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 2008

RESULTS

The board of directors (the "Directors") of Universe International Holdings Limited (the "Company") (the "Board") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30th June 2008, together with comparative figures for the year ended 30th June 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 30th June	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**134,174**	136,240
Cost of turnover	*3*	**(111,664)**	(105,017)
Other gains — net		**6,447**	6,364
Gain on disposal of investment properties		**—**	3,776
Gain on disposal of non-current assets held for sale		**—**	1,653
Selling expenses	*3*	**(4,511)**	(2,841)
Administrative expenses	*3*	**(44,434)**	(27,516)
Other operating expenses	*3*	**(9,222)**	(8,233)
Increase in fair value of investment properties		**3,140**	1,611
Share of loss of an associated company		**—**	(3)
(Loss)/profit before income tax		**(26,070)**	6,034
Income tax (expense)/credit	*4*	**(1,048)**	5,492
(Loss)/profit attributable to equity holders of the Company		**(27,118)**	11,526

	Note	2008	2007
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year ***(expressed in HK cent(s))***			
— basic	*5*	**(1.67)**	0.71
— diluted	*5*	**N/A**	N/A
Dividends	*6*	**—**	—

CONSOLIDATED BALANCE SHEET

	Note	As at 30th June **2008** *HK$'000*	2007 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land		**12,097**	8,793
Property, plant and equipment		**18,528**	16,438
Investment properties		**23,170**	26,107
Intangible asset		**1,408**	—
Film rights and films in progress		**98,947**	112,654
Deferred income tax assets		**5,076**	5,762
Long-term bank deposit		**—**	7,800
		159,226	177,554
Current assets			
Film deposits		**2,619**	2,947
Inventories		**5,811**	8,997
Accounts receivable	*7*	**30,250**	25,638
Deposits paid and prepayments		**8,370**	11,942
Pledged bank deposits		**2,000**	4,000
Cash and cash equivalents		**145,159**	135,054
		194,209	188,578
Total assets		**353,435**	366,132

	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		**19,833**	1,274
Retained earnings		**125,768**	152,886
Total equity		**305,304**	313,863
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**183**	66
Deferred income tax liabilities		**3,691**	3,446
		3,874	3,512
Current liabilities			
Accounts payable	*8*	**5,914**	5,142
Other payables and accrued charges		**6,819**	9,639
Deposits received		**31,323**	33,923
Amount due to the ultimate holding company		**1**	3
Obligations under finance leases		**78**	40
Taxation payable		**122**	10
		44,257	48,757
Total liabilities		**48,131**	52,269
Total equity and liabilities		**353,435**	366,132
Net current assets		**149,952**	139,821
Total assets less current liabilities		**309,178**	317,375

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 ("HKASs") 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 and revised HKFRSs below, which are relevant to its operations, in the preparation of the consolidated financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new and revised HKFRSs 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

	2008					
	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	23,928	106,044	1,311	2,891	—	134,174
Inter-segment sales	—	6,546	—	164	(6,710)	—
	23,928	112,590	1,311	3,055	(6,710)	134,174
Results						
Segment results before impairment losses	(9,944)	(19,170)	597	(514)	—	(29,031)
Impairment losses of film rights and film deposits	(99)	(4,958)	—	—	—	(5,057)
Segment results	(10,043)	(24,128)	597	(514)	—	(34,088)
Increase in fair value of investment properties	—	—	3,140	—	—	3,140
Interest income						4,878
Loss before income tax						(26,070)
Income tax expense						(1,048)
Loss attributable to equity holders of the Company						(27,118)

	2008					
	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	**24,508**	**56,161**	**24,604**	**5,736**	**—**	**111,009**
Unallocated assets						**242,426**
Total assets						**353,435**
Liabilities						
Segment liabilities	**4,180**	**31,167**	**543**	**3,199**	**—**	**39,089**
Unallocated liabilities						**9,042**
Total liabilities						**48,131**
Other information						
Capital expenditures	**5,654**	**741**	**490**	**35**	**—**	**6,920**
Unallocated capital expenditures						**70,080**
Total capital expenditures						**77,000**
Depreciation and amortization of leasehold land	**1,007**	**65**	**87**	**9**	**—**	**1,168**
Unallocated depreciation and amortization of leasehold land						**792**
Total depreciation and amortization of leasehold land						**1,960**
Amortization charge of film rights	**8,040**	**75,142**	**—**	**—**	**—**	**83,182**

	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
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

