

universe

寰宇

UNIVERSE INTERNATIONAL HOLDINGS LIMITED

寰宇國際控股有限公司

Incorporated in Bermuda with limited liability

於百慕達註冊成立之有限公司

Stock Code 股份代號: 1046



INTERIM REPORT
2007-2008
中期報告

CORPORATE INFORMATION

Executive Directors

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

Independent Non-executive Directors

Ng Kwok Tung
Chiu Shin Koi
Ma Ting Hung

Company Secretary

Chan Hau Chuen

Authorized Representatives

Lam Shiu Ming, Daneil
Chan Hau Chuen

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank, Limited
Chong Hing Bank Limited

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

So Keung Yip & Sin
802-805, 8th Floor
Wheelock House
No. 20 Pedder Street
Central
Hong Kong

Share Registrar

Tricor Abacus Limited
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

Audit Committee

Ng Kwok Tung (*Chairman*)
Chiu Shin Koi
Ma Ting Hung

Remuneration Committee

Ma Ting Hung (*Chairman*)
Ng Kwok Tung
Chiu Shin Koi
Lam Shiu Ming, Daneil
Chiu Suet Ying

Nomination Committee

Chiu Shin Koi (*Chairman*)
Ng Kwok Tung
Ma Ting Hung
Lam Shiu Ming, Daneil
Chiu Suet Ying

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Websites

www.uih.com.hk
www.u333.com

The board of directors (the “Director(s)”) (the “Board”) of Universe International Holdings Limited (the “Company”) announces the unaudited condensed consolidated balance sheet as at 31st December 2007 and the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated cash flow statement of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31st December 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|-----------------------------------|-------------|--|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Leasehold land | 5 | 11,688 | 8,793 |
| Property, plant and equipment | 5 | 20,037 | 16,438 |
| Investment properties | 5 | 20,030 | 26,107 |
| Film rights and films in progress | 5 | 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 | 7 | 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 |

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

| | Note | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|--|------|---|---|
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | 8 | 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 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Other long-term liabilities | 10 | 227 | 66 |
| Deferred income tax liabilities | | 3,491 | 3,446 |
| | | 3,718 | 3,512 |
| Current liabilities | | | |
| Accounts payable | 12 | 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 | 10 | 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 |

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note(s) | For the six months ended 31st December | |
|--|------------|--|------------------|
| | | 2007 HK\$'000 | 2006 HK\$'000 |
| Turnover | 4 | 79,865 | 91,111 |
| Cost of turnover | 13 | (69,343) | (66,635) |
| Other gains — net | | 3,733 | 3,438 |
| Selling expenses | | | |
| — others | 13 | (891) | (1,190) |
| — share-based compensation | 9, 11 & 13 | (1,282) | — |
| Administrative expenses | | | |
| — others | 13 | (14,295) | (15,287) |
| — share-based compensation | 9, 11 & 13 | (17,272) | — |
| Other operating expenses | 13 | (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 | 14 | 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 | 15 | (1.15) | 1.18 |
| — diluted | 15 | N/A | N/A |

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Note | Attributable to equity holders of the Company | | | | | | Total HK\$'000 |
|---|---|---|--|------------------------------------|--|----------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium consolidation HK\$'000 | Reserve arising on consolidation HK\$'000 | Revaluation reserve HK\$'000 | Share-based compensation reserve HK\$'000 | Retained earnings HK\$'000 | |
| Balance at 1st July 2007 | 32,492 | 127,211 | 821 | 453 | — | 152,886 | 313,863 |
| Grant of share options 9 | — | — | — | — | 18,554 | — | 18,554 |
| Loss for the period | — | — | — | — | — | (18,756) | (18,756) |
| Total recognized income and expense for the period | — | — | — | — | 18,554 | (18,756) | (202) |
| Balance at 31st December 2007 | 32,492 | 127,211 | 821 | 453 | 18,554 | 134,130 | 313,661 |

