

FIRST QUARTERLY REPORT  
2008



**New Universe** International Group Limited

**新宇國際實業(集團)有限公司**

(Incorporated in the Cayman Islands with limited liability)



Stock Code : 8068

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

- 1) the information contained in this report is accurate and complete in all material respects and not misleading;*
- 2) there are no other matters the omission of which would make any statement in this report misleading; and*
- 3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FINANCIAL HIGHLIGHTS

- The Group's turnover was HK\$14,164,000 in 1Q 2008 (1Q 2007: HK\$7,193,000)
- Profit attributable to the equity holders of the Company was HK\$1,856,000 for 1Q 2008 (1Q 2007: loss of 4,348,000)
- Basic earnings per share for 1Q 2008 was Hong Kong cent 0.10 (basic loss per share for 1Q 2007: Hong Kong cent 0.43)
- Equity attributable to equity holders of the Company was HK\$267,158,000 as at 31 March 2008 (31 December 2007: HK\$255,670,000)

## FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of New Universe International Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2008 (“1Q 2008”), together with the comparative unaudited figures for the corresponding period in 2007 (“1Q 2007”).

		Three months ended 31 March	
	Note	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	3	<b>14,164</b>	7,193
<b>Cost of sales</b>		<b>(7,692)</b>	(6,720)
<b>Gross profit</b>		<b>6,472</b>	473
Other income and gain	4	<b>389</b>	662
Selling and distribution costs		<b>(1,362)</b>	(795)
Administrative expenses		<b>(2,797)</b>	(3,124)
Other operating expenses		<b>(304)</b>	(1,364)
<b>Profit/(loss) from operations</b>		<b>2,398</b>	(4,148)
Finance costs		<b>(186)</b>	(200)
Share of profit of an associate, net		<b>216</b>	–
<b>Profit/(loss) before income tax</b>		<b>2,428</b>	(4,348)
<b>Income tax</b>	5	<b>91</b>	–
<b>Profit/(loss) for the period</b>		<b>2,519</b>	(4,348)
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,856</b>	(4,348)
Minority interests		<b>663</b>	–
		<b>2,519</b>	(4,348)
<b>Dividends</b>	6	–	–
<b>Earnings/(loss) per share</b> <i>(expressed in HK cents per share)</i>			
Basic	7	<b>0.10</b>	(0.43)
Diluted	7	<b>N/A</b>	N/A

**Notes:**

**1. General Information**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company acts as investment holding company. During the period, the Group was involved in the following principal activities:

- (i) medical and industrial waste environmental disposal services;
- (ii) manufacturing and sale of molds and plastic products;
- (iii) investments in plastic materials dyeing operations; and
- (iv) property investment, development and operation of docks, warehouses and logistics facilities at Xinminzhou, Zhenjiang City, Jiangsu Province, the People's Republic of China (therein referred to as "Zhenjiang Docks Project").

At 31 March 2008, the Directors of the Company consider the ultimate controlling party of the Group to be New Universe Enterprises Limited ("NUEL"), which is a private investment holding company incorporated in the British Virgin Islands.

These unaudited condensed consolidated financial results are presented in Hong Kong Dollars, unless otherwise stated. The functional currency of the major subsidiaries of the Group is Renminbi. For the sole purpose of this unaudited condensed consolidated results, the People's Republic of China ("PRC" or "Mainland China") shall exclude Hong Kong, Macau Special Administrative Region and Taiwan.

The unaudited condensed consolidated results for the three months ended 31 March 2008 has not been audited by independent auditors but has been reviewed by the audit committee of the Company.

## 2. Basis of preparation

These unaudited condensed consolidated financial results of the Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The unaudited condensed consolidated financial results have been prepared on the historical cost basis as modified by revaluation of financial assets and financial liabilities.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited condensed consolidated financial results. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2008 should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2007. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated results are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2007.

