UNIVERSE INTERNATIONAL HOLDINGS LIMITED
寰宇國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2007

RESULTS

The board of directors (the "Directors") of Universe International Holdings Limited (the "Company") (the "Board") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30th June 2007, together with comparative figures for the year ended 30th June 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 30th June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Turnover	2	**136,240**	93,405
Cost of turnover		**(105,017)**	(66,634)
Other gains — net		**6,364**	5,813
Gain on disposal of investment properties		**3,776**	—
Gain on disposal of non-current assets held for sale		**1,653**	—
Selling expenses		**(2,841)**	(1,748)
Administrative expenses		**(27,516)**	(22,938)
Other operating expenses		**(8,233)**	(5,877)
Finance costs	3	**—**	(2)
Increase in fair value of investment properties		**1,611**	29,950
Share of (loss)/profit of an associated company		**(3)**	20
Profit before income tax		**6,034**	31,989
Income tax credit/(expense)	5	**5,492**	(4,684)
Profit attributable to equity holders of the Company		**11,526**	27,305

	Note		
Earnings per share for profit attributable to equity holders of the Company during the year ***(expressed in HK cents)***			
— basic	*6*	**0.71**	1.68
— diluted	*6*	**N/A**	N/A
Dividends	*7*	**—**	14,621

CONSOLIDATED BALANCE SHEET

	Note	**As at 30th June 2007**	2006
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Leasehold land		**8,793**	9,031
Property, plant and equipment		**16,438**	16,016
Investment properties		**26,107**	51,845
Film rights and films in progress		**112,654**	95,735
Interest in an associated company		**—**	—
Deferred income tax assets		**5,762**	5,447
Long-term bank deposit		**7,800**	7,800
		177,554	185,874
Current assets			
Film deposits		**2,947**	9,330
Inventories		**8,997**	12,004
Accounts receivable	*8*	**25,638**	16,309
Deposits paid and prepayments		**11,942**	9,660
Pledged bank deposits		**4,000**	2,000
Cash and cash equivalents		**135,054**	108,623
Non-current assets held for sale		**—**	31,650
		188,578	189,576
Total assets		**366,132**	375,450

	Note		
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**32,492**	32,492
Share premium		**127,211**	127,211
Other reserves		**1,274**	2,494
Retained earnings			
— Proposed final dividend		**—**	14,621
— Others		**152,886**	139,881
Total equity		**313,863**	316,699
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**66**	99
Deferred income tax liabilities		**3,446**	8,892
		3,512	8,991
Current liabilities			
Accounts payable	*9*	**5,142**	9,684
Other payables and accrued charges		**9,639**	7,258
Deposits received		**33,923**	32,629
Amount due to the ultimate holding company		**3**	86
Obligations under finance leases		**40**	95
Taxation payable		**10**	8
		48,757	49,760
Total liabilities		**52,269**	58,751
Total equity and liabilities		**366,132**	375,450
Net current assets		**139,821**	139,816
Total assets less current liabilities		**317,375**	325,690

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term referred to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The actual results may differ from these estimates.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The Group has adopted the new HKFRS below, which is relevant to its operations, in the preparation of the consolidated financial statements.

— HKFRS – Int 4 Determining whether an Arrangement contains a Lease

The adoption of this new HKFRS has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these consolidated financial statements.

2. Segment information

The Group is principally engaged in the distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights and leasing of investment properties.

Primary reporting format-business segments

	2007					
	Sale of goods *HK$'000*	Film exhibition, licensing and sub-licensing of film rights *HK$'000*	Leasing of investment properties *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Turnover						
External sales	**34,066**	**96,582**	**2,639**	**2,953**	**—**	**136,240**
Inter-segment sales	**—**	**12,143**	**—**	**340**	**(12,483)**	**—**
	34,066	**108,725**	**2,639**	**3,293**	**(12,483)**	**136,240**
Results						
Segment results before impairment losses	**(2,594)**	**(1,043)**	**1,394**	**(174)**	**—**	**(2,417)**
Impairment losses of film rights and film deposits	**(120)**	**(4,520)**	**—**	**—**	**—**	**(4,640)**
Segment results	**(2,714)**	**(5,563)**	**1,394**	**(174)**	**—**	**(7,057)**
Gain on disposal of investment properties	**—**	**—**	**3,776**	**—**	**—**	**3,776**
Gain on disposal of non-current assets held for sale	**—**	**—**	**1,653**	**—**	**—**	**1,653**
Increase in fair value of investment properties	**—**	**—**	**1,611**	**—**	**—**	**1,611**
Interest income						**6,054**
Share of loss of an associated company						**(3)**
Profit before income tax						**6,034**
Income tax credit						**5,492**
Profit attributable to equity holders of the Company						**11,526**

