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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST DECEMBER 2007

The board of directors (the "Director(s)") (the "Board") of Universe International Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31st December 2007 together with comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31st December	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**79,865**	91,111
Cost of turnover	*3*	**(69,343)**	(66,635)
Other gains — net		**3,733**	3,438
Selling expenses			
— others	*3*	**(891)**	(1,190)
— share-based compensation	*3*	**(1,282)**	—
Administrative expenses			
— others	*3*	**(14,295)**	(15,287)
— share-based compensation	*3*	**(17,272)**	—
Other operating expenses	*3*	**(36)**	(284)
Gain on disposal of investment properties		**—**	3,776
Gain on disposal of non-current assets held for sale		**—**	1,653
(Loss)/profit before income tax		**(19,521)**	16,582
Income tax credit	*4*	**765**	2,633
(Loss)/profit for the period		**(18,756)**	19,215
Attributable to equity holders of the Company		**(18,756)**	19,215
(Loss)/earnings per share (expressed in HK cents)			
— basic	*5*	**(1.15)**	1.18
— diluted	*5*	**N/A**	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31st December 2007** *HK$'000*	Audited As at 30th June 2007 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land		**11,688**	8,793
Property, plant and equipment		**20,037**	16,438
Investment properties		**20,030**	26,107
Film rights and films in progress		**80,976**	112,654
Interest in an associated company		**—**	—
Deferred income tax assets		**6,910**	5,762
Long-term bank deposit		**7,800**	7,800
		147,441	177,554
Current assets			
Film deposits		**5,382**	2,947
Inventories		**8,018**	8,997
Accounts receivable	*6*	**26,979**	25,638
Deposits paid and prepayments		**9,059**	11,942
Pledged bank deposits		**4,000**	4,000
Cash and cash equivalents		**155,787**	135,054
		209,225	188,578
Total assets		**356,666**	366,132
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		**19,828**	1,274
Retained earnings		**134,130**	152,886
Total equity		**313,661**	313,863

	Note	Unaudited As at 31st December 2007 HK$'000	Audited As at 30th June 2007 HK$'000
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**227**	66
Deferred income tax liabilities		**3,491**	3,446
		3,718	3,512
Current liabilities			
Accounts payable	7	**5,804**	5,142
Other payables and accrued charges		**5,829**	9,639
Deposits received		**27,221**	33,923
Amount due to the ultimate holding company		**—**	3
Obligations under finance leases		**85**	40
Taxation payable		**348**	10
		39,287	48,757
Total liabilities		**43,005**	52,269
Total equity and liabilities		**356,666**	366,132
Net current assets		**169,938**	139,821
Total assets less current liabilities		**317,379**	317,375

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31st December 2007 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30th June 2007.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in preparing these unaudited condensed consolidated interim financial statements are consistent with those followed in preparing the Group's annual financial statements for the year ended 30th June 2007 except for the adoption of the following accounting policy of share-based compensation for the period.

The fair value of the options granted is recognized as share-based compensation in the income statement over the vesting period and credited to the share-based compensation reserve under equity. The fair value of the options granted is measured at grant date using the Black-Scholes Option Pricing Model and spread over the respective vesting period during which the share option participants become unconditionally entitled to the options. During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged or credited to the income statement, unless the original share-based compensation qualifies for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognized as share-based compensation is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to share-based compensation reserve). The reserve will be transferred to share capital and share premium account upon exercise of the options and will be transferred to retained earnings upon if cancelled, forfeited or expired.

Those new accounting standards, amendments and interpretation which are mandatory for the financial year ending 30th June 2008 have no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these unaudited condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

Primary reporting format — business segments

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.

The Group is organized into the following main business segments:

— Distribution of films in various videogram formats
— Film exhibition, licensing and sub-licensing of film rights
— Leasing of investment properties

The Group's inter-segment transactions mainly consist of licensing of film rights, which are transferred at cost.

