

INTERIM REPORT

中期報告

2001-2002



UNIVERSE INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

寰宇國際控股有限公司

The Board of Directors of Universe International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated profit and loss account and cash flow statement of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2001, and the unaudited condensed consolidated balance sheet as at 31st December 2001, were as follows:—

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the 6 months ended	
		2001 (Unaudited)	2000 (Unaudited)
		HK\$'000	HK\$'000
Turnover	2	160,440	141,026
Cost of sales		(114,716)	(93,183)
Gross profit		45,724	47,843
Other revenue		594	712
Other operating income		1,107	4,141
Selling expenses		(2,098)	(3,477)
Administrative expenses		(13,094)	(16,126)
Other operating expenses		(1,470)	(1,251)
Operating profit	3	30,763	31,842
Finance costs		(1,685)	(3,577)
Profit before taxation		29,078	28,265
Taxation	4(a)	(4,619)	(4,240)
Profit attributable to shareholders		24,459	24,025
Dividends	5	2,859	5,670
Basic earnings per share (HK cents)	6	2.57	2.54
Fully diluted earnings per share (HK cents)	6	2.33	2.32

The Group has no other recognized gains and losses other than profit attributable to shareholders for the period. Accordingly, no separate statement of recognized gains and losses is presented.

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 31st December 2001	(Audited) At 30th June 2001
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets		<b>111,436</b>	122,874
Film rights and films in progress		<b>117,236</b>	134,686
Current assets			
Inventories		<b>19,437</b>	23,458
Film rights deposit		<b>29,745</b>	18,379
Accounts receivable	7	<b>35,034</b>	31,321
Deposits and prepayments		<b>7,314</b>	3,274
Pledged bank deposit		<b>7,000</b>	2,000
Bank balances and cash		<b>81,105</b>	56,031
		<b>179,635</b>	134,463
Current liabilities			
Accounts payable	8	<b>18,675</b>	15,534
Other payables and accrued charges		<b>14,684</b>	13,824
Due to the ultimate holding company		<b>210</b>	219
Obligations under hire purchase contracts	9	<b>10,068</b>	11,445
Taxation payable	4(b)	<b>7,985</b>	7,875
Dividends payable		<b>2,859</b>	—
Convertible notes	10	<b>54,110</b>	—
Secured bank loans and overdrafts	9	<b>4,696</b>	8,149
		<b>113,287</b>	57,046
Net current assets		<b>66,348</b>	77,417
		<b>295,020</b>	334,977

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		(Unaudited) At 31st December 2001	(Audited) At 30th June 2001
	Note	HK\$'000	HK\$'000
Financed by:			
Share capital	11	19,060	19,060
Share premium		64,568	64,568
Reserves		821	821
Retained earnings	12	177,172	152,713
Proposed final dividend		—	2,859
Shareholders' fund		<b>261,621</b>	240,021
Non-current liabilities			
Convertible notes	10	—	54,110
Other long-term liabilities	9	28,331	35,778
Deferred taxation		5,068	5,068
		<b>295,020</b>	<b>334,977</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) 6 months ended 31st December	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	<b>70,072</b>	70,145
Net cash outflow from returns on investments and servicing of finance	<b>(1,126)</b>	(2,866)
Total taxation paid	<b>(4,509)</b>	(6,646)
Net cash outflow from investing activities	<b>(27,086)</b>	(93,925)
Net cash inflow/(outflow) before financing	<b>37,351</b>	(33,292)
Net cash (outflow)/inflow from financing	<b>(12,277)</b>	40,456
Increase in cash and cash equivalents	<b>25,074</b>	7,164
Cash and cash equivalents at 30th June	<b>56,031</b>	14,403
Cash and cash equivalents at 31st December	<b>81,105</b>	21,567
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>81,105</b>	21,808
Bank overdrafts	—	(241)
	<b>81,105</b>	21,567

Notes:

## 1. Basis of preparation and principal accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001 including the following:

SSAP 9 (revised):	Events after balance sheet date
SSAP 26:	Segment reporting
SSAP 29:	Intangible assets

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

### (a) SSAP 9 (revised) Events after balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 12 opening retained earnings at 1st July 2000 have increased by HK\$5,670,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 30th June 2000 although not declared until after balance sheet date. Opening retained earnings at 1st July 2001 have increased by HK\$2,859,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 30th June 2001 although not declared until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 30th June 2001 by HK\$2,859,000 for provision for proposed dividends that is no longer required.