| | Attributable to equity holders of the Company | | | | | | Total HK\$'000 |
|--|---|---|--|------------------------------------|----------------------------------|----------|-------------------|
| | Share capital HK\$'000 | Share premium consolidation HK\$'000 | Reserve arising on consolidation HK\$'000 | Revaluation reserve HK\$'000 | Retained earnings HK\$'000 | | |
| Balance at 1st July 2006 | 32,492 | 127,211 | 821 | 1,673 | 154,502 | 316,699 | |
| Revaluation reserve adjustment upon disposal of an investment property | — | — | — | (1,220) | 1,220 | — | |
| Deferred income tax adjustment upon disposal of an investment property | — | — | — | — | 259 | 259 | |
| Profit for the period | — | — | — | — | 19,215 | 19,215 | |
| Total recognized income and expense for the period | — | — | — | (1,220) | 20,694 | 19,474 | |
| Dividends related to 2005/2006 paid in December 2006 | — | — | — | — | (14,621) | (14,621) | |
| Balance at 31st December 2006 | 32,492 | 127,211 | 821 | 453 | 160,575 | 321,552 | |

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | | For the six months ended 31st December | |
|---|-------------|---|--------------------------|
| | <i>Note</i> | 2007 HK\$'000 | 2006 HK\$'000 |
| Net cash generated from operating activities | | 39,973 | 41,090 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (1,459) | (1,614) |
| Proceeds from disposal of property, plant and equipment | | 38 | — |
| Proceeds from disposal of investment properties | | — | 31,125 |
| Proceeds from disposal of non-current assets held for sale | | — | 33,303 |
| Purchase of film rights and investment in films in progress | 5 | (18,025) | (42,379) |
| Net cash (used in)/generated from investing activities | | (19,446) | 20,435 |
| Cash flow from financing activities | | | |
| Dividend paid | | — | (14,621) |
| Inception of finance leases | | 249 | — |
| Capital element of finance lease payments | | (43) | (46) |
| Net cash generated from/(used in) financing activities | | 206 | (14,667) |
| Net increase in cash and cash equivalents | | 20,733 | 46,858 |
| Cash and cash equivalents at 30th June | | 135,054 | 108,623 |
| Cash and cash equivalents at 31st December | | 155,787 | 155,481 |

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Universe International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the business of production of films and television series, distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights and leasing of investment properties.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. The unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 19th March 2008.

2. BASIS OF PREPARATION

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.

3. ACCOUNTING POLICIES

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.

4. 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.

4. SEGMENT INFORMATION (Continued)

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:

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

4. SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

| | Unaudited | | | | | Group |
|--|---|--|--|--------------------|-------------------------|---------------|
| | For the six months ended 31st December 2006 | | | | | HK\$'000 |
| | 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 | |
| Turnover | | | | | | |
| External sales | 20,935 | 67,536 | 1,865 | 775 | — | 91,111 |
| Inter-segment sales | — | 5,503 | — | 236 | (5,739) | — |
| | <u>20,935</u> | <u>73,039</u> | <u>1,865</u> | <u>1,011</u> | <u>(5,739)</u> | <u>91,111</u> |
| 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 | <u>736</u> | <u>5,894</u> | <u>1,149</u> | <u>196</u> | <u>—</u> | <u>7,975</u> |
| 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 | — | — | — | — | — | <u>3,178</u> |
| Profit before income tax | — | — | — | — | — | 16,582 |
| Income tax credit | — | — | — | — | — | <u>2,633</u> |
| Profit attributable to equity holders of the Company | — | — | — | — | — | <u>19,215</u> |
| Other information | | | | | | |
| Capital expenditures | 3,515 | 4,888 | — | — | — | 8,403 |
| Unallocated capital expenditures | — | — | — | — | — | <u>35,590</u> |
| Total capital expenditures | — | — | — | — | — | <u>43,993</u> |
| Depreciation and amortization of leasehold land | 470 | 24 | 44 | 2 | — | 540 |
| Unallocated depreciation and amortization of leasehold land | — | — | — | — | — | <u>358</u> |
| Total depreciation and amortization of leasehold land | — | — | — | — | — | <u>898</u> |
| Amortization of film rights | 8,497 | 37,840 | — | — | — | <u>46,337</u> |

4. SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

| | Unaudited | | | | | Group HK\$'000 |
|--------------------------|------------------------------|--|--|--------------------|-------------------------|-------------------|
| | As at 31st December 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 | |
| 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 |

| | Audited | | | | | Group HK\$'000 |
|--------------------------|------------------------------|--|--|--------------------|-------------------------|-------------------|
| | As at 30th June 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 | |
| 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 |

4. SEGMENT INFORMATION (Continued)

Secondary reporting format — geographical segments

An analysis of the Group's turnover and capital expenditures for the period by geographical segments were as follows:

| | Unaudited For the six months ended 31st December 2007 | |
|---------------------------------------|---|-------------------------------------|
| | Turnover HK\$'000 | Capital expenditures HK\$'000 |
| Hong Kong and Macau | 42,259 | 19,484 |
| Asia (other than Hong Kong and Macau) | 29,950 | — |
| South and North America | 2,617 | — |
| Australia and New Zealand | 180 | — |
| Europe | 4,859 | — |
| | 79,865 | 19,484 |

| | Unaudited For the six months ended 31st December 2006 | |
|---------------------------------------|---|-------------------------------------|
| | Turnover HK\$'000 | Capital expenditures HK\$'000 |
| Hong Kong and Macau | 47,531 | 43,993 |
| Asia (other than Hong Kong and Macau) | 38,139 | — |
| South and North America | 1,638 | — |
| Australia and New Zealand | 98 | — |
| Europe | 3,705 | — |
| | 91,111 | 43,993 |

4. SEGMENT INFORMATION (Continued)

Secondary reporting format — geographical segments (Continued)

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|---------------------------------------|---|---|
| Assets | | |
| Hong Kong and Macau | 331,644 | 338,166 |
| Asia (other than Hong Kong and Macau) | 23,871 | 25,367 |
| South and North America | 44 | 2,320 |
| Europe | 1,107 | 241 |
| Others | — | 38 |
| | 356,666 | 366,132 |

5. CAPITAL EXPENDITURES

| | Unaudited | | | |
|--|-------------------------------|---|--------------------------------------|---|
| | Leasehold land HK\$'000 | Property, plant and equipment HK\$'000 | Investment properties HK\$'000 | Film rights and films in progress HK\$'000 |
| Opening net book amount at 1st July 2007 | 8,793 | 16,438 | 26,107 | 112,654 |
| Additions | — | 1,459 | — | 18,025 |
| Disposals | — | (50) | — | — |
| Transfer from investment properties | 3,038 | 3,039 | (6,077) | — |
| Amortization /depreciation (Note 13) | (143) | (849) | — | (49,703) |
| Closing net book amount at 31st December 2007 | 11,688 | 20,037 | 20,030 | 80,976 |

5. CAPITAL EXPENDITURES (Continued)

| | Leasehold land HK\$'000 | Unaudited Property, plant and equipment HK\$'000 | Investment properties HK\$'000 | Film rights and films in progress HK\$'000 |
|--|-------------------------------|--|--------------------------------------|---|
| Opening net book amount at 1st July 2006 | 9,031 | 16,016 | 51,845 | 95,735 |
| Additions | — | 1,614 | — | 42,379 |
| Disposals | — | (111) | (27,350) | — |
| Amortization /depreciation (Note 13) | (128) | (770) | — | (46,337) |
| Write-off (Note 13) | — | — | — | (2) |
| Closing net book amount at 31st December 2006 | 8,903 | 16,749 | 24,495 | 91,775 |

6. INTERESTS IN JOINTLY CONTROLLED ASSETS

The Group has participating interests ranging from 60% to 80% in three jointly controlled asset arrangements to produce television series (30th June 2007: three). At 31st December 2007, the aggregate amounts of assets, liabilities and profit after income tax recognized in the unaudited condensed consolidated interim financial statements relating to the Group's interests in these jointly controlled asset arrangements were as follows:

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|--------------------------------|---|---|
| Assets | | |
| Television series rights | 2,962 | 3,196 |
| Accounts receivable | 4,801 | 4,884 |
| Prepayments | — | 747 |
| | 7,763 | 8,827 |
| Liabilities | | |
| Accounts payable | 370 | 4,579 |
| Deposits received | 535 | 335 |
| | 905 | 4,914 |
| Income | 243 | 41,836 |
| Expenses | (243) | (41,445) |
| Profit after income tax | — | 391 |

7. ACCOUNTS RECEIVABLE

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 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. Sales 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.

