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 2008

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 2008 together with comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31st December	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**34,009**	79,865
Cost of turnover	*3*	**(22,986)**	(69,343)
Other gains — net		**2,423**	3,733
Selling expenses			
— others	*3*	**(564)**	(891)
— share-based compensation	*3*	**—**	(1,282)
Administrative expenses			
— others	*3*	**(13,004)**	(14,295)
— share-based compensation	*3*	**—**	(17,272)
Other operating expenses	*3*	**(63)**	(36)
Loss before income tax		**(185)**	(19,521)
Income tax credit	*4*	**96**	765
Loss attributable to equity holders of the Company		**(89)**	(18,756)
Loss per share (expressed in HK cent(s))			
— basic	*5*	**0.01**	1.15
— diluted	*5*	**N/A**	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31st December 2008** *HK$'000*	Audited As at 30th June 2008 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land		**11,946**	12,097
Property, plant and equipment		**17,815**	18,528
Investment properties		**23,170**	23,170
Intangible asset		**1,408**	1,408
Film rights and films in progress		**104,604**	98,947
Deferred income tax assets		**5,177**	5,076
		164,120	159,226
Current assets			
Film deposits		**13,234**	2,619
Inventories		**5,680**	5,811
Accounts receivable	*6*	**21,489**	30,250
Deposits paid and prepayments		**13,673**	8,370
Pledged bank deposit		**2,000**	2,000
Cash and cash equivalents		**137,318**	145,159
		193,394	194,209
Total assets		**357,514**	353,435
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**32,492**	32,492
Share premium		**127,211**	127,211
Other reserves		**1,279**	19,833
Retained earnings		**144,233**	125,768
Total equity		**305,215**	305,304

	Note	Unaudited As at 31st December 2008 *HK$'000*	Audited As at 30th June 2008 *HK$'000*
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**196**	183
Deferred income tax liabilities		**3,696**	3,691
		3,892	3,874
Current liabilities			
Accounts payable	*7*	**5,523**	5,914
Other payables and accrued charges		**7,218**	6,819
Deposits received		**35,463**	31,323
Amount due to the ultimate holding company		**1**	1
Obligations under finance leases		**80**	78
Taxation payable		**122**	122
		48,407	44,257
Total liabilities		**52,299**	48,131
Total equity and liabilities		**357,514**	353,435
Net current assets		**144,987**	149,952
Total assets less current liabilities		**309,107**	309,178

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31st December 2008 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 ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30th June 2008.

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 2008.

Certain new standards, amendments and interpretation of Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA have been published and are effective for accounting periods beginning on or after 1st July 2008 as follows:-

HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement
HKFRS 7 (amendment)	Financial Instruments: Disclosures
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new standards, amendments and interpretation of HKFRS which are mandatory for the financial year ending 30th June 2009 has no material effects on the Group's results and financial position for the current or prior accounting periods reflected in these unaudited condensed consolidated interim financial statements.

The Group has not early adopted any new standards, amendments and interpretation of the HKFRS which have been issued but not yet effective for the financial year ending 30th June 2009.

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 four (2007: 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 attributable to equity holders of the Company for the period by business segments was as follows:

	Unaudited For the six months ended 31st December 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	9,161	23,503	544	801	—	34,009
Inter-segment sales	—	4,001	—	22	(4,023)	—
	9,161	27,504	544	823	(4,023)	34,009
Segment results	(563)	(1,857)	391	(1)	—	(2,030)
Interest income						1,845
Loss before income tax						(185)
Income tax credit						96
Loss attributable to equity holders of the Company						(89)
Other information						
Capital expenditures	4,104	278	—	—	—	4,382
Unallocated capital expenditures						16,292
Total capital expenditures						20,674
Depreciation and amortization of leasehold land	394	37	56	4	—	491
Unallocated depreciation and amortization of leasehold land						465
Total depreciation and amortization of leasehold land						956
Amortization of film rights	3,896	11,028	—	—	—	14,924

	Unaudited For the six months ended 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$'000*	Group *HK$'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 As at 31st December 2008					
	Sale of goods	**Film exhibition, licensing and sub-licensing of film rights**	**Leasing of investment properties**	**Others**	**Elimination**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets						
Segment assets	**21,703**	**37,472**	**25,395**	**8,614**	**—**	**93,184**
Unallocated assets						**264,330**
Total assets						**357,514**
Liabilities						
Segment liabilities	**3,867**	**37,666**	**90**	**1,030**	**—**	**42,653**
Unallocated liabilities						**9,646**
Total liabilities						**52,299**