	2007					
	Sale of goods *HK$'000*	Film exhibition, licensing and sub-licensing of film rights *HK$'000*	Leasing of investment properties *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Assets						
Segment assets	27,438	41,478	26,755	5,003	—	100,674
Unallocated assets						265,458
Total assets						366,132
Liabilities						
Segment liabilities	4,280	34,229	385	5,753	—	44,647
Unallocated liabilities						7,622
Total liabilities						52,269
Other information						
Capital expenditures	7,152	762	—	4		7,918
Unallocated capital expenditures						87,305
Total capital expenditures						95,223
Depreciation and amortization of leasehold land	1,090	45	20	4		1,159
Unallocated depreciation and amortization of leasehold land						619
Total depreciation and amortization of leasehold land						1,778
Amortization charge of film rights	16,405	55,810	—	—		72,215

	2006					
	Sale of goods	Film exhibition, licensing and sub-licensing of film rights	Leasing of investment properties	Others	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External sales	38,794	48,359	4,772	1,480	—	93,405
Inter-segment sales	—	11,789	—	195	(11,984)	—
	38,794	60,148	4,772	1,675	(11,984)	93,405
Results						
Segment results before impairment losses	(2,541)	(103)	3,829	503	—	1,688
Impairment losses of film rights and film deposits	(2,733)	(1,244)	—	—	—	(3,977)
Segment results	(5,274)	(1,347)	3,829	503	—	(2,289)
Finance costs						(2)
Increase in fair value of investment properties	—	—	29,950	—	—	29,950
Interest income						4,310
Share of profit of an associated company						20
Profit before income tax						31,989
Income tax expense						(4,684)
Profit attributable to equity holders of the Company						27,305
Assets						
Segment assets	35,864	27,302	83,744	4,362	—	151,272
Unallocated assets						224,178
Total assets						375,450
Liabilities						
Segment liabilities	6,617	27,467	4,701	4,244	—	43,029
Unallocated liabilities						15,722
Total liabilities						58,751
Other information						
Capital expenditures	11,156	3,555	5,745	—		20,456
Unallocated capital expenditures						48,777
Total capital expenditures						69,233
Depreciation and amortization of leasehold land	1,128	46	66	4		1,244
Unallocated depreciation and amortization of leasehold land						640
Total depreciation and amortization of leasehold land						1,884
Amortization charge of film rights	15,818	25,055	—	—		40,873

Secondary reporting format-geographical segments

	Turnover Year ended 30th June		Total assets As at 30th June		Capital expenditures Year ended 30th June	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**72,582**	64,963	**338,166**	360,620	**95,223**	63,488
Asia (other than Hong Kong and Macau)	**53,337**	23,016	**25,367**	14,524	**—**	5,745
North America	**3,886**	260	**2,320**	4	**—**	—
Australia and New Zealand	**115**	200	**—**	—	**—**	—
Europe	**5,869**	4,491	**241**	160	**—**	—
Others	**451**	475	**38**	142	**—**	—
	136,240	93,405	**366,132**	375,450	**95,223**	69,233

3. Finance costs

	Year ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**—**	2

4. Expenses by nature

	Year ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Amortization of film rights	**72,215**	40,873
Impairment losses of film rights	**4,006**	1,928
Cost of inventories sold	**12,577**	19,584
Employee benefits expenses	**21,118**	17,147
Impairment losses of film deposits	**627**	2,049
Depreciation of owned assets	**1,450**	1,552
Depreciation of leased assets	**90**	78
Amortization of leasehold land	**238**	254

5. Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit of the Group for the year.

The amount of income tax credit/(expense) credited/(charged) to the consolidated income statement represents:

	Year ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax	**(10)**	—
Deferred income tax	**5,502**	(4,684)
	5,492	(4,684)

6. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	**11,526**	27,305
Weighted average number of ordinary shares in issue	**1,624,605,370**	1,624,605,370
Basic earnings per share *(HK cent per share)*	**0.71**	1.68

The diluted earnings per share is not presented as there were no dilutive potential ordinary shares outstanding during the years ended 30th June 2007 and 2006.

7. Dividends

The Board does not recommend the payment of a final dividend for the year ended 30th June 2007 (2006: HK0.9 cent per ordinary share).