8. SHARE CAPITAL

| | Number of ordinary shares | Ordinary shares HK\$'000 |
|---|------------------------------|--------------------------------|
| At 1st July 2007 and 31st December 2007 | 1,624,605,370 | 32,492 |

The total authorized number of ordinary shares is 5,000 million shares (30th June 2007: 5,000 million shares) with a par value of HK\$0.02 per share (30th June 2007: HK\$0.02 per share). All shares issued are fully paid.

9. SHARE OPTIONS

Pursuant to a resolution passed in the annual general meeting held on 26th November 2003, the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme") in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 21st August 2007, the Company granted 143,460,537 share options to its employees 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). Each share option gives the holder the right to subscribe for one ordinary share of the Company. None of the options has been exercised or cancelled for the period from 21st August 2007 to 31st December 2007.

The fair value of the share options granted during the period at the measurement date at 21st August 2007 of HK\$18,553,608 was determined under the Black-Scholes Option Pricing Model and based on the following assumptions:

| | |
|------------------------------------|---------|
| Risk-free interest rate | 4.012% |
| Expected life of the share options | 2 years |
| Expected volatility | 102.83% |

The Black-Scholes Option Pricing Model requires input of highly subjective assumptions, including the risk-free interest rate and the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

10. OTHER LONG-TERM LIABILITIES

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|--|--|---|
| Obligations under finance leases | 312 | 106 |
| Current portion of long-term liabilities | (85) | (40) |
| | 227 | 66 |

As at 31st December 2007, the Group's obligations under finance leases were repayable as follows:

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|---|--|---|
| Within one year | 85 | 40 |
| In the second year | 70 | 29 |
| In the third to fifth year | 157 | 37 |
| | 312 | 106 |
| Future finance charges on obligations under finance leases | — | — |
| Present value of obligations under finance leases | 312 | 106 |
| The present value of obligations under finance leases was as follows: | | |
| Within one year | 85 | 40 |
| In the second year | 70 | 29 |
| In the third to fifth year | 157 | 37 |
| | 227 | 66 |
| | 312 | 106 |

11. EMPLOYEE BENEFITS EXPENSES

On 1st December 2000, a Mandatory Provident Fund scheme (“the MPF scheme”) has been set up for employees, including executive directors. Under the MPF scheme, the Group’s contributions are at 5% of employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme if their relevant income is more than HK\$4,000 per month before 1st February 2003 and HK\$5,000 after 1st February 2003. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

| | Unaudited | |
|---|---------------------------------|----------|
| | For the six months ended | |
| | 31st December | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Wages and salaries | 9,272 | 10,805 |
| Provision for unutilized annual leave | 81 | 24 |
| Provision for long service payment | 42 | — |
| Staff welfare | 1,650 | 954 |
| Pension costs — defined contribution plan | 218 | 221 |
| Share-based compensation | | |
| — selling expenses (<i>Note 9</i>) | 1,282 | — |
| — administrative expenses (<i>Note 9</i>) | 17,272 | — |
| Total including directors’ emoluments | 29,817 | 12,004 |

12. 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 |

13. 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 HK\$'000 | 2006 HK\$'000 |
|--|---|------------------|
| Amortization of film rights (<i>Note 5</i>) | 49,703 | 46,337 |
| Amortization of leasehold land (<i>Note 5</i>) | 143 | 128 |
| Depreciation of owned assets (<i>Note 5</i>) | 802 | 630 |
| Depreciation of leased assets (<i>Note 5</i>) | 47 | 140 |
| Impairment losses of film deposits | — | 112 |
| Loss on disposal of plant and equipment | 12 | 111 |
| Write-off of expired film rights (<i>Note 5</i>) | — | 2 |
| Write-off of inventories | 7 | 23 |
| Employee benefits expenses (<i>Note 11</i>) | 29,817 | 12,004 |
| Cost of inventories sold | 5,380 | 7,611 |

14. 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 HK\$'000 | 2006 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) |

15. (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 of the Company 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.