Secondary reporting format-geographical segments

	Turnover Year ended 30th June		Total assets As at 30th June		Capital expenditures Year ended 30th June	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**66,788**	72,582	**320,750**	338,166	**75,592**	95,223
Asia (other than Hong Kong and Macau)	**54,267**	53,337	**30,441**	25,367	**1,408**	—
North America	**3,694**	3,886	**1,690**	2,320	**—**	—
Australia and New Zealand	**210**	115	**—**	—	**—**	—
Europe	**7,321**	5,869	**503**	241	**—**	—
Others	**1,894**	451	**51**	38	**—**	—
	134,174	136,240	**353,435**	366,132	**77,000**	95,223

3. Expenses by nature

	Year ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Amortization of film rights	**83,182**	72,215
Amortization of leasehold land	**301**	238
Depreciation of owned assets	**1,570**	1,450
Depreciation of leased assets	**89**	90
Impairment losses of film rights	**4,786**	4,006
Impairment losses of film deposits	**271**	627
Cost of inventories sold	**9,180**	12,577
Employee benefits expenses *(Note)*	**39,224**	21,118

Note: Employee benefits expenses included share-based compensation of HK$18,554,000 for the year (of which HK$1,282,000 and HK$17,272,000 are recorded as selling expenses and administrative expenses respectively) (2007: nil).

4. Income tax (expense)/credit

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit of the Group for the year.

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

	Year ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax	**(112)**	(10)
Deferred income tax	**(936)**	5,502
	(1,048)	5,492

5. (Loss)/earnings per share

Basic

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

	2008	2007
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(27,118)**	11,526
Weighted average number of ordinary shares in issue	**1,624,605,370**	1,624,605,370
Basic (loss)/earnings per share *(HK cent(s) per share)*	**(1.67)**	0.71

The diluted loss per share for the year ended 30th June 2008 is not presented because the effect of the assumed conversion of all diluted potential ordinary shares outstanding during the year was anti-dilutive.

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

6. Dividends

The Board does not recommend the payment of a final dividend for the year ended 30th June 2008 (2007: nil).

7. Accounts receivable

	As at 30th June	
	2008	2007
	HK$'000	*HK$'000*
Accounts receivable	**35,084**	27,928
Less: Provision for impairment of accounts receivable	**(4,834)**	(2,290)
Accounts receivable — net	**30,250**	25,638

The carrying amount of accounts receivable approximates to their respective fair values.

As at 30th June 2008, the ageing analysis of the accounts receivable was as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**27,829**	11,808
91 days to 180 days	**1,443**	10,920
Over 180 days	**978**	2,910
	30,250	25,638

Sales of videogram products are 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.

8. Accounts payable

As at 30th June 2008, the ageing analysis of the accounts payable was as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**2,450**	1,551
91 days to 180 days	**213**	138
Over 180 days	**3,251**	3,453
	5,914	5,142

9. Pending litigations

(a) A court action was commenced in the Court of First Instance of the Hong Kong Special Administrative Region 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 (the "Order") made by the High Court on 21st February 2003, the Company was ordered and had 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 licencee 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 have 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 the Star above 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.

(b) On 1st September 2008, Koninklijke Philips Electronics N.V. ("KPE") issued a Writ of Summons against among other persons, the Company, ULV and Mr Lam Shiu Ming, Daneil, (a director of the Company), three of the defendants, in respect of damages arising from infringement of the patents owned by KPE.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against the Company, ULV and Mr Lam Shiu Ming, Daneil. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made in the consolidated financial statements.

Save as disclosed above, as at 30th June 2008, no litigation or claim of material importance is known to the directors to be pending against either the Company or any of its subsidiaries.

OPERATING RESULTS

The year under review was undoubtedly a challenging one for the Group. For the year ended 30th June 2008, the turnover and gross profits for the Group decreased by 1.5% and 27.9% over the same period last year, to HK$134.2 million and HK$22.5 million respectively. Gross profit margin has decreased to 16.8%, compared with 22.9% same period last year.

Under a difficult operating environment, the Group recorded loss attributable to equity holders of the Company of HK$27.1 million (2007: profit of HK$11.5 million). This translated into loss per share of HK 1.67 cents (2007: earnings per share of HK0.71 cent). Excluding the effect arising from share-based compensation of approximately HK$18.6 million during the year, loss after income tax and loss per share for the year would have narrowed to approximately HK$8.5 million and HK0.53 cent respectively.

The deterioration in operating results also affected by impairment losses made in relation to certain films and television series as a result of poor and stagnant environment for film industry. There is also an absence of one-off gains such as 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 recorded in the same period last year.

BUSINESS REVIEW

Video distribution

Turnover contribution from the video distribution business segment continued to shrink as a result of reduction in new title releases and the continued depression of the local video distribution market which has been adversely affected by keen competition and illegal peer-to-peer distribution of copyrighted films on the internet.

Turnover for the year under review was HK$23.9 million, representing a decrease of 29.8% over the same period last year. It accounted for 17.8% (2007: 25.0%) of the Group's consolidated turnover.