	Audited As at 30th June 2008					
	Sale of goods	Film exhibition, licensing and sub-licensing of film rights	Leasing of investment properties	Others	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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

Secondary reporting format-geographical segments

	Turnover For the six months ended 31st December		Total assets As at		Capital expenditures For the six months ended 31st December	
			31st December	30th June		
	2008	2007	**2008**	2008	**2008**	2007
	Unaudited	Unaudited	**Unaudited**	Audited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**23,595**	42,259	**335,730**	320,750	**20,674**	19,484
Asia (other than Hong Kong and Macau)	**8,337**	29,950	**20,057**	30,441	**—**	—
South and North America	**425**	2,617	**1,688**	1,690	**—**	—
Australia and New Zealand	**—**	180	**—**	—	**—**	—
Europe	**1,652**	4,859	**26**	503	**—**	—
Others	**—**	—	**13**	51	**—**	—
	34,009	79,865	**357,514**	353,435	**20,674**	19,484

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	
	2008	2007
	HK$'000	*HK$'000*
Amortization of film rights	**14,924**	49,703
Amortization of leasehold land	**151**	143
Depreciation of owned assets	**769**	802
Depreciation of leased assets	**36**	47
(Gain)/loss on disposal of plant and equipment	**(2)**	12
Write-off of inventories	**14**	7
Employee benefits expenses *(Note)*	**9,205**	29,817
Cost of inventories sold	**3,133**	5,380

Note: Employee benefits expenses included share-based compensation of HK$18,554,000 for the six months ended 31st December 2007 (of which HK$1,282,000 and HK$17,272,000 were recorded as selling expenses and administrative expenses respectively).

4. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been provided for the six months ended 31st December 2008 as the Group has accumulated tax losses brought forward from prior years to set off current period's assessable profit. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the six months ended 31st December 2007.

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

	Unaudited For the six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	338
Deferred income tax relating to the origination and reversal of temporary differences	**(96)**	(1,103)
	(96)	(765)

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK$89,000 (2007: HK$18,756,000) and the weighted average of 1,624,605,370 (2007: 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 and 2008 did not assume the exercise of the Company's outstanding share options during the period respectively 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.

As at 31st December 2008, the Company does not have dilutive potential shares since all outstanding share options of the Company were cancelled on 16th July 2008.

6. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2008	Audited As at 30th June 2008
	HK$'000	*HK$'000*
Accounts receivable	**26,323**	35,084
Less: Provision for impairment of accounts receivable	**(4,834)**	(4,834)
Accounts receivable — net	**21,489**	30,250

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

As at 31st December 2008, the ageing analysis of the accounts receivable was as follows:

	Unaudited As at 31st December 2008 *HK$'000*	Audited As at 30th June 2008 *HK$'000*
Current to 90 days	**5,162**	27,829
91 days to 180 days	**5,827**	1,443
Over 180 days	**10,500**	978
	21,489	30,250

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, and are internationally dispersed.

7. ACCOUNTS PAYABLE

As at 31st December 2008, the ageing analysis of the accounts payable was as follows:

	Unaudited As at 31st December 2008 *HK$'000*	Audited As at 30th June 2008 *HK$'000*
Current to 90 days	**1,262**	2,450
91 days to 180 days	**5**	213
Over 180 days	**4,256**	3,251
	5,523	5,914

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2008 (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group's unaudited consolidated turnover for the six months ended 31st December 2008 decreased by 57.4% over the same period last year to HK$34.0 million. Meanwhile, the loss attributable to equity holders of the Company narrowed by 99.5% from HK$18.8 million to HK$89,000. Loss per share for the period under review was HK0.01 cent (2007: HK1.15 cents). The significant improvement in the Group's results was mainly attributed to share-based compensation of approximately HK$18.6 million recorded in the same period last year, as the share options of the Company were granted to the Group's certain employees. Excluding the effect arising from share-based compensation during the previous financial period, loss after income tax for the period ended 31st December 2007 would have narrowed to approximately HK$200,000. With loss after income tax of approximately HK$89,000 for the period under review, the Group has maintained a similar level of loss after income tax as compared to the same period last year.