## 3. Turnover

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

	Three months ended	
	31 March	
	2008	2007
	HK\$'000	HK\$'000
Revenue from environmental services	8,607	–
Sales of mold products	4,051	3,718
Sales of plastic products	1,506	3,475
	<b>14,164</b>	<b>7,193</b>

#### 4. Other income and gain

An analysis of other income and gain is as follows:

	Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Exchange gain, net	91	—
Interest income	210	395
Net gain on disposal of property, plant and equipment	73	—
Sundry income	15	267
	<b>389</b>	<b>662</b>

#### 5. Income tax

	Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	—	—
Under/(over)-provision in respect of prior periods	—	—
	—	—
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the period	—	—
Under/(over)-provision in respect of prior periods	—	—
	—	—
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(91)	—
	<b>(91)</b>	<b>—</b>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

The provision for Hong Kong tax for 2008 is calculated at 16.5% (2007: 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 for the periods.

Suzhou New Universe Smartech Tooling and Plastics Limited (“Suzhou New Universe”), Zhenjiang New Universe Solid Waste Disposal Company Limited (“Zhenjiang New Universe”), Taizhou New Universe Solid Waste Disposal Company Limited (“Taizhou New Universe”), Yancheng New Universe Solid Waste Disposal Company Limited (“Yancheng New Universe”), New Universe International (Zhenjiang) Port Company Limited (“Zhenjiang Port Company”) and New Universe International (Zhenjiang) Warehouses Company Limited (“Zhenjiang Warehouses Company”) are located and operated in the PRC, are entitled to the exemptions from PRC Foreign Enterprise Income Tax (“FEIT”) of 24% and the local FEIT rate of 3% for two years starting from their first profit-making, followed by a 50% tax relief for the next three years.

The first profit making year of Yancheng New Universe and Taizhou New Universe was 2007. For the three months ended 31 March 2008, Zhenjiang New Universe also started making profit after previous accumulated losses were being offset. Barring any unforeseeable circumstances in the forthcoming quarters of 2008, Yancheng New Universe, Taizhou New Universe and Zhenjiang New Universe are entitled to tax exemption for two years starting from their first profit-making; and accordingly, no provision for FEIT has been made for the current period.

Zhenjiang Port Company and Zhenjiang Warehouses Company have not commenced its operations; and accordingly, they are not subject to the FEIT.

The National People’s Congress of the PRC approved the Corporate Income tax Law of the PRC (the “New Tax Law”) on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. The change in tax rate does not have any impact on the consolidated financial results of the Group for the three months ended 31 March 2008.

*Deferred tax assets not recognised:*

In accordance with the accounting policy of the Group, the Group has not recognised deferred assets in respect of cumulated tax losses as agreed by the Hong Kong Inland Revenue Department of HK\$29,323,000 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

*Deferred tax liabilities not recognised:*

At 31 March 2008, temporary differences relating to the undistributed profits of subsidiaries amounted to HK\$4,484,000. Deferred tax liabilities of approximately HK\$628,000 have not been recognised in respect of tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.



## 6. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

## 7. Earnings/(loss) per share

The calculation of basic earnings (three months ended 31 March 2007: loss) per share is based on the profit attributable to equity holders of the Company for three months ended 31 March 2008 (three months ended 31 March 2007: loss) and the weighted average number of ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the three months ended 31 March 2008 and 2007 have not been presented as no diluting event existed during these periods.

The calculation of basic earnings/(loss) per share is based on:

	Three months ended 31 March	
	2008	2007
Profit/(loss) attributable to equity holders of the Company (expressed in HK\$'000)	1,856	(4,348)
Weighted average number of ordinary shares in issue during the period	1,825,891,681	1,000,690,209
Basic earnings/(loss) per share (expressed in HK cents per share)	0.10	(0.43)

## 8. Movement of reserves

The unaudited condensed consolidated statement of changes in equity showing movement of reserves of the Group is as follows:

	Attributable to equity holders of the Company							Minority interests	Total
	Share capital	Share premium reserve	Exchange fluctuation reserve	Investment revaluation reserve	Distributable reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	18,259	206,488	3,600	4,110	31,929	(8,716)	255,670	5,417	261,087
Translation differences arising on consolidation of overseas subsidiaries	-	-	9,306	-	-	-	9,306	487	9,793
Net gain recognised directly in equity	-	-	9,306	-	-	-	9,306	487	9,793
Profit for the period	-	-	-	-	-	1,856	1,856	663	2,519
Total recognised profit	-	-	9,306	-	-	1,856	11,162	1,150	12,312
Share of reserves of an associate	-	-	326	-	-	-	326	-	326
At 31 March 2008	18,259	206,488	13,232	4,110	31,929	(6,860)	267,158	6,567	273,725