8. Accounts receivable

	As at 30th June	
	2007	2006
	HK$'000	*HK$'000*
Accounts receivable	**27,928**	16,704
Less: Provision for impairment of accounts receivable	**(2,290)**	(395)
Accounts receivable — net	**25,638**	16,309

The carrying amount of accounts receivable approximates to its fair value.

As at 30th June 2007, the ageing analysis of the accounts receivable was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**11,808**	10,014
91 days to 180 days	**10,920**	1,028
Over 180 days	**2,910**	5,267
	25,638	16,309

Sales of videogram products is with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms.

9. Accounts payable

As at 30th June 2007, the ageing analysis of the accounts payable was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**1,551**	4,335
91 days to 180 days	**138**	296
Over 180 days	**3,453**	5,053
	5,142	9,684

OPERATING RESULTS

For the year ended 30th June 2007, the turnover and gross profit for the Group rose by 45.9% and 18.4% over the same period last year, to HK$136.2 million and HK$31.7 million respectively. Gross profit margin has however decreased to 23.3% from 28.7% in the same period last year.

Profit attributable to equity holders of the Company declined by HK$15.8 million to HK$11.5 million compared to the previous year mainly due to a lesser increase in fair value of investment properties (after deducting income tax) of HK$1.3 million when compared to that of the previous year of HK$24.7 million. Such significant decrease was partly offset by gains on disposals of the two investment properties amounting to an aggregate of HK$5.4 million and a reversal of taxable temporary differences of HK$5.6 million arising from these two investment properties upon their disposals during the year. Consequently, the Group was able to maintain its profitability despite the various challenges it faced. Earnings per share was HK0.71 cent compared to that of HK1.68 cents during the corresponding period in 2006.

BUSINESS REVIEW

Video distribution

Turnover contribution from the video distribution business segment has been gradually decreasing over the past few years as this business segment remain to be hindered by an adverse operating environment. During the year, it accounted for 25.0% (2006: 41.5%) of the Group's total turnover, where it recorded a decline of 12.2% to HK$34.1 million compared to the previous year.

Despite the pressure of a stagnant market and keen competition in the local video distribution business, the gross profit of this business segment improved from approximately HK$3.4 million to approximately HK$5.1 million, as a result of our stringent cost control measures.

Film exhibition, licensing and sub-licensing of film rights

Turnover contribution from this business segment was HK$96.6 million, representing an increase of 99.7% over the same period last year and contributed 70.9% (2006: 51.8%) of the Group's total turnover. The significant increase in turnover from this business segment reflects the positive results of the success of the strategy of investing in films production and the Group's efforts in strengthening its distribution network.

Turnover contribution from film exhibition business was HK$12.8 million, representing an increase of HK$10.5 million, compared to the same period last year. Such increase was mainly driven by more films being produced and released during the year. However, the operating loss widened to HK$3.4 million from HK$1.2 million as a result of the increase in promotional and marketing costs incidental to the film releases and the continual contraction of the local Chinese language film exhibition business.

Turnover contribution from licensing and sub-licensing of film rights rose by 81.8% to HK$83.8 million, representing 61.5% of the Group's total turnover. Gross profit from licensing and sub-licensing of film rights recorded an encouraging growth of 40.8%, to a level of HK$26.0 million. Such considerable increases in turnover and gross profit contribution was a result of our continual efforts of implementing the strategies of geographical diversification and investing in films production.

As we continually expand our marketing channel and distribution network, the Group has been successful in capturing the sales growth across overseas markets. Contribution from these overseas markets to the Group has been growing and is expected to be increasingly important. During the year, sales to overseas market in this business segment increased by HK$33.5 million to HK$60.7 million, representing 44.5% (2006: 29.1%) of the Group's consolidated turnover.

Leasing of investment properties

On 1st August 2006, the Group completed the disposal transaction of investment properties (which were presented as non-current assets held for sale in the consolidated financial statements for the year ended 30th June 2006) at a consideration of HK$33.3 million and recorded a profit of HK$1.6 million. On 18th December 2006, the Group completed another disposal transaction of investment properties at a consideration of HK$31.1 million and recorded a profit of HK$3.8 million.

Following the disposals of the aforesaid investment properties during the year, turnover from this business segment decreased correspondingly by 44.7% to HK$2.6 million.

OUTLOOK

Going forward, the management believes the Group has developed a solid foundation to facilitate its future expansion and is well positioned to leverage on this to meet the potential and increasing demand from different markets, particularly the People's Republic of China (the "PRC"). The PRC economy is expected to continue to prosper which in turn should benefit the film industry as a whole. In line with this, the management expects that demand for high quality of film and television series will continue to grow.