16. PENDING LITIGATIONS

A Court of First Instance was commenced in Hong Kong on 17th April 2002 by The Star Overseas Limited (“Star”), an independent third party, against Universe Entertainment Limited (“UEL”), an indirect wholly-owned subsidiary of the Company.

By the above action, Star alleges that a sum of US\$935,871.65 (equivalent to HK\$7,299,798.84) was payable by UEL to Star as its share of the revenue of the movie entitled “Shaolin Soccer” (the “Movie”).

Pursuant to an Order made by High Court on 21st February 2003 (the “Order”), UEL was ordered and has paid to Star a sum of HK\$5,495,699.80, being part of the licence fee of the Movie received by UEL from Miramax Films (being the licensee of the Movie) and which was also part of the sum claimed by Star. Pursuant to the Order, UEL is also liable to pay Star interest in the sum of HK\$350,905.30 and some of the costs of the application leading to the making of the Order, all of which had been settled. As the Order has not disposed of all the claims of US\$935,871.65 (equivalent to HK\$7,299,798.84) by Star, UEL is entitled to continue to defend the claim by Star for recovering the remaining balance in the sum of approximately HK\$1,804,099.04 (HK\$7,299,798.84 less HK\$5,495,699.80).

On 30th April 2002, UEL issued a Writ of Summons against Star for the latter’s wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover loss and damages suffered by UEL as a result of the wrongful exploitation.

On 9th September 2002, Universe Laser & Video Co. Limited (“ULV”), an indirect wholly owned subsidiary of the Company issued a Writ of Summons against Star for the latter’s infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all loss and damages suffered by ULV as a result of the said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the claim against UEL will have no material financial impact to the Group.

Save as disclosed above, as at 31st December 2007, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

17. COMMITMENTS

(a) Operating leases

As at 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|---|--|---|
| Land and buildings Not later than one year | 1,200 | 2,400 |

(b) Others

As at 31st December 2007, the Group had commitments contracted but not provided for in these unaudited condensed consolidated interim financial statements as follows:

| | Unaudited As at 31st December 2007 HK\$'000 | Audited As at 30th June 2007 HK\$'000 |
|--|--|---|
| Purchase of film rights and production of films | 30,381 | 22,010 |

Note: As at 31st December 2007, the Group had no any commitment in respect of jointly controlled assets (30th June 2007: HK\$nil).

18. RELATED PARTY TRANSACTIONS

- (a) On 19th December 2006, ULV entered into a tenancy agreement with Rainbow Nice Limited (“RNL”) whereby ULV agreed to lease a premises (the “Premises”) from RNL for a term of 3 years commencing from 1st January 2007 for the use of Mr Lam Shiu Ming, Daneil and Ms Chiu Suet Ying, the directors of the Company, for residential purpose. The monthly rental payable by ULV is HK\$200,000 which is inclusive of furniture, fixtures and home electronic appliances but excluding government rent, rates, taxes and all other outgoings. The entire issued share capital of RNL, the landlord of the Premises, is beneficially owned by Ms Chiu Suet Ying.

During the six months ended 31st December 2007, ULV had paid rental on the Premises of HK\$1,200,000 (2006: HK\$nil) to RNL.

- (b) Details of key management compensation

| | Unaudited | |
|---|---------------------------------|----------|
| | For the six months ended | |
| | 31st December | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Salaries and other short-term employee benefits | 5,203 | 5,337 |
| Employer's contribution to retirement scheme | 30 | 30 |
| Share-based compensation (<i>Note 9</i>) | 10,505 | — |
| | 15,738 | 5,367 |

Save as disclosed above and elsewhere in these unaudited condensed consolidated interim financial statements, no other material related party transactions have been entered into by the Group. The Directors are of the opinion that the above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business.

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 HK 1.15 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.

REVIEW OF OPERATIONS *(Continued)*

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.