	Attributable to equity holders of the Company								
	Share capital	Share premium reserve	Exchange fluctuation reserve	Investment revaluation reserve	Distributable reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	1,490	-	1,357	-	31,929	(10,589)	24,187	300	24,487
Translation differences arising on consolidation of overseas subsidiaries	-	-	2,461	-	-	-	2,461	-	2,461
Net gain recognised directly in equity	-	-	2,461	-	-	-	2,461	-	2,461
Loss for the period	-	-	-	-	-	(4,348)	(4,348)	-	(4,348)
Total recognised profits/(losses)	-	-	2,461	-	-	(4,348)	(1,887)	-	(1,887)
Rights issue	10,427	93,845	-	-	-	-	104,272	-	104,272
Share issue expenses	-	(1,204)	-	-	-	-	(1,204)	-	(1,204)
At 31 March 2007	11,917	92,641	3,818	-	31,929	(14,937)	125,368	300	125,668

## Nature and purpose of reserves

### (a) *Share premium*

The application of the share premium account is governed by section 34 of the Companies Law (revised) of the Cayman Islands and every modification thereof.

### (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 exchange fluctuation reserve is dealt with in accordance with the accounting policies of translation of foreign currencies.

### (c) *Investment revaluation reserve*

The investment revaluation reserve comprises changes in fair value of the available-for-sale equity investments of the Group and is stated net of any applicable deferred taxes. The investment revaluation reserve is dealt with in accordance with the accounting policies of available-for-sale equity investments.

### (d) *Distributability of reserves*

At 31 March 2008, the Company has reserves available for distribution to its equity holders amounted to HK\$25,759,000 (31 December 2007: HK\$25,976,000) which is being the Company's distributable reserve reduced by the accumulated losses.

## BUSINESS REVIEW

### Overview

During the three months ended 31 March 2008, both sales of plastic injection molds and sales of plastic products of the Group have been scaled down. The reduction of the both revenue and costs on the manufacturing and sales of molds and plastic products was effected by the disposal of the Group's entire equity interest in Dongguan Smartech Tooling and Plastics Company Limited ("Disposal of Dongguan Smartech") having been completed by the end of 2007. Sales of mold products and sales of plastic products represented 28.6% and 10.6% respectively of the Group's turnover for 1Q 2008, as compared to 51.7% and 48.3% respectively in 1Q 2007. Services income from the environmental waste disposal operations accounted for 60.8% of the Group's turnover in 1Q 2008.

Comparing to a loss of HK\$4,348,000 in 1Q 2007, the Group recorded a profit of HK\$2,519,000 for 1Q 2008.

### Manufacturing Operations

Suzhou New Universe is a 97% owned manufacturer of the Group situated at Changjiang River Delta, Mainland China. Suzhou New Universe manufactures and sells injection molds and plastic injection products both locally and overseas. Turnover of Suzhou New Universe for 1Q 2008 was HK\$5,557,000 representing an increase of 79.7% as compared to 1Q 2007. Sales of molds and plastic products of Suzhou New Universe maintained a growth of 109.2% and 30.3% respectively in 1Q 2008 as compared to 1Q 2007.

### Environmental Operations

Since the acquisition of 100% equity interest in New Universe Environmental Protection Investment Limited ("NUEPIL") was completed on 12 October 2007, the Group indirectly owns 82% equity interest in New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)"). NUET(JS) in turn directly owns 100% equity interests in three environmental subsidiaries, namely, Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe. Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe are principally engaged in medical and industrial hazardous waste environmental treatment and disposal in the Jiangsu Province, the PRC. The three subsidiaries have their own pyrolyzing incinerators, and service over 95% of the major hospitals and clinics for the disposal of hazardous medical waste in their cities. The Group's service revenue from environmental operations in 1Q 2008 was HK\$8,607,000. The net sales growth of the three environmental subsidiaries in 1Q 2008 exceeded 20% as compared to the last corresponding period in 2007.