Changes to headings used in the previously reported 30th June 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

**1. Basis of preparation and principal accounting policies** *(continued)***(b) SSAP 26: Segment Reporting**

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

**(c) SSAP 29: Intangibles**

Film rights and films in progress

Film rights and films in progress comprise fees paid in advance and/or instalments during the production of films under agreements for the reproduction and distribution of films in various formats, film exhibition, licensing and sub-licensing of film titles. These fees are capitalized and amortized on a systematic basis.

The adoption of SSAP 29 has meant that these film rights and films in progress that have been classified as current assets as at 31st December 2001 meet the recognition and measurement criteria prescribed in the new standard and as a result are reclassified as a non-current asset in the balance sheet. In accordance with the transitional provisions of SSAP 29, this reclassification has been applied retrospectively so that the comparatives presented have been restated to conform to the reclassification.

This reclassification has resulted in an increase in non-current assets by HK\$100,504,000 (as at 30th June 2001: an increase by HK\$115,790,000) and a decrease in current assets by the same amount as at 31st December 2001 and 30th June 2001 respectively.

## 2. Segment information

The Group is principally engaged in the distribution of films in various formats, licensing, sub-licensing of film rights, film exhibition and replication of optical discs.

An analysis of the Group's revenue and results for the period by business segments is as follows:—

	6 months ended 31st December 2001 (unaudited) HK\$'000			
	Sale of goods	Film exhibition, film licensing and sub-licensing	Replication of optical discs	Group
Revenues	<u>113,053</u>	<u>44,563</u>	<u>2,824</u>	<u>160,440</u>
Segment results	<u>21,247</u>	<u>8,022</u>	<u>900</u>	<u>30,169</u>
Other revenue				594
Finance costs				<u>(1,685)</u>
Profit before taxation				<u>29,078</u>
Taxation				<u>(4,619)</u>
Profit attributable to shareholders				<u><u>24,459</u></u>

	6 months ended 31st December 2000 (unaudited) HK\$'000			
	Sale of goods	Film exhibition, film licensing and sub-licensing	Replication of optical discs	Group
Revenue	<u>106,285</u>	<u>31,764</u>	<u>2,977</u>	<u>141,026</u>
Segment results	<u>27,306</u>	<u>3,274</u>	<u>550</u>	<u>31,130</u>
Other revenue				712
Finance costs				<u>(3,577)</u>
Profit before taxation				<u>28,265</u>
Taxation				<u>(4,240)</u>
Profit attributable to shareholders				<u><u>24,025</u></u>



## 2. Segment information (continued)

An analysis of the Group's turnover and contribution to profit before taxation after finance costs for the period by geographical segments is as follows:-

	Turnover 6 months ended 31st December		Profit before taxation 6 months ended 31st December	
	2001 (Unaudited)	2000 (Unaudited)	2001 (Unaudited)	2000 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segment:				
Hong Kong and Macau	143,837	128,757	26,590	28,478
Asia (other than Hong Kong and Macau)	8,568	11,182	2,434	2,520
North America	7,930	867	1,087	65
Others	105	220	58	67
	<u>160,440</u>	<u>141,026</u>	<u>30,169</u>	<u>31,130</u>
Other revenue			594	712
Finance costs			(1,685)	(3,577)
Profit before taxation			<u>29,078</u>	<u>28,265</u>

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

	For the 6 months ended 31st December	
	2001 (Unaudited)	2000 (Unaudited)
	HK\$'000	HK\$'000
Crediting		
Interest income	<u>594</u>	<u>712</u>
Charging		
Cost of inventories sold	37,915	34,977
Amortisation of film rights	70,623	52,609
Depreciation:		
— owned fixed assets	6,452	6,675
— leased fixed assets	<u>6,037</u>	<u>6,379</u>

#### 4. Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period.
- (b) Taxation in the consolidated balance sheet represents the amount of Hong Kong profits tax provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the current period and previous years less the amount of provisional tax paid.

