

U P D A T E**UNIVERSE INTERNATIONAL HOLDINGS LTD :
STICKING TO ITS KNITTING**

At a stock-market price of \$HK1.08 per share, it would appear that the entry to the ranks of The Stock Exchange of Hongkong Ltd of Universe International Holdings Ltd has not been, exactly, the popular success that Management would, presumably, have hoped.

Since going public in July this year, this Company appears to have done most things correctly, but the marketplace does not appear to favour a company, which is engaged in the entertainment field, a company earning solid profits, as has been the case during the past 4 Financial Years.

The Company has performed as promised in last July's Prospectus, with the punctuality of traffic as described in a Germany train schedule.

With the publication of the 1999 Annual Report, for the Financial Year, ended June 30, 1999, shareholders have been told that the Turnover has risen about 31.29, Year-on-Year, the Operating Profit has charged up 56.71 percent, Year-on-Year, and the Profits Attributable to Shareholders have managed a gain of 62.72 percent, Year-on-Year.

In short, a very creditable performance for the first time around for a publicly listed company.

And this is not a high-tech company, or telecommunications company, but a solid entertainment company which sticks to its awl (in the words of William Shakespeare), in the distribution of home video entertainment programmes -- DVDs and CVDs, principally -- to retail outlets, such as Blockbuster, supermarkets, convenience stores, etc.

Since going public in July last year, the Company has spent \$HK35 million in the purchase of DVD replication and CD screen printing machines (September 27, 1999), and purchased nearly \$HK29-million worth of properties in Kwaichung in order to house the Company's replication facilities for optical discs, plus acquiring a new office (October 27, 1999).

When Universe International came to the market, it raised a total of \$HK44.90 million, net of expenses, with the express purpose of this funding, being to purchase more Titles, to establish production lines for the replication of optical discs, and to boost the Working Capital by about \$HK6 million.

The 1999 Annual Report indicates that, of the Total Turnover of \$HK205,506,000, about \$HK155,853,000 was from the sale of Video Compact Discs (VCDs).

Sales of DVDs (Digital Video Discs), on the other hand, have risen from the 1998 figure of just a tad short of \$HK3 million to the 1999 figure of about \$HK15 million.

Without question, at this time, it does appear that the format for the immediate future for home-entertainment is in DVDs, and, to this end, the Company is aiming at improving its production facilities -- hence the \$HK64-million expansion programme.

Still on the subject of this Company's flotation of last July, as formerly proposed and in accordance with that which was stated in the Company's Prospectus, Management has said that it spent \$HK18 million in purchasing

new Titles, and that it is establishing its production lines for the replication of optical discs.

Spot on!

A negative point about this Company, however, is that it is still very much a homegrown company, with about 97 percent of Total Sales, being executed in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Only about 2.66 percent of Total Sales is being transacted in the PRC, proper.

It would appear to TARGET that, somewhere down the line, Management will have to consider trying to expand more aggressively into the PRC in order to find another marketplace for its DVDs and what-have-you.

As at Balance Sheet Date, the Consolidated Balance Sheet shows Current Assets at about \$HK98.34 million, ...

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