To respond to the adverse operating environment of the video distribution business, the Group strives to continually to manage its operating cost and enhance operational efficiency and productivity.

Leveraging on our experience, we are confident that the Group can overcome the market challenges and bring satisfactory returns to shareholders in the future.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 30th June 2007, the Group had cash balances of HK$146.9 million and unutilized banking facilities amounted to HK$30.0 million while the corresponding figures in last year were HK$118.4 million and HK$50.0 million respectively.

As at 30th June 2007, the Group had total assets of approximately HK$366.1 million, representing a slight decrease of HK$9.3 million over that of 30th June 2006.

The Group's gearing ratio as at 30th June 2007 was approximately 0.1% (2006: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK$106,400 (of which HK$40,400, HK$28,600 and HK$37,400 are repayable within one year, in the second year and in the third to fifth year respectively) and on the total equity of the Group of approximately HK$313.9 million.

There was no finance costs incurred for the year ended 30th June 2007 (2006: HK$2,000).

In light of the fact that most of the Group's transactions are denominated in Hong Kong dollars and US dollars, the management considered the exposure to fluctuation in exchange rates is limited and no financial instruments for hedging purposes are used by the Group.

THE PLEDGE OF GROUP'S ASSETS

As at 30th June 2007, certain assets of the Group with aggregate carrying value of HK$4.0 million (2006: HK$107.5 million) were pledged to secure banking facilities utilized by subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2007, the Group employed 68 staff (2006: 69). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to the basic salaries, staff benefits included discretionary bonus, medical insurance scheme and mandatory provident fund.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 30th June 2007, complied with the Code Provisions on the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") except for the code provision A.2.1 of the Code for the separation of the roles of Chairman and Chief Executive Officer ("CEO") as described in the following.

The Company does not at present have any officer holding the position of CEO. Mr Lam Shiu Ming, Daneil is the founder and Chairman of the Company and has also carried out the responsibilities of CEO. Mr Lam possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure to be more suitable to the Group because it can promote the efficient formulation and implementation of the Group's strategies.

During the year ended 30th June 2007, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

INTERNAL CONTROL

The Company is committed to the establishment of a good standard of internal control. In compliance with code provision C.2.1 of the Code and to further improve the effectiveness of its internal control, the Company engaged an independent accounting firm (the "Consultant") to conduct a review of the effectiveness of the system control of the Group on 5th December 2006 for the year ended 30th June 2007. All findings for improvement and recommendations made by the Consultant, which require management's attention, have been properly addressed and implemented by the Company during the year.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Group's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Messrs Ng Kwok Tung (as Chairman), Chiu Shin Koi and Ma Ting Hung. Five meetings were held during the year.

The annual results for the year ended 30th June 2007 and the continuing connected transaction of the Company have been reviewed by the Audit Committee.

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

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

EVENTS AFTER THE BALANCE SHEET DATE

On 21st August 2007, the Company granted 143,460,537 share options to the following participants (entitling them to subscribe for an aggregate of 143,460,537 new ordinary shares of the Company) at the subscription price of HK$0.264 per share option which were vested immediately and exercisable for a two-year period between 21st August 2007 and 20th August 2009 (both days inclusive):—

Participants	Date of grant	Period during which share options are exercisable	Price per share on exercise of share options *HK$*	Number of share options granted	Market value per share on grant of share options *HK$*
Directors					
Mr Lam Shiu Ming, Daneil	21/8/2007	21/8/2007-20/8/2009	0.264	16,245,000	0.243
Ms Chiu Suet Ying	21/8/2007	21/8/2007-20/8/2009	0.264	16,245,000	0.243
Mr Yeung Kim Piu	21/8/2007	21/8/2007-20/8/2009	0.264	16,245,000	0.243
Eligible employees working under employment contracts	21/8/2007	21/8/2007-20/8/2009	0.264	94,725,537	0.243
				143,460,537	

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.uih.com.hk). The annual report for 2007 of the Company will be dispatched to the shareholders and will be available on the above websites in due course.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 18th October 2007

As at the date of this announcement, the Board comprises Mr Lam Shiu Ming, Daneil, Ms Chiu Suet Ying and Mr Yeung Kim Piu as Executive Directors and Messrs Ng Kwok Tung, Chiu Shin Koi and Ma Ting Hung as Independent Non-executive Directors.

** For identification purposes only*