Notwithstanding the above, gross profit of this business segment improved from approximately HK$5.1 million to approximately HK$6.7 million due to the Group's stringent and effective cost control measures.

Film exhibition, licensing and sub-licensing of film rights

Turnover from this business segment for the year under review was HK$106.0 million, representing an increase of 9.8% over that of last year. The positive momentum of this segment reaffirmed the Group's strategy of investing in the production of films and television series. This business segment provided an increased contribution of 79.0% (2007: 70.9%) of the Group's consolidated turnover.

More specifically, turnover from film exhibition business declined by 12.3% to HK$11.2 million compared to the previous year, while operating loss widened to HK$4.8 million from HK$3.4 million. This was primarily due to continual contraction of the local Chinese language film exhibition business, while promotional cost incidental to the film releases continued to increase.

Driven by increased sales to the market of the People's Republic of China ("PRC"), turnover from licensing and sub-licensing of film rights rose by 13.2% to HK$94.8 million and contributed to 70.7% of the Group's consolidated turnover (2007: 61.5%). However, the corresponding gross profit margin was negatively impacted by rising film production costs, resulting in lower profits of HK$16.4 million.

Geographically, overseas sales increased their contribution to the Group's consolidated turnover from 44.5% to 49.1%. This is especially the case for the PRC market which recorded 14.3% growth in turnover. The Group has been focusing its efforts in expanding its PRC marketing channels and distribution networks and given the encouraging sales performance, the Group expects the PRC market to remain a high-growth market in the foreseeable future.

Leasing of investment properties

Following the disposals of two investment properties in the second half of 2006 and the re-designation of an investment property situated in the PRC for self-use purposes in July 2007, turnover from this business segment decreased significantly by 50.3% to HK$1.3 million from HK$2.6 million.

OUTLOOK

Looking ahead, the Group will continue with its geographical diversification strategy and intends to put more resources into large scale productions to enable broader and deeper market penetration. The management is cautiously optimistic that the operating environment of our overseas markets, particularly the PRC, will stable as their economies stay on their respective growth track. In particular, the management is also optimistic towards the growth of the film licensing business in the PRC.

To respond to the adverse operating environment of the local video distribution business, the Group will continue to manage this business segment in a prudent manner; striving to enhance its operational efficiency and productivity in order to achieve further cost improvement.

With the management's experience, we are confident that the Group can overcome the market challenges and bring about satisfactory returns to shareholders.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 30th June 2008, the Group had cash balances of HK$147.2 million and unutilized banking facilities amounted to HK$20.0 million. The corresponding figures in last year were HK$146.9 million and HK$30.0 million respectively.

As at 30th June 2008, the Group had total assets of approximately HK$353.4 million, representing a slight decrease of HK$12.7 million over that of 30th June 2007.

The Group's gearing ratio as at 30th June 2008 was approximately 0.1% (2007: 0.1%), which was calculated on the basis of the Group's borrowings of approximately HK$261,000 (of which HK$78,000, HK$69,000 and HK$114,000 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$305.3 million.

There was no finance costs incurred for the year ended 30th June 2008 (2007: nil).

In light of the fact that most of the Group's transactions are denominated in Hong Kong dollars and United States dollars, the management considers the Group's exposure to fluctuations in exchange rates to be limited and thus no financial instruments for hedging purposes are used by the Group.

THE PLEDGE OF GROUP'S ASSETS

As at 30th June 2008, certain assets of the Group with aggregate carrying value of HK$2 million (2007: HK$4 million) were pledged to secure banking facilities utilized by its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2008, the Group employed 53 staff (2007: 68). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to 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 2008, complied with the Code Provisions on 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.

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.

INTERNAL CONTROL

The Directors have the overall responsibility for internal control and sets appropriate policies. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's system of internal control.

The Company is committed to establishing of a good standard of internal control. In compliance with Code Provision C.2.1 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 internal control of the Group for the year ended 30th June 2008. 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.

The system of internal control aims to help achieving the Group's business objectives, effective and efficient operations, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The design of system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. No material suspected frauds and irregularities, internal control deficiencies or infringement of relevant regulations and rules have come to the attention of Board to cause the Board to believe that the system of internal control is inadequate.

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. Three meetings were held during the year.

The annual results for the year ended 30th June 2008 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 certain employees of the Group 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 share options has been exercised or cancelled for the period from 21st August 2007 to 30th June 2008. On 16th July 2008, all share options outstanding as at 30th June 2008 were surrendered by the relevant holders and the options were then cancelled. The corresponding share-based compensation was not reversed to the consolidated income statement, and the reserve was directly transferred to retained earnings of the Group.

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 2008 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, 20th October 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*