## Investments in Plastics Dyeing Operations

Since the acquisition of 100% equity interest in New Universe (China) Investment Limited (“NUCIL”) was also completed on 12 October 2007, the Group indirectly owns 100% equity interest in New Universe (China) Limited (“NUCL”). NUCL in turn directly owns equity interests of 18.62%, 24.5% and 28.67% of Suzhou New Huamei Plastics Company Limited (“Suzhou New Huamei”), Danyang New Huamei Plastics Company Limited (“Danyang New Huamei”) and Qingdao Zhongxin Huamei Plastics Company Limited (“Qingdao Huamei”) respectively in the PRC. Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei are principally engaged in plastic materials dyeing in the PRC with sustained growth in their business operations. The Group holds Qingdao Huamei as an interest in associate and holds Suzhou New Huamei and Danyang New Huamei respectively as available-for-sale equity investments. In 1Q 2008, the Group shared net profit of Qingdao Huamei amounted to HK\$216,000. The net profit margins of Suzhou New Huamei and Danyang New Huamei were 3.5% and 7.0% respectively in 1Q 2008. As confirmed by the independent professional valuer, BMI Appraisals Limited, on 5 May 2008, there has been no significant change between the market value of the available-for-sale equity investments of the Group as at 31 March 2008 and those as at 31 December 2007. As at 31 March 2008, in the opinion of the Directors of Company, the fair value of the available-for-sale equity investments approximated to their respective fair value as of 31 December 2007.

## Development of Zhenjiang Docks Project

The co-operation between the Company and the China parties (“China Parties”; comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to the investment for the construction of dock infrastructure and development of warehouses and depot facilities at a site area in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China (“Zhenjiang Docks Project”) has been moving forward though with no significant progress in 1Q 2008. The dock construction feasibility studies for the first phase of the Zhenjiang Docks Project was finalized. With the assistance of the China Parties, preliminary riverbank strengthening works of the site have started surrounding the waterfront line of the first phase development site. The kick-off of the first phase dock construction of the Zhenjiang Docks Project is still awaiting the PRC Transport Department for the approval of operating rights for the first phase waterfront line of the dock site.

As of 31 March 2008, the two wholly foreign owned enterprises incorporated for the Zhenjiang Docks Project in Zhenjiang, the Mainland China, namely, Zhenjiang Port Company and Zhenjiang Warehouses Company were injected US\$8,500,000 (approximately HK\$66,300,000) and US\$1,500,000 (approximately HK\$11,700,000) respectively as their paid-up registered capital. The necessary land use rights for the hinterland of the Zhenjiang Docks Project shall be granted by phases and the site of Zhenjiang Docks Project shall be plotted to cope with different operating purposes, such as depots, logistics and docks facilities. As at 31 March 2008, land deposits totally amounted to RMB48,800,000 (or equivalent to approximately HK\$49,796,000) were paid by Zhenjiang Port Company to the local government to secure land use rights for the site area would be granted to commence construction and operations along the first phase waterfront line.

The Board expects the schedule for kicking off the first phase construction of Zhenjiang Docks Project will be deferred from the original plan of 2006. All parties to the co-operative agreement intend the Zhenjiang Docks Project to be gone ahead in accordance with the original agreement, though the execution of which may be affected by the revision plan of the local government on the whole district area surrounding Xinminzhou. Barring any unforeseeable circumstances, the Company does not expect any difficulties in obtaining the required approvals for Zhenjiang Docks Project construction from the relevant authorities in the PRC.

## Prospects

The Group will maintain the mold making facilities and plastic injection production lines of Suzhou New Universe in a desirable condition to ensure its competitiveness surrounding the Changjiang River Delta in the Mainland China. Suzhou New Universe owes the latest state-of-the-art mold making and plastic injection equipments. Quality control on manufacturing of its own molds and plastic products ensures competitive pricing and satisfactory lead-time. With tight connection to Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei, Suzhou New Universe widens its customer networks in the plastic industry.