REVIEW OF OPERATIONS *(Continued)*

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: HK\$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.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE *(Continued)*

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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2007, the interests which are all long positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(1) Interest in issued shares

| Name of Director | Nature of interest | Number of shares of the Company held | Percentage of shareholding |
|-----------------------------|--|---|-----------------------------------|
| Mr Lam Shiu Ming, Daneil | Founder of a discretionary trust (Note) | 872,406,705 | 53.70% |

Note: The trustee of the discretionary trust is Central Core Resources Limited which owns the entire issued share capital of Globalcrest Enterprises Limited which in turn is interested in 872,406,705 shares of the Company.

(2) Interests in underlying shares

Certain Directors have been granted share options under the Share Option Scheme, detail of which are set in the section headed "SHARE OPTION SCHEME" below.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

All interests in the shares and underlying shares of the Company are long position.

Other than disclosed above, as at 31st December 2007, none of the Directors or their associates had any interests (including short positions) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors (including their spouses and children under 18 years of age) had, as at 31st December 2007, any interest in, or had been granted, or exercised, any rights to subscribe for shares, underlying shares or debentures of the Company and its associated corporation.

In addition, at no time during the period was the Company, its holding company, its subsidiaries, its associated company or its fellow subsidiaries, a party to any arrangement to enable the Directors to hold any interests or short position or underlying shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

Pursuant to a resolution passed in the annual general meeting held on 26th November 2003, the Company adopted the Share Option Scheme in compliance with the Listing Rules.

The Company may grant share options to the participants, including Directors and employees, to subscribe for shares of the Company as incentives and/or rewards for their contributions and support to the Group and any entity in which the Group holds any equity interests. On 21st August 2007, the Company granted 143,460,537 share options, which represented 8.83% of the issued share capital of the Company as at 31st December 2007, to the Employees at the subscription price of HK\$0.264 per share option which were vested immediately and exercisable for two-year period commencing from 21st August 2007 to 20th August 2009 (both days inclusive). Each share option gives the holder the right to subscribe for one ordinary share of the Company. Particulars of the share options outstanding during the period and as at 31st December 2007 were as follows:

| 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 option HK\$ | Number of share options exercised during the period | Number of share options cancelled during the period | Number of share options outstanding at the end of the period |
|--|---------------|---|--|---------------------------------|---|---|---|--|
| Executive Directors | | | | | | | | |
| Mr Lam Shiu Ming, Daneil | 21/8/2007 | 21/8/2007-20/8/2009 | 0.264 | 16,245,000 | 0.243 | — | — | 16,245,000 |
| Ms Chiu Suet Ying | 21/8/2007 | 21/8/2007-20/8/2009 | 0.264 | 16,245,000 | 0.243 | — | — | 16,245,000 |
| Mr Yeung Kim Piu | 21/8/2007 | 21/8/2007-20/8/2009 | 0.264 | 16,245,000 | 0.243 | — | — | 16,245,000 |
| Eligible employees working under employment contracts | 21/8/2007 | 21/8/2007-20/8/2009 | 0.264 | 94,725,537 | 0.243 | — | — | 94,725,537 |
| | | | | 143,460,537 | | — | — | 143,460,537 |

SHARE OPTION SCHEME *(Continued)*

Pursuant to a resolution in respect of the refreshment of the 10% limit on grant of options under the Share Option Scheme passed in the annual general meeting held on 23rd November 2007 (the “2007 AGM”), the Company may grant options entitling holders to subscribe for a total of 162,460,537 shares (representing approximately 10% of the total shares in issue of the Company as at the date of the 2007 AGM approving such refreshment.) There was no share options granted by the Company between the date of the 2007 AGM and 31st December 2007.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in the section headed “DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, the following substantial shareholders were recorded in the register kept by the Company under Section 336 of the SFO as holding 5% or more of the issued share capital of the Company as at 31st December 2007:

| Name of shareholders | Number of shares of the Company held | Percentage of shareholding |
|---|---|-----------------------------------|
| Globalcrest Enterprises Limited <i>(Note)</i> | 872,406,705 | 53.70% |
| Central Core Resources Limited <i>(Note)</i> | 872,406,705 | 53.70% |

Note: The entire issued share capital of Globalcrest Enterprises Limited is held by Central Core Resources Limited, 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.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31st December 2007, no other person had any interests or short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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.

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 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 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.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 19th March 2008



universe
| 寰宇 |

www.uih.com.hk