Secondary reporting format — geographical segments

Distribution of films in various videogram formats is solely operated in Hong Kong and Macau, while the Group operates its film exhibition, licensing and sub-licensing of film rights and leasing of investment properties in five main geographical segments.

There are no sales between geographical segments.

Primary reporting format — business segments

An analysis of the Group's turnover and (loss)/profit attributable to equity holders of the Company for the period by business segments was as follows:

	Sale of goods	Film exhibition, licensing and sub-licensing of film rights	Leasing of investment properties	Others	Elimination	Group
	Unaudited					
	For the six months ended 31st December 2007					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External sales	14,553	63,365	620	1,327	—	79,865
Inter-segment sales	—	4,113	—	39	(4,152)	—
	14,553	67,478	620	1,366	(4,152)	79,865
Segment results	(10,301)	(13,249)	304	707	—	(22,539)
Interest income						3,018
Loss before income tax						(19,521)
Income tax credit						765
Loss attributable to equity holders of the Company						(18,756)
Other information						
Capital expenditures	1,411	330	469	—	—	2,210
Unallocated capital expenditures						17,274
Total capital expenditures						19,484
Depreciation and amortization of leasehold land	517	30	30	2	—	579
Unallocated depreciation and amortization of leasehold land						413
Total depreciation and amortization of leasehold land						992
Amortization of film rights	5,595	44,108	—	—	—	49,703

	Unaudited					
	For the six months ended 31st December 2006					
	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	20,935	67,536	1,865	775	—	91,111
Inter-segment sales	—	5,503	—	236	(5,739)	—
	20,935	73,039	1,865	1,011	(5,739)	91,111
Results						
Segment results before impairment losses	761	5,981	1,149	196	—	8,087
Impairment losses of film rights and film deposits	(25)	(87)	—	—	—	(112)
Segment results	736	5,894	1,149	196	—	7,975
Gain on disposal of investment properties	—	—	3,776	—	—	3,776
Gain on disposal of non-current assets held for sale	—	—	1,653	—	—	1,653
Interest income						3,178
Profit before income tax						16,582
Income tax credit						2,633
Profit attributable to equity holders of the Company						19,215
Other information						
Capital expenditures	3,515	4,888	—	—	—	8,403
Unallocated capital expenditures						35,590
Total capital expenditures						43,993
Depreciation and amortization of leasehold land	470	24	44	2	—	540
Unallocated depreciation and amortization of leasehold land						358
Total depreciation and amortization of leasehold land						898
Amortization of film rights	8,497	37,840	—	—	—	46,337

	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*
			Unaudited As at 31st December 2007			
Assets						
Segment assets	**26,647**	**82,647**	**21,091**	**5,811**	**—**	**136,196**
Unallocated assets						**220,470**
Total assets						**356,666**
Liabilities						
Segment liabilities	**4,387**	**24,145**	**432**	**5,114**	**—**	**34,078**
Unallocated liabilities						**8,927**
Total liabilities						**43,005**

	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*
			Audited As at 30th June 2007			
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

Secondary reporting format-geographical segments

	Turnover		Total assets		Capital expenditures	
	For the six months ended		As at		For the six months ended	
	31st December		31st December	30th June	31st December	
	2007	2006	**2007**	2007	**2007**	2006
	Unaudited	Unaudited	**Unaudited**	Audited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**42,259**	47,531	**331,644**	338,166	**19,484**	43,993
Asia (other than Hong Kong and Macau)	**29,950**	38,139	**23,871**	25,367	**—**	—
South and North America	**2,617**	1,638	**44**	2,320	**—**	—
Australia and New Zealand	**180**	98	**1,107**	—	**—**	—
Europe	**4,859**	3,705	**—**	241	**—**	—
Others	**—**	—	**—**	38	**—**	—
	79,865	91,111	**356,666**	366,132	**19,484**	43,993

3. EXPENSES BY NATURE

Expenses included in cost of turnover, selling expenses, administrative expenses and other operating expenses are analyzed as follows:

	Unaudited	
	For the six months ended	
	31st December	
	2007	2006
	HK$'000	*HK$'000*
Amortization of film rights	**49,703**	46,337
Amortization of leasehold land	**143**	128
Depreciation of owned assets	**802**	630
Depreciation of leased assets	**47**	140
Impairment losses of film deposits	**—**	112
Loss on disposal of plant and equipment	**12**	111
Write-off of expired film rights	**—**	2
Write-off of inventories	**7**	23
Employee benefits expenses *(Note)*	**29,817**	12,004
Cost of inventories sold	**5,380**	7,611

Note: Employee benefits expenses included share-based compensation of HK$18,554,000 for the period (of which HK$1,282,000 and HK$17,272,000 are recorded as selling expenses and administrative expenses respectively) (2006: HK$nil).

4. INCOME TAX CREDIT

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

The amount of income tax credit credited to the unaudited condensed consolidated income statement represents:

	Unaudited For the six months ended 31st December	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax	**338**	—
Deferred income tax relating to the origination and reversal of temporary differences	**(1,103)**	(2,633)
	(765)	(2,633)

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to equity holders of the Company of HK$18,756,000 (2006: profit of HK$19,215,000) and the weighted average of 1,624,605,370 (2006:1,624,605,370) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31st December 2007 did not assume the exercise of the Company's outstanding share options during the period since the exercise price of the outstanding share options were higher than the average market price of the shares of the Company and their exercise would have an anti-dilutive effect on loss per share.

The diluted earnings per share for the six months ended 31st December 2006 is not presented as there was no dilutive potential shares during the period.

6. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2007	Audited As at 30th June 2007
	HK$'000	*HK$'000*
Accounts receivable	**29,269**	27,928
Less: Provision for impairment of accounts receivable	**(2,290)**	(2,290)
Accounts receivable — net	**26,979**	25,638

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

As at 31st December 2007, the ageing analysis of the accounts receivable was as follows:

	Unaudited As at 31st December 2007 *HK$'000*	Audited As at 30th June 2007 *HK$'000*
Current to 90 days	**11,637**	11,808
91 days to 180 days	**5,271**	10,920
Over 180 days	**10,071**	2,910
	26,979	25,638

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

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers, internationally dispersed.

7. ACCOUNTS PAYABLE

As at 31st December 2007, the ageing analysis of the accounts payable was as follows:

	Unaudited As at 31st December 2007 *HK$'000*	Audited As at 30th June 2007 *HK$'000*
Current to 90 days	**1,952**	1,551
91 days to 180 days	**483**	138
Over 180 days	**3,369**	3,453
	5,804	5,142

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2007 (2006: HK$nil).

REVIEW OF OPERATIONS

Overall Group results

The Group's unaudited consolidated turnover for the six months ended 31st December 2007 was approximately HK$79.9 million, representing a decrease of HK$11.3 million, or 12.3% over the same period last year. Gross profit margin decreased to 13.2% from 26.9%. Loss attributable to equity holders of the Company was HK$18.8 million (2006: profit of HK$19.2 million). Loss per share was HK1.15 cents (2006: earnings per share of HK1.18 cents). Excluding the effect arising from share-based compensation of approximately HK$18.6 million during the period, loss after income tax and loss per share for the period would have narrowed to approximately HK$0.2 million and HK0.01 cent respectively.

The operating results retrogression was mainly due to the facts that the gain on disposal of two investment properties amounting to an aggregate of HK$5.4 million and a reversal of taxable temporary differences of HK$5.6 million were recorded in same period last year and the operating environment for the film industry remained difficult during the period.

Video distribution

During the period under review, turnover from video distribution business was HK$14.6 million, representing a decrease of 30.5% over the same period last year. Overall, this business segment accounted for 18.2% (2006: 23.0%) of the Group's total turnover.

The decline in the turnover from this business segment was the result of a reduction in newly released titles and the continued recessionary local video distribution market, which was aggravated by the intense competition and illegal peer-to-peer distribution of copyrighted films on the internet that continued to undermine the sales of legitimate video products. To maintain the competitiveness of our video products, the Group inevitably has to keep an attractive pricing policy. Nevertheless, the Group will continue to take appropriate measures accordingly to minimize and alleviate the adverse impact of these factors on this business segment.