Owing to the global economic downturn, the operating environment of the film industry has been increasingly challenging. Given the above, the Group has been alert and cautious in utilising its resources for the production of new films and television series, resulting in fewer releases and consequently lower turnover during the period. Nevertheless, the above was mitigated by an increase in gross profit margin for the business segment of film exhibition, licensing and sub-licensing of film rights for the period under review.

Video distribution

During the period under review, turnover from video distribution business declined by 37.1% over the same period last year to HK$9.2 million. The video distribution business accounted for 26.9% (2007: 18.2%) of the Group's total turnover.

The operating environment for this business segment continued to be difficult as a result of the illegal distribution of copyrighted film on the internet through peer to peer file sharing activities. Lower consumer confidence also has reduced market demand for video products which in turn adversely affected the turnover from video distribution business.

Film exhibition, licensing and sub-licensing of film rights

Turnover from this business segment during the six months ended 31st December 2008 was HK$23.5 million, representing a substantial decrease of 62.9% over the same period last year. It contributed 69.1% (2007: 79.3%) of the Group's total turnover. The decline in turnover of this business segment was mainly attributable to fewer self-produced films and television series completed and released for the period under review. In view of the increasingly challenging operating environment for film industry, the Group has continued to adopt a prudent approach in the production of new films and television series.

Turnover from film exhibition business was HK$4.3 million, representing a decrease of HK$5.1 million over the same period last year. Despite the decrease in turnover from film exhibition, the operating loss of this business segment has improved from HK$2.1 million to HK$340,000 compared to the same period last year. This was mainly due to the Group's effort in controlling film production and promotional cost incidental to the film releases.

Turnover from licensing and sub-licensing of film rights was HK$19.3 million, representing a decrease of 64.3% over the same period last year. During the period under review, the Group only completed a new film for distribution, which led to such lower turnover for this business segment. Despite the decrease in turnover from this business segment, the gross profit rose by 11.3% to HK$8.0 million, it was primarily attributable to the higher contribution from non-newly released films for the period under review. The gross profit margin for such non-newly released films was higher because their costs had been fully amortized in previous years.

As at 31st December 2008, there were five various-scale films and two television series, all of which were at various stages of production.

In terms of geographical distribution, contribution of overseas markets has maintained at a level of 30.6% (2007: 47.1%) of the Group's total turnover during the period under review.

Leasing of investment properties

During the period under review, turnover from leasing of investment properties slightly decreased by HK$100,000 to HK$500,000 as one tenancy agreement expired in November 2008. The relevant property is currently vacant and the Group is in the progress of looking for a new tenant.

OUTLOOK

We expect the remainder of the year to be challenging for the Group in view of the severity and extent of this global economic crisis. With this in mind, the Group will continue to integrate its resources as well as more prudent in cost management and investment in the production of films and television series so as to achieve a higher degree of cost-efficiency.

Going forward, the Group will continue to explore new opportunities with the view to bringing positive results for the shareholders. Capitalizing on our experience, we are confident that the Group can overcome the challenges in the future.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2008, the Group had cash balances of HK$139.3 million (30th June 2008: HK$147.2 million) and unutilized banking facilities amounted to HK$20.0 million (30th June 2008: HK$20.0 million) respectively.

As at 31st December 2008, the Group had total assets of approximately HK$357.5 million, representing a slight increase of HK$4.0 million over that of 30th June 2008.

The Group's gearing ratio as at 31st December 2008 was approximately 0.1% (30th June 2008: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK$276,000 (of which HK$80,000, HK$80,000 and HK$116,000 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$305.2 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 2008, certain assets of the Group with an aggregate carrying value of HK$2.0 million (30th June 2008: HK$2.0 million) were pledged to secure banking facilities granted to subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2008, the Group had 50 employees (30th June 2008: 53). 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 2008, 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 Group's strategies.

AUDIT COMMITTEE

The Audit Committee was established in 1999. Its current members include three Independent Non-executive Directors, namely Mr Ng Kwok Tung (chairman), Dr Leung Shiu Ki, Albert and Mr Ma Chun Fung, Horace.

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 2008 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 2008. 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 2008, 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 2009.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 19th March 2009

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 Mr Ng Kwok Tung, Dr Leung Shiu Ki, Albert and Mr Ma Chun Fung, Horace as Independent Non-executive Directors.

* *For identification purposes only*