestwin (China) Limited previously held by the Group, Bestwin (China) Limited then became a 97% owned subsidiary of the Group upon the completion of the acquisition.

(b) Deregistration of subsidiaries

The net liabilities of subsidiaries deregistered or deemed to be deregistered at the date of deregistration and at 31 December 2005 were as follows:–

	2005	2004
	HK$'000	HK$'000
Net assets/(liabilities) of subsidiaries deregistered:		
Trade receivables	**4**	–
Accrued liabilities and other payables	**(2,168)**	–
Deposits received	**(56)**	–
	(2,220)	–
Net gain on deregistration	**2,220**	–
Consideration	**–**	–

(c) Non-cash transaction

During the year, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK$2,250,000.

27. COMMITMENTS

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

(a) Capital commitments

At 31 December 2005, the Group had capital commitments not provided for in the financial statements as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted for	**–**	2,814
Authorised for but not contracted for	**–**	–
	–	2,814

(b) Operating leases payable

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**3,634**	3,694
In the second to fifth years, inclusive	**10,080**	13,678
After five years	**–**	–
	13,714	17,372

The Group leases its office premises in Hong Kong 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.

28. CONTINGENT LIABILITIES

At 31 December 2005, the Group has no significant contingent liabilities (2004: Nil). At the balance sheet date, the Company had the following contingent liabilities not provided for in the financial statements:

	2005	2004
	HK$'000	HK$'000
Corporate guarantees on liabilities of subsidiaries in respect of obligations under finance leases	**2,349**	1,302

29. PLEDGE OF ASSETS

At 31 December 2005, the Group pledged the land use rights with a carrying value of HK$2,158,000 (2004: HK$2,154,000) and property, plant and equipment with a carrying value of HK$8,460,000 to a bank to secure banking facilities to the extent of HK$8,654,000 granted to the Group.

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions, of which the Board of directors considered those transactions were transacted at arm's length basis and on normal commercial terms no more favourable to the connected persons than those available to independent third parties or no less favourable to the Company than those available from independent third parties (as the case may be):

(a) *Purchase of raw materials*

During the year, the Group purchased raw materials amounted to HK$230,000 (2004: HK$6,481,000) from China (HK) Chemical & Plastics Company Limited, a related company of which the Company's directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are both beneficial shareholders and directors.

(b) *Sales of goods*

During the year, the Group did not sell goods to any related parties (2004: HK$4,246,000).

30. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) *Financial assistance*

On 30 November 2004, the Company's 97% indirectly owned subsidiary, Bestwin entered into a loan agreement with NUEL, pursuant to which NUEL granted an unsecured interest-free loan of USD450,000 (equivalent approximately HK$3,510,000) to Bestwin, which is repayable on 31 March 2007.

On 20 October 2005, Bestwin entered into another loan agreement with NUEL, pursuant to which NUEL granted an unsecured interest-free loan of USD290,000 (equivalent approximately to HK$2,262,000) to Bestwin, which is repayable on or before 31 December 2007.

On 30 December 2005, NUEL granted an unsecured interest-free revolving loan facility of HK$5,000,000 to the Company, which is repayable on or before 31 March 2007.

The shareholder's loans from NUEL are disclosed in note 23 to the financial statements.

31. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date on 9 January 2006, the Company's wholly owned subsidiary, Smartech Manufacturing Limited ("SML") entered into a loan agreement with China (HK) Chemical & Plastics Company Limited for an interest-bearing loan of HK$2,000,000 granted to SML. The loan is repayable within 6 months from the date of the agreement in 5 equal monthly instalments of HK$400,000 each and bears interest at prime lending rate (as quoted by HSBC in Hong Kong) minus 2% per annum.

(b) After the balance sheet date on 17 January 2006, the Company reached an agreement with an independent supplier to purchase a high speed numeric computer milling machine at a consideration of EUR205,000 (equivalent approximately to HK$1,927,000).

32. FINANCIAL RISKS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 days to 90 days from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 0.14% (2004: 19.26%) and 10.76% (2004: 20.27%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the business segment of both tooling and plastic product.

(b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's Board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

(c) *Interest rate risk*

In respect of interest-bearing financial liabilities of the Group, their effective interest rate at the balance sheet date or the maturity dates, if earlier is 5.75% (2004: 5.75%).

32. FINANCIAL RISKS *(Continued)*

(d) Foreign currency risk

(i) Forecast transactions

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Chinese Renminbi Yuan.

As the estimated foreign currency exposure in respect of committed future sales and purchases and estimated foreign currency exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign currency risk has been carried out during the year under review.

(ii) Recognised assets and liabilities

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level. Except for the loan taken out by a subsidiary in Mainland China, the Group's borrowings are denominated in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(e) Sensitivity analysis

In managing interest rate and foreign currency risks the Group keeps monitoring and aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately HK$153,000 (2004: HK$129,000).

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the changes in accounting policies. Further details are disclosed in note 2.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 20 March 2006.

Financial Summary

RESULTS

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**60,442**	85,741	70,106	50,390	102,089
PROFIT/(LOSS) BEFORE TAXATION					
Continuing operations	**(6,613)**	(32,898)	723	(31,198)	(43,116)
Discontinued operation	**–**	–	11,060	–	(34,876)
	(6,613)	(32,898)	11,783	(31,198)	(77,992)
Income tax – continuing operations	**930**	50	(80)	–	364
PROFIT/(LOSS) FOR THE YEAR	**(5,683)**	(32,848)	11,703	(31,198)	(77,628)
ATTRIBUTABLE TO:					
Equity Shareholders of the Company	**(5,683)**	(32,814)	11,703	(31,191)	(77,620)
Minority interests	**–**	(34)	–	(7)	(8)
	(5,683)	(32,848)	11,703	(31,198)	(77,628)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**91,296**	96,552	95,864	82,857	121,752
TOTAL LIABILITIES	**(54,464)**	(55,487)	(43,187)	(69,876)	(78,146)
MINORITY INTERESTS	**926**	926	–	–	(23)
	37,758	41,991	52,677	12,981	43,583

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.