Acquisition of interests in the environmental operations in 2007 lead the Group diversifying into business with vast potential in the Mainland China. On 15 October 2007, the Company has also signed a letter of intent to acquire equity interest in an environmental electroplating recycling project in Zhenjiang Province, which will engage in the development and operation of a specialized zone for environmental electroplating recycling business, that including but not limited to environmental treatment of electroplating waste water and residue and recycling of metallic substance and resources. The exclusive negotiation period granted under the original letter of intent was extended for another six months to 15 October 2008. Up to the date of this report, the Company has been carrying out a due diligence review of the project and studying the feasibility of the proposed acquisition.

The Board expects that barring any unforeseeable circumstances, manufacturing operations of Suzhou New Universe, the environmental operations of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe, and the investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei will be the Group's cornerstone to sustain profitability in the coming future. The Board also expects the Zhenjiang Docks Project will contribute to the Group in the long run. The Board remains confident in continuous growth of the Group in the year 2008.

## FINANCIAL REVIEW

### Turnover

The Group's turnover was HK\$14,164,000 in 1Q 2008 representing an increase of 96.9% from HK\$7,193,000 for 1Q 2007. Suzhou New Universe contributed 39.2% of the Group's turnover in 1Q 2008 as compared to its contribution of 43.0% of the Group's turnover in 1Q 2007. Turnover of the Group's manufacturing operations of mold making and plastic injection have been scaled down in 1Q 2008, though the sales of Suzhou New Universe remains stable growth. Services revenue from environmental operations accounted for 60.8% of the Group's turnover in 1Q 2008 and is expected to grow continuously in coming future.

### Gross profit

Gross profit of the Group in 1Q 2008 increased by 1,268.3% to HK\$6,472,000 as compared to HK\$473,000 for 1Q 2007. The average gross profit margin of the Group was 45.7% in 1Q 2008 as compared to 6.6% for 1Q 2007. The average gross profit margin of the manufacturing operations carried out by Suzhou New Universe was 20.0% in 1Q 2008 (year ended 31 December 2007: 21.1%). The average gross profit margin of the environmental operations was 62.3% in 1Q 2008 (post acquisition in 2007: 63.6%).

### Profit/(loss) from ordinary activities attributable to equity holders of the Company

Mainly attributable to the effect of the Disposal of Dongguan Smartech, the overall revenue and expenses of the Group decreased in 1Q 2008 as compared to the corresponding period in 2007.

The Group made a profit from ordinary activities attributable to equity holders for 1Q 2008 of HK\$1,856,000 as compared to a loss of HK\$4,348,000 for 1Q 2007.

Basic earnings per share attributable to the equity holders of the Company was Hong Kong cent 0.10 for 1Q 2008 as compared to basic loss per share attributable to the equity holders of the Company of Hong Kong cent 0.43 for 1Q 2007.

### Other income

The Group's other income decreased to HK\$389,000 in 1Q 2008 as compared to HK\$473,000 for 1Q 2007. The current decrease was mainly attributable to decrease in sundry income from non-core operations.

### **Selling and distribution costs**

The Group's selling and distribution expenses increased by 71.3% to HK\$1,362,000 in current period, representing 9.6% to the Group's turnover in 1Q 2008, as compared to HK\$795,000 in last corresponding period that representing 11.1% to the turnover in 1Q 2007. The current decrease in selling and distribution costs was mainly attributable to increase in commission paid to agencies in 1Q 2008.

### **Administrative expenses**

The Group's administrative expenses decreased by 10.5% to HK\$2,797,000 in current period, representing 19.7% to the Group's turnover in 1Q 2008, as compared to HK\$3,124,000 in last corresponding period that representing 43.4% to the turnover in 1Q 2007. The current decrease in administrative expenses was mainly attributable to decrease in staff costs caused by the Disposal of Dongguan Smartech.

### **Other operating expenses**

The Group's other operating expenses decreased to HK\$304,000 in current period, representing 2.1% to the Group's turnover in 1Q 2008, as compared to HK\$1,364,000 in last corresponding period that representing 19.0% to the turnover in 1Q 2007. The current decrease in other operating expenses was mainly attributable to decrease in exchange losses on remittance and receipts in 1Q 2008 for the manufacturing operations.