Film exhibition, licensing and sub-licensing of film rights

Turnover from this business segment during the six months ended 31st December 2007 was HK$63.4 million, representing a marginal decrease of 6.2% over the same period last year. It accounted for 79.3% (2006: 74.1%) of the Group's total turnover during the period.

Turnover from film exhibition was HK$9.4 million, representing a decrease of HK$1.5 million, compared to same period last year. Despite similar turnover level being recorded, operating loss widened to HK$2.1 million compared with HK$971,000 in the corresponding period due to an increase in promotional cost incidental to the film releases.

Turnover from licensing and sub-licensing of film rights also recorded a decline to HK$54.0 million from HK$56.7 million, representing a decrease of 4.7%. At the same time, the gross profit from this segment significantly declined by HK$10.3 million due to the increase in the films production cost.

Despite a decrease in turnover generated from The People's Republic of China (the "PRC") to HK$19.4 million from HK$22.4 million, the PRC continues to be a key market to the Group, contributing around 24.2% of the Group's total turnover. The management envisaged that the PRC market will remain as the key engine to Group's future development.

While recognizing the future growth of the PRC market, the Group had meanwhile continued its effort on strengthening its distribution channels in order to achieve higher geographical diversification. In terms of geographical distribution, overseas markets accounted for 47.1% of the Group's total turnover (2006: 47.8%) and the management expects contribution from overseas markets to show stable growth in the future.

Leasing of investment properties

Following the disposal of two investment properties in the second half of 2006 and designation of an investment property situated in the PRC for self-use purposes in July 2007, turnover from this business segment decreased significantly by 66.8% to HK$0.6 million from HK$1.9 million.

OUTLOOK

The management expects the Group's operating environment will continue to be difficult and the outlook of the local film industry remains uncertain in the near future. Notwithstanding, the Group will aim to maintain a pragmatic development strategy of exploring new markets and customer base as well as distribution channels. Meanwhile, it will continue to implement stringent cost control measures.

Given the above, the Group is cautiously optimistic with its future development and prospects.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2007, the Group had cash balances of HK$167.6 million (30th June 2007: $146.9 million) and unutilized banking facilities amounted to HK$30.0 million (30th June 2007: HK$30.0 million) respectively.

As at 31st December 2007, the Group had total assets of approximately HK$356.7 million, representing a slight decrease of HK$9.5 million over that of 30th June 2007.

The Group's gearing ratio as at 31st December 2007 was approximately 0.1% (30th June 2007: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK$312,000 (of which HK$85,000, HK$70,000 and HK$157,000 are repayable within one year, in the second year and in the third to fifth year respectively) and on the total equity of the Company of approximately HK$313.7 million.

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

THE PLEDGE OF GROUP ASSETS

As at 31st December 2007, certain assets of the Group with an aggregate carrying value of HK$4.0 million (30th June 2007: HK$4.0 million) were pledged to secure banking facilities granted to subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2007, the Group had 67 employees (30th June 2007: 68). Remuneration is reviewed annually and certain employees are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 31st December 2007, complied with the code provisions contained in 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.

Code provision A.2.1 sets out that the roles of the chairman and CEO should be separate and should not be performed by the same individual. 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 Company because it can promote the efficient formulation and implementation of the Company's strategies.

AUDIT COMMITTEE

The Audit Committee was established in 1999. Its current members include three independent non-executive directors of the Company, namely Mr Ng Kwok Tung (chairman), Mr Chiu Shin Koi and Mr Ma Ting Hung.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 31st December 2007 with the management.

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

The Company has not redeemed any of its shares during the six months ended 31st December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31st December 2007, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by Directors. Having made specific enquiry, all Directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the period.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.uih.com.hk) and the Stock Exchange (www.hkexnews.hk). The interim report will also be available at the same websites on or before 31st March 2008.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 19th March 2008

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*