#### 5. Dividends

	<b>For the 6 months ended</b>	
	<b>31st December</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend, declared, of HK0.3 cent per ordinary share (2000: final dividend, declared of HK0.6 cent per ordinary share)	<u><b>2,859</b></u>	<u>5,670</u>

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the year ended 30th June 2000 and 2001 were HK\$5,670,000 and HK\$2,859,000 respectively. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1st July 2000 and 2001 are now charged in the period in which they were proposed.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$24,459,000 (2000: HK\$24,025,000) and on the weighted average of 952,976,616 ordinary shares in issue (2000: 945,000,000 ordinary shares) during the period.

The calculation of fully diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$24,459,000 (2000: HK\$24,025,000) plus interest after taxation on convertible notes of approximately HK\$462,000 (2000: HK\$391,000) and on 1,068,543,849 (2000: 1,053,231,711) ordinary shares, which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 115,567,233 (2000: 108,231,711) ordinary shares deemed to be issued at no consideration if all outstanding options and convertible notes had been exercised.

## 7. Accounts receivable

At 31st December 2001, the ageing analysis of accounts receivable is as follows:—

	<b>(Unaudited)</b> <b>31st December</b> <b>2001</b>	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	<b>27,316</b>	23,428
90 to 180 days	<b>2,326</b>	3,562
Over 180 days	<b>5,392</b>	4,331
	<b><u>35,034</u></b>	<b><u>31,321</u></b>

The sale of video products and provision of replication service are with credit terms of 7 days to 30 days. Sales from licensing, sub-licensing and film exhibition are on open account terms.

## 8. Accounts payable

At 31st December 2001, the ageing analysis of accounts payable is as follow:—

	<b>(Unaudited)</b> <b>31st December</b> <b>2001</b>	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	<b>4,344</b>	6,058
90 to 180 days	<b>3,964</b>	1,883
Over 180 days	<b>10,367</b>	7,593
	<b><u>18,675</u></b>	<b><u>15,534</u></b>

## 9. Other long-term liabilities

	(Unaudited) 31st December 2001	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans and overdrafts	<b>23,436</b>	29,552
Obligations under hire purchase contracts	<b>19,659</b>	25,820
	<b>43,095</b>	55,372
Current portion of long-term liabilities	<b>(14,764)</b>	(19,594)
	<b>28,331</b>	35,778

At 31st December 2001, the Group's bank loans and overdrafts (excluding finance lease liabilities) were repayable as follows:

	<b>Bank loans and overdrafts</b>	
	(Unaudited) 31st December 2001	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>4,696</b>	8,149
In the second year	<b>4,860</b>	4,468
In the third to fifth year	<b>13,848</b>	14,899
After the fifth year	<b>32</b>	2,036
	<b>23,436</b>	29,552

9. Other long-term liabilities (continued)

Finance lease liabilities - minimum lease payments:

	(Unaudited) 31st December 2001	(Audited) 30th June 2001
	HK\$'000	HK\$'000
Within one year	10,640	12,565
In the second year	8,873	9,943
In the third to fifth year	931	5,085
After the fifth year	—	—
	<u>20,444</u>	<u>27,593</u>
Future finance charges on finance lease	(785)	(1,773)
Present value of finance lease liabilities	<u>19,659</u>	<u>25,820</u>
The present value of finance lease liabilities is as follows:		
Within one year	10,068	11,445
In the second year	8,670	9,387
In the third to fifth year	921	4,988
After the fifth year	—	—
	<u>19,659</u>	<u>25,820</u>

## 10. Convertible notes

On 26th July 2000, the Company issued unsecured convertible notes in the aggregated principal amount of US\$7,000,000 (the "Notes"). The Notes were issued by the Company to Multimedia Group Limited (a company wholly-owned by a fund under the management of HSBC Private Equity (Asia) Limited) (the "Noteholder") for cash amounting to US\$7,000,000. The Notes are interest-bearing at the rate of 2% per annum and can be converted into ordinary share of HK\$0.02 each of the Company at the conversion price of HK\$0.51 per share during the period from 26th July 2000 to 25th July 2002.