### **Finance costs**

The Group's total finance costs decreased by 7.0% to HK\$186,000 in current period as compared to HK\$200,000 in 1Q 2007. The decrease was mainly attributable to decrease in interest incurred on financing its manufacturing operations.

### **Goodwill**

As at 31 March 2008, the goodwill arose in 2007 from the acquisitions of 100% interest in NUEPIL which holds 82% equity interests in each of (NUET(JS)), Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe was HK\$33,688,000 (31 December 2007: HK\$33,688,000). Based on the impairment assessment of the recoverable amount of the goodwill and as confirmed by the independent professional valuer, BMI Appraisals Limited, on 5 May 2008 that there has been no significant change between the market value of the goodwill as at 31 March 2008 and that as at 31 December 2007, in the opinion of the Directors of the Company, no impairment provision is considered necessary for the carrying value of the Group's goodwill at the balance sheet date.



## Commitments

As at 31 March 2008, the commitments of operating leases payable within 5 years for its office premises in Hong Kong and a landfill for waste disposal totally amounted to HK\$313,000 (31 December 2007: HK\$325,000), and the commitments of operating lease payable after 5 years for the landfill was HK\$109,000 (31 December 2007: HK\$153,000). As 31 March 2008, there were also capital commitments of the Group authorised but not contracted for amounted to HK\$68,109,000 (31 December 2007: HK\$63,761,000) and capital commitments contracted for but not provided for amounted to HK\$159,585,000 (31 December 2007: HK\$154,025,000) mainly in relation to the development of Zhenjiang Docks Project.

## Employee information

As at 31 March 2008, the Group had 316 (31 December 2007: 332) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as inventory was HK\$1,968,000 for the three months ended 31 March 2008 (year ended 31 December 2007: HK\$14,018,000). Employees were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, share options and necessary training.

## Liquidity and financial resources

The Group operates with conservative treasury policies to avoid risky investments and to minimize interest-bearing borrowings. In the current period, the Group financed its operation activities with internally generated cash flows and, banking facilities, and loan from NUEL.

As at 31 March 2008, the Group had total cash and bank equivalents of HK\$45,698,000 (31 December 2007: HK\$44,421,000).

As at 31 March 2008, the Group had available unused general banking facilities amounted to HK\$14,360,000 (31 December 2007: HK\$14,082,000).

As at 31 March 2008, the Group had total outstanding interest bearing borrowings of approximately HK\$9,818,000 (31 December 2007: HK\$9,193,000) as follows:

- (i) secured interest bearing bank borrowings of approximately HK\$9,810,000 (31 December 2007: HK\$9,184,000); and
- (ii) finance lease payables of approximately HK\$8,000 (31 December 2007: HK\$9,000).

As at 31 March 2008, the Group had total outstanding non-interest bearing amounts due to the Group's related companies of approximately HK\$2,703,000 (31 December 2007: HK\$2,835,000) as follows:

- (i) unsecured non-interest bearing borrowings from the Company's controlling shareholder, NUEL, of approximately HK\$2,416,000 (31 December 2007: HK\$2,416,000); and
- (ii) due to Beijing New Universe Mirai Environmental Engineering Co. Limited of approximately HK\$287,000 (31 December 2007: HK\$419,000).

### Gearing ratio

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. For this purpose, the Group defines total borrowings as the total liabilities (which including current and non-current liabilities).

The gearing ratio as at 31 March 2008 and 31 December 2007 was as follows:

	<b>31 March 2008</b>	31 December 2007
	<b>HK\$'000</b>	HK\$'000
<b>Current liabilities</b>	<b>36,992</b>	33,740
<b>Non-current liabilities</b>	<b>4,977</b>	5,069
<b>Total borrowings</b>	<b>41,969</b>	38,809
<b>Total equity</b>	<b>273,725</b>	261,087
<b>Gearing ratio</b>	<b>15.3%</b>	14.9%

Save for the commitments disclosed therein, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

### Charges on Group assets

As at 31 March 2008, the Group pledged the land use rights with a carrying value of HK\$2,328,000 (31 December 2007: HK\$2,192,000), together with property, plant and equipment with carrying value of HK\$9,736,000 (31 December 2007: HK\$9,234,000) to a bank in the PRC to secure bank loans of HK\$9,810,000 (equivalent to RMB9,000,000) (31 December 2007: HK\$9,184,000) granted to the Group. As at 31 March 2008, the Group's property, plant and equipment with carrying value of HK\$11,000 (31 December 2007: HK\$13,000) were held under finance leases amounted to HK\$8,000 (31 December 2007: HK\$9,000).

