



# UNIVERSE INTERNATIONAL HOLDINGS LIMITED

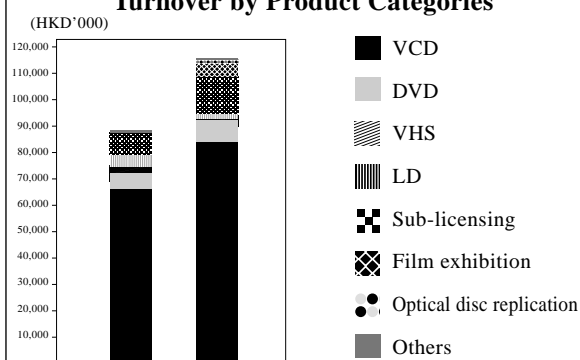
(Incorporated in Bermuda with limited liability)

## 1999/2000 INTERIM RESULTS ANNOUNCEMENT

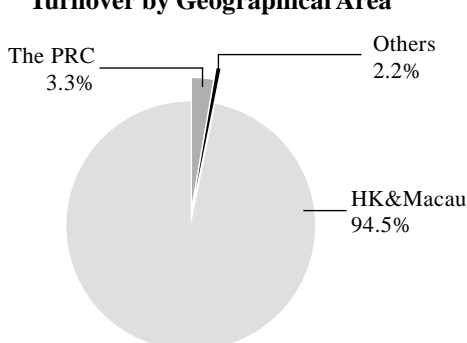
### Financial Highlights

- Net Profit: HK\$23.6 million, increased by 92%
- Net profit margin: 20.4%, (1998: 13.9%)
- Bank balances and cash: HK\$24.8 million
- Net assets: HK\$151.5 million, increased by 371.2%

#### Turnover by Product Categories



#### Turnover by Geographical Area



### INTERIM RESULTS

The board of directors (the "Board") of Universe International Holdings Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 1999, together with comparative figures for the previous corresponding period in 1998 as follows:—

	Six months ended	
	1999	1998
	HK\$'000	HK\$'000
Turnover	115,730	88,204
Operating profit before taxation	28,052	14,235
Taxation	4,446	1,938
Profit attributable to shareholders	23,606	12,297
Interim dividend	—	20,000
Earnings per share	13.54 cents	10.84 cents

#### Notes:

#### 1. Group reorganisation and basis of preparation

- The Company was incorporated in Bermuda on 26th March, 1999 as an exempted company with limited liability under the Companies Act 1981 Bermuda (as amended).
- On 28th June, 1999, pursuant to a group reorganisation to rationalise the group structure in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 20th July, 1999.
- The group reorganisation referred to above has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the group accounts have been prepared on the basis as if the Company had been the holding company throughout the accounting periods presented. In the opinion of the Directors, the consolidated accounts prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

#### 2. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits of the Group during the period.

#### 3. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the shareholders for the six months ended 31st December, 1999 of HK\$23,605,656 (1998: HK\$12,297,431) and the weighted average of 174,345,653 shares (1998: 113,400,000 shares deemed to be in issue) throughout the respective period on the assumption that the reorganisation of the Group had been completed on 1st July 1998.

### INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st December, 1999. As stated in the Company's prospectus dated 6th July, 1999, an interim dividend of HK\$20 million was paid by a subsidiary of the Company to its then shareholder for the corresponding period of the previous year.

### REVIEW OF OPERATIONS

During the period under review, the Group's aggressive marketing efforts to expand its customer base and to develop overseas markets were well rewarded. For the six months ended 31st December, 1999, the Group's unaudited turnover reached approximately HK\$115.7 million, an increase of 31.2% as compared to the same period of the previous year. Unaudited profits attributable to shareholders achieved approximately HK\$23.6 million, representing an increase of 92%.

#### Video Distribution

During the period under review, the turnover from distribution of various formats achieved approximately HK\$94.2 million, representing an increase of 19.7%. Turnover from distribution of VCD and DVD formats have increased by 26.9% and 37.8% over the same period of the previous year respectively.

The affordable pricing and high quality of home theatres have significantly increased the demand of home video entertainment programmes (the "Titles"). Coupled with the government's determination in combating piracy and the competitive pricing of legitimate optical discs, the local retail market shows a very strong sign of recovery. The Group had a record year in its distribution business, due to market recovery, aggressive expansion of distribution network and the increased variety of Titles.

In November 1999, the Group continued to strengthen its VCD and DVD replication capabilities at its new optical disc factory located in its self-owned industrial unit in Kwai Chung. This step towards vertical integration not only benefits the Group in terms of cost savings, but also improves its quality control and delivery schedule.

#### Sub-licensing

During the period under review, the Group experienced strong demand from traditional TV stations, Pay-TV channels, and overseas distributors. Turnover from the sub-licensing business increased 73.2% to approximately HK\$14.8 million. Turnover generated from the overseas markets reached approximately HK\$2.6 million, representing an increase of over 11 times as compared to HK\$0.2 million for the corresponding period of the previous year. With an aim to enlarge its Titles library and to broaden its customer base, the Group has aggressively acquired Titles with additional licensed territories, especially in South East Asia and the People's Republic of China (the "PRC").