Unless converted or redeemed earlier, all the Notes outstanding shall be redeemed by the Company on 25th July 2002. In addition to the principal amount outstanding and any accrued but unpaid interest under the Notes, the Company is required to pay an additional amount calculated as provided in the conditions of the Notes which would give the Noteholder an 8% internal rate of return in the case of redemption of the Notes.

Up to the date of this report, none of the Notes had been converted into the Company's shares or redeemed by the Company.

## 11. Share capital

	<b>Authorised Ordinary shares</b>	
	No. of shares	<i>HK\$'000</i>
At 1st July 2001 and 31st December 2001	<u>5,000,000,000</u>	<u>100,000</u>
	<b>Issued and fully paid Ordinary shares</b>	
	No. of shares	<i>HK\$'000</i>
At 1st July 2001 and 31st December 2001	<u>952,976,616</u>	<u>19,060</u>

## 12. Retained earnings

	Note	2000 HK\$'000
At 1st July 2000, as previously reported		115,384
Effect of adopting SSAP 9 (Revised)	1(a)	<u>5,670</u>
At 1st July 2000 as restated		121,054
Profit for the year		40,188
2000 Final Dividend paid		<u>(5,670)</u>
At 30th June 2001		<u>155,572</u>
Representing:—		
2001 Final Dividend proposed		2,859
Other		<u>152,713</u>
Retained earnings at 30th June 2001		<u>155,572</u>
		<b>2001 HK\$'000</b>
At 1st July 2001, as previously reported		<b>152,713</b>
Effect of adopting SSAP 9 (Revised)	1(a)	<u><b>2,859</b></u>
At 1st July 2001 as restated		<b>155,572</b>
Profit for the period		<b>24,459</b>
2001 Final Dividend declared	5	<u><b>(2,859)</b></u>
At 31st December 2001		<u><b>177,172</b></u>

### 13. Commitments

(a) Commitments under operating leases

At 31st December 2001, the Group had total future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	(Unaudited) 31st December 2001	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	360	—
In the second to fifth inclusive	—	—
	<u>360</u>	<u>—</u>

(b) Other commitments

At 31st December 2001, the Group had commitments contracted but not provided for in these accounts as follows:

	(Unaudited) 31st December 2001	(Audited) 30th June 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of film rights	<u>56,505</u>	<u>68,828</u>

### 14. Related party transactions

There is no material related party transaction undertaken by the Group at any time during the six months ended 31st December 2001.



## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2001 (2000: Nil).

## REVIEW OF OPERATIONS

### I. Overall review

Despite the current economic slowdown in Hong Kong, the directors are delighted to see that the Group's business has grown in the first half of the current financial year. The Group's unaudited consolidated turnover for the sixth months ended 31st December, 2001 was approximately HK\$106.4 million, an increase of 13.8% over the comparative period last year. Profit attributable to shareholders was HK\$24.5 million, representing an increase of 1.8% compared with the same period last year.

During the period under review, the Group recorded a satisfactory growth in turnover despite a sluggish retail market and keen competition in the industry. Under this operating environment, the Group experienced a decline in gross profit margin. However, by adopting tighter cost and inventory controls, the Group achieved a 18.8% reduction in overheads and improvement in inventory turnover from 93 days to 85 days.

**REVIEW OF OPERATIONS** *(continued)***II. Business review**

An analysis of the Group's revenue for the six months ended 31st December 2000 and 2001 by business segment is as follows:—

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000	<b>% Increase/ (Decrease)</b>
Sale of goods	<b>113,053</b>	106,285	6.4%
Film exhibition, film licensing and sub-licensing	<b>44,563</b>	31,764	40.3%
Replication of optical discs	<b>2,824</b>	2,977	(5.1%)
	<hr/> <b>160,440</b> <hr/>	<hr/> 141,026 <hr/>	<hr/> 13.8% <hr/>
Total	<b>160,440</b>	141,026	13.8%

*Video distribution*

The results for the video distribution for the period under review is encouraging despite the depressed economic situation in Hong Kong as revenue from video distribution increased by 6.4% as compared with the same period last year.