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

As at 31 March 2008, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

### (1) Long positions in issued shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each			Total number of shares held	% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation		
XI Yu *	–	–	1,349,649,115	1,349,649,115	73.91

Note:

- \* XI Yu is the shareholder of 16,732 shares of US\$1.00 each in the issued share capital of NUEL, representing 83.66% of the issued share capital of NUEL, which in turn holds 1,349,649,115 shares of the Company representing approximately 73.91% of the issued share capital of the Company.

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

Name of director	Number of ordinary shares of US\$1.00 each			Total number of shares held	% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation		
XI Yu	16,732	–	–	16,732	83.66
CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14
SUEN Ki	840	–	–	840	4.20

Save as disclosed above, as at 31 March 2008, 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 required standards of dealings by directors under the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed therein, at no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

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

As at 31 March 2008, 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 required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation	Total number of shares held	
NUEL	1,349,649,115	–	–	1,349,649,115	73.91
Xi Yu *	–	–	1,349,649,115	1,349,649,115	73.91

Note:

\* The interest disclosed by Xi Yu is the same as the 1,349,649,115 shares disclosed as held by NUEL.

Save as disclosed above, as at 31 March 2008, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OR OF LISTED SECURITIES OF THE COMPANY**

Neither of the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2008.

## **DIRECTOR'S INTERESTS IN CONTRACTS**

The following contracts or arrangements subsisted during the three months ended 31 March 2008 of which certain directors of the Company had interests that were deemed significant to the business of the Group:

- (a) On 30 August 2007, a rental agreement was entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly owned subsidiary of the Company) and Sun Ngai International Investment Limited ("Sun Ngai") at normal commercial terms in the ordinary and usual course of business of the Company, pursuant to which Smartech Services shall pay Sun Ngai monthly rental of HK\$10,000 to rent an office unit for one year commencing 1 August 2007. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services and Sun Ngai. The rental agreement was a continuing connected transaction of the Company exempted under the GEM Listing Rules.
- (b) On 12 October 2007, NUEL granted an unsecured interest-free loan of approximately HK\$2,416,000 to the Company for the settlement of the price adjustment in cash upon the completion of the Disposal of Dongguan Smartech, which was repayable on demand or before 12 October 2008. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and NUEL. The loan was a connected transaction of financial assistance provided by NUEL to the Company exempted under the GEM Listing Rules.

Save as disclosed therein, as at 31 March 2008, none of the Directors of the Company is materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

## **COMPETITION AND CONFLICT OF INTERESTS**

Save as disclosed therein, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices (“Code Provision(s)”) set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2008 with the following exception:

Code Provision A.2.1 requires the separation of the roles of the Chairman and Chief Executive Officer though the Company’s chairman, Mr. XI Yu until the date of this report, has to share the responsibilities of the vacant office of the chief executive officer of the Company subsequent to the resignation of the ex-managing director of the Group since 1 February 2007. The Directors considered the deviation will not significantly affected the Group’s operations, because the process of decision-making and delegation of authority will become centralized and more efficient.

## 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 5.68 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 three months ended 31 March 2008.

## AUDIT COMMITTEE

The Company’s Audit Committee has been established since May 2000 with written terms of reference in compliance with the GEM Listing Rules, which has three members comprising three independent non-executive directors, Dr. CHAN Yan Cheong (Committee Chairman), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

The Audit Committee reviewed with management on the accounting principles and practices adopted by the Group and discussed on the internal controls and financial reporting matters including a review of the unaudited consolidated results of the Company for the three months ended 31 March 2008.

By order of the Board  
**New Universe International Group Limited**  
**XI Yu**  
*Chairman*

Hong Kong, 8 May 2008

As of the date of this report, the Board comprises the following directors:

Mr. XI Yu	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Mr. SUEN Ki	<i>(Non-executive Director)</i>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>