#### Film Exhibition and Replication Services

During the period under review, the Group was able to generate extra source of income through film exhibition and replication services. The income of film exhibition was generated from films released in Hong Kong and Macau with a turnover of approximately HK\$4.8 million.

### PROSPECTS

#### e-commerce

The rapid growth of e-commerce has changed consumer-spending behavior and provided numerous opportunities for distributors. The Group has launched the first phase of its website, [www.uih.com.hk](http://www.uih.com.hk),

providing corporate information and new product promotions. This website allows business associates and investors to obtain up-to-date information of the Group and serves as a channel to provide valuable feedback. The second phase of the e-commerce plan is to develop a B2C (business-to-consumer) and B2B (business-to-business) website - [www.u333.com](http://www.u333.com). The B2C e-commerce model is expected to be operational at around April 2000, whereas the B2B model will follow suit. With this site, the Group will be able to show the preview of various Titles and customers will be able to place their orders through the Internet. The Group believes the site will provide added value to its customers and is an economical way to promote its business to overseas Chinese market.

#### New Distribution Channels and Mediums

The rapid development of information technology has created new channels and potential mediums for the home video entertainment industry, namely pay TV station and even web TV licensing in the future. The Directors believe the forthcoming market trend will create more business opportunities and exponential demand for the Group's Titles library, hence increasing revenue for the sub-licensing business. In view of these new mediums, the Group has always tried to include "all rights" in its Titles acquisition in order to enhance the value of its Titles library.

#### Video distribution

##### Hong Kong Market

To maintain its competitive edge in the market, the Group will continue to search for Titles in assorted categories, aiming to provide a wide range of the Titles to satisfy customers' need. As customers continue to demand for better audio and visual quality, the Group anticipates the DVD format will dominate the market in the near future. The additional DVD production lines are set up to cater for this new trend.

##### Production of Infotainment Programme and Film

The Group's distribution strategy in direct selling to retailers instead of selling to wholesalers has enabled the Group to understand the market trend better than its peers. Over the past few years, the Group has acquired many non-movie titles and most of them have contributed positively to the bottom-line. The Group believes the market share for non-movie titles will increase sharply in the near future. In addition to acquiring Titles from production companies, the Group will engage in its own production of various types of infotainment programmes, such as, documentary, travel, sports, hobbies, etc.

Apart from the production of infotainment programmes, the Group also plans to set up a new division engaging in film production, in order to enhance film supply and generate new income for the Group.

#### The PRC Market

In the event of the PRC becoming a member of the World Trade Organisation ("WTO"), the Group anticipates the rules and regulations of the home video entertainment industry will be further relaxed, therefore providing enormous opportunities for the Group's sub-licensing business.

The entry of WTO not only provides a favorable operating environment for the sub-licensing business, but also an opportunity for foreign companies to have direct participation in video product distribution. Capitalizing on its network with the PRC publishing houses, the Group has laid out a strong foundation to work with its PRC counterparts. The opening of the PRC market will lead to a major expansion in the Group's business operation.

#### Expansion of Replication Services

The newly installed DVD replication lines have provided the Group with the capabilities of producing Titles in DVD-9 format, a technology which is not commonly available with many Asian manufacturers. Due to the high production costs overseas, the Group believes this facility will generate a substantial profit margin. Leveraging on this technology, the Group is actively exploring replication orders from overseas markets.

#### Efficient Cost Management

The Group will move its head office and warehouse to its self-owned units, located in same building as its optical disc factory, by the end of April, 2000. The close proximity among all the Group's operations will enhance management efficiency and provide a better environment for employees.

#### USE OF NET PROCEEDS

The Group was listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20th July, 1999. As of the six months ended 31st December, 1999, the net proceeds from the initial public offer of approximately HK\$46.8 million, the Group has applied approximately HK\$22 million and HK\$17 million for the purchase of Titles to expand its library and the setting up of production lines for the replication of optical discs respectively.

On 3rd March, 2000, the Group has announced to raise approximately HK\$12.6 million by placing 9,000,000 shares. The net proceeds of approximately HK\$12.3million has been received on 21st March, 2000 and will be used for as general working capital of the Group.

#### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company commenced trading on the Stock Exchange on 20th July, 1999, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the period from 20th July, 1999 to 31st December, 1999.

#### YEAR 2000 COMPLIANCE

The Group has made a successful transition to the year 2000. All year 2000 compliance activities were completed as scheduled and all of the Company's electronic systems have proven to be fully year 2000 compliant.

#### CODE OF BEST PRACTICE

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the listing of Securities on the Stock Exchange for the period from 20th July, 1999 to 31st December, 1999.

By order of the Board  
**Lam Shiu Ming, Daneil**  
 Chairman and Managing Director

Hong Kong, 30th March, 2000