Like most of our counterparts in the industry, the Group has been facing an adverse retail environment. In response to the lack of consumer confidence and contracted consumer spending at the time of economic recession and high unemployment, the Group has adopted an aggressive pricing strategy in order to stay competitive and maintain our market share. This has resulted in a reduction of operating profit from video distribution by HK\$6.1 million for the six months period ended 31st December 2001 as compared to HK\$27.3 million for the same period last year.

## REVIEW OF OPERATIONS *(continued)*

### II. **Business review** *(continued)*

#### *Video distribution (continued)*

Product diversification was another main strategy adopted by the Group. Apart from the distribution of motion pictures, the Group had also strengthened the distribution of local concerts of a number of the top artists in the music industry. "Andy Lau in Concert 2001" ("劉德華夏日Fiesta演唱會2001") was our first VCD and DVD product of local live concerts distributed during the period under review which is quite welcomed by the public due to the setting of a more attractive price of the VCD and DVD products at the retail level.

#### *Film exhibition, film licensing and sub-licensing*

During the period under review, the revenue from film exhibition, film licensing and sub-licensing increased significantly by 40.3% to HK\$44.6 million compared with same period last year. Revenue generated from overseas has also rose to approximately HK\$16.6 million, representing an increase of 35.3% compared with same period last year. Such growth was evident of the success of the Group's effort in implementing the strategy of investing in film production, which began last year. One of the major sources of revenue from film exhibition, film licensing and sub-licensing was contributed by the box office hits "Shaolin Soccer", which posted a record-breaking gross box office taking in Hong Kong of over HK\$60 million. The Group also realized satisfactory returns through the distribution of the entertainment programmes to various regions of the world.

#### *Replication of optical discs*

Revenue from the optical disc replication service declined slightly due to price cuts in the highly competitive business environment for this industry.

## PROSPECTS

Although the local economic outlook has remained uncertain in the second half of the financial year, with the Group's well-defined diversification strategies in both geographical distribution and products, the management is confident that the Group will be able to overcome the challenges ahead and maintain its leading position in the industry. In order to implement these strategies, the Group will continue its role as a content provider and expand the content library through investing in film production, such as "Tiramisu" ("戀愛行星") starring Nicholas Tse and Karena Lam, "Saving Family" ("慳錢家族") starring Do Do Cheng, Eric Tsang, Eason Chan and Miriam Yeung and sourcing a variety of music titles, such as "Miriam Music is Live 2001" ("楊千嬅拉濶音樂會2001"), "Jenny in concert 2001" ("甄妮有你有我2001演唱會") and "Leon Live is Live 2001" ("黎明Leon Live is Live演唱會2001").

The co-operation with Miramax Films Corporation in the theatrical release and distribution of "Shaolin Soccer" in the United States and other regions of the world was a major milestone in the development of overseas markets for the Group. Such co-operation will provide the opportunities for Universe products to penetrate all around the world and broaden the Group's distribution channels. The Group will explore opportunities to develop more overseas markets and form alliances with producers and distributors in the west.

The management is optimistic about the future development and business opportunities in the mainland China. In view of the PRC Government's recent reformation of its laws allowing foreign enterprises to participate directly in the video distribution industry in the PRC, the Group plans to set up a joint venture company in the PRC. The management believes that China's entry into the World Trade Organization will lead to further deregulation of its entertainment industry. Capitalizing a well-established network with publishing houses in the PRC over the past years and valuable experience gained from the co-operation with production company during the shooting of "Shaolin Soccer" in the PRC, the directors believe the Group is well equipped to take advantage arising from further deregulation. The management expects spectacular growth prospects to be underpinned by business opportunities in this huge market.

## SHARE OPTION

Details of the share option outstanding as at 31st December 2001 which have been granted under the scheme are as follows:

	Options held at 1st July 2001 '000	Options cancelled during the period '000	Options held at 31st December 2001 '000	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Director Mr. Lam Shiu Ming Daneil	22,500	—	22,500	0.4	19th June 2000	19th June 2000	18th June 2005
Director Ms Chiu Suet Ying	22,500	—	22,500	0.4	19th June 2000	19th June 2000	18th June 2005
Director Mr. Yeung Kim Piu	6,000	—	6,000	0.5	19th December 2000	19th June 2000	18th June 2005
Continuous contract employees	29,450	(1,950)	27,500	0.5	19th December 2000	19th June 2000	18th June 2005

On 30th January 2002, all share options held by the continuous contract employees were surrendered.

## DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

As at 31st December 2001, none of the directors, chief executives and their associates had any interests in the share capital, apart from share options as described below, of the Company and its associated corporations (within the meaning of the Securities (Disclosure of interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance.

**DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES** *(continued)*

Under a share option scheme approved by the shareholders of the Company on 28th June 1999, the directors of the Company may, at their discretion, invite employees, including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. On 19th June 2000, the following options were granted to certain directors of the Company:—

Name	Number of options granted under the scheme	Exercise price <i>HK\$</i>	Options held	
			at 31st December 2001	Exercisable until
Mr. Lam Shiu Ming, Daneil	22,500,000	0.4	22,500,000	18th June 2005
Ms. Chiu Suet Ying	22,500,000	0.4	22,500,000	18th June 2005
Mr. Yeung Kim Piu	6,000,000	0.5	6,000,000	18th June 2005

These share options are exercisable from 19th June 2000 to 18th June 2005. As at 31st December 2001, none of the above options have been exercised.

Apart from the share option scheme mentioned above, none of the directors (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares of the Company.

In addition, apart from the aforesaid, at no time during the year was the Company, its holding company, its subsidiaries or its fellow 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.

## SUBSTANTIAL SHAREHOLDER

At 31st December 2001, the register of substantial shareholder maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Shareholding	Number of ordinary shares
Globalcrest Enterprises Limited	60%	573,394,736

Globalcrest Enterprises Limited is a company directly held by the trustee of a discretionary trust under which certain immediate family members of Mr. LAM Shiu Ming, Daneil and Ms Chiu Suet Ying are discretionary objects.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

## FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2001, the Group had cash balances and unutilized banking facilities of approximately HK\$88 million and HK\$67 million respectively.

As at 31st December 2001, the Group had total assets of approximately HK\$408 million, representing an increase of HK\$16 million over that of 30th June 2001. Such increase was attributable mainly to the Group's cash position.

The Group's gearing ratio as at 31st December 2001 was approximately 37% (30th June 2001: 44%), which was calculated on the basis of the Group's long term bank borrowings of approximately HK\$43million and convertible notes of approximately HK\$54 million, and on the shareholders fund of approximately HK\$262 million.

Finance costs have been decreased by 53%, mainly due to a drop in interest expenses as a result of the Group's reduced borrowings and lowered interest rates.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December 2001, the Group had 201 employees. Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

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

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st December 2001 with the management.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of in the Listing Rules of The Stock Exchange of Hong Kong Limited for the six months ended 31st December 2001.

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

Hong Kong, 18th March 2002



## CORPORATE INFORMATION

### Executive Directors

Lam Shiu Ming, Daneil (*Chairman*)  
Chiu Suet Ying  
Yeung Kim Piu

### Non-executive Directors

Ng Kwok Tung  
Tang Yiu Wing

### Company Secretary

Chan Hau Chuen

### Authorised Representatives

Lam Shiu Ming, Daneil  
Chan Hau Chuen

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Wing Hang Bank, Limited  
The Bank of East Asia, Limited  
Standard Chartered Bank

### Auditors

PricewaterhouseCoopers  
*Certified Public Accountants*

### Share Registrar

Abacus Share Registrars Limited  
5th Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Audit Committee

Ng Kwok Tung  
Tang Yiu Wing

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head Office and Principal Place of Business

18th Floor  
Wylers Centre Phase II  
192-200 Tai Lin Pai Road  
Kwai Chung  
New Territories  
Hong Kong

### Website

<http://www.uih.com.hk>  
<http://www.u333.com>



**U333**

[www.u333.com](http://www.u333.com)