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 2010

The board of directors (the "Director(s)") (the "Board") of Universe International Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31st December 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**96,487**	78,276
Cost of revenue	*3*	**(83,765)**	(71,511)
Selling expenses		**(1,209)**	(1,307)
Administrative expenses		**(14,076)**	(15,353)
Other income		**651**	721
Other gains – net		**1,313**	1,190
Gain on disposal of non-current assets held for sale		**—**	4,355
Other operating expenses	*3*	**(8,946)**	(9)
Finance income		**324**	157
Loss before income tax		**(9,221)**	(3,481)
Income tax (expense)/credit	*4*	**(3)**	1,513
Loss attributable to the equity holders of the Company		**(9,224)**	(1,968)
Other comprehensive income/(loss): Gain/(loss) recognized directly in equity		**—**	—
Total comprehensive loss for the period attributable to the equity holders of the Company		**(9,224)**	(1,968)
Loss per share for loss attributable to the equity holders of the Company during the period (expressed in HK cent)			
— basic	*5*	**(0.57)**	(0.12)
— diluted	*5*	**(0.57)**	(0.12)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 31st December 2010 HK$'000	Audited As at 30th June 2010 HK$'000 (Restated) (Note 1)
ASSETS			
Non-current assets			
Leasehold land		**3,318**	3,359
Property, plant and equipment		**18,395**	17,941
Investment properties		**400**	400
Other intangible asset		**1,408**	1,408
Film rights and films in progress		**78,933**	125,999
Film deposits		**33,126**	20,810
Deferred income tax assets		**742**	940
Available-for-sale financial asset		**1,275**	1,275
		137,597	172,132
Current assets			
Inventories		**3,458**	3,364
Accounts receivable	*6*	**54,216**	12,314
Deposits paid, prepayments and other receivables		**21,757**	17,328
Cash and cash equivalents		**92,361**	120,328
		171,792	153,334
Total assets		**309,389**	325,466
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		**821**	821
Retained earnings		**111,183**	120,407
Total equity		**271,707**	280,931

	Note	Unaudited As at 31st December 2010 HK$'000	Audited As at 30th June 2010 HK$'000 (Restated) (Note 1)
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**32**	71
Deferred income tax liabilities		**718**	884
		750	955
Current liabilities			
Accounts payable	*7*	**2,593**	3,134
Other payables and accrued charges		**8,985**	6,871
Deposits received		**24,993**	33,185
Amount due to the ultimate holding company		**1**	1
Obligations under finance leases		**80**	80
Taxation payable		**280**	309
		36,932	43,580
Total liabilities		**37,682**	44,535
Total equity and liabilities		**309,389**	325,466
Net current assets		**134,860**	109,754
Total assets less current liabilities		**272,457**	281,886

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 31st December 2010 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 information should be read in conjunction with the annual financial statements for the year ended 30th June 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

The preparation of the unaudited condensed consolidated interim financial information 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.

Except as described below in Note 1.1, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 30th June 2011.

		Effective for accounting periods beginning on or after
HKFRS (Amendments)	Improvements to HKFRSs 2009	1st January 2010
HKFRS (Amendments)	Improvements to HKFRSs 2010	1st July 2010 and 1st January 2011, as appropriate
HKAS 17 (Amendment)	Lease	1st January 2010
HKAS 32 (Amendment)	Financial Instruments: Presentation on Classification of Rights Issues	1st February 2010
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	1st January 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction	1st January 2010
HK (IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

The adoption of above new standards, amendments to standards and interpretations have no significant impact on the unaudited condensed consolidated interim financial information except for the adoption of HKAS 17 (Amendment).

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 31st December 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at 31st December 2010 *HK$'000*	As at 30th June 2010 *HK$'000*	As at 1st July 2009 *HK$'000*
Decrease in leasehold land	(6,913)	(6,305)	(6,475)
Increase in property, plant and equipment	6,913	6,305	6,475

The adoption of this amendment also resulted in an increase in deprecation of property, plant and equipment of HK$85,000 and a decrease in amortization of leasehold land of HK$85,000 for the six months ended 31st December 2009 and 2010.

The following new and revised standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's financial year beginning on or after 1st July 2011 or later periods but which the Group has not early adopted.

		Effective for accounting periods beginning on or after
HKFRS (Amendments)	Improvements to HKFRSs 2010	1st January 2011
HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
HKFRS 9	Financial Instruments	1st January 2013
HK (IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1st January 2011

1.1 Property, plant and equipment

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life, as follows:

Leasehold land classified as finance lease	Shorter of useful life and lease term

2. SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports, as below:

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

The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance income and income tax are not included in the result for each operating segment that is reviewed by the CODM. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that in the financial statements.

Total assets exclude other intangible asset, deferred income tax assets, available-for-sale financial asset, cash and cash equivalents and other unallocated assets (including leasehold land, property, plant and equipment, film rights and films in progress, film deposits, deposits paid, prepayments and other receivables), all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

The Group's inter-segment transactions mainly consist of licensing of film rights, which are transferred at cost. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

	Unaudited For the six months ended 31st December 2010					
	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
Revenue						
External sales	9,054	85,136	—	2,297	—	96,487
Inter-segment sales	—	1,282	—	14	(1,296)	—
	9,054	86,418	—	2,311	(1,296)	96,487
Results						
Segment results before impairment losses	(49)	91	(1)	(642)	—	(601)
Impairment losses of film rights	—	(8,944)	—	—	—	(8,944)
Segment results	(49)	(8,853)	(1)	(642)	—	(9,545)
Finance income						324
Loss before income tax						(9,221)
Income tax expense						(3)
Loss attributable to the equity holders of the Company						(9,224)
Other information						
Capital expenditures	2,703	276	—	8	—	2,987
Unallocated capital expenditures						31,652
Total capital expenditures						34,639
Depreciation and amortization of leasehold land	286	32	—	5	—	323
Unallocated depreciation and amortization of leasehold land						388
Total depreciation and amortization of leasehold land						711
Amortization of film rights	4,665	66,618	—	—	—	71,283

	Unaudited For the six months ended 31st December 2009					
	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*
Revenue						
External sales	6,143	70,344	—	1,789	—	78,276
Inter-segment sales	–	507	—	165	(672)	—
	6,143	70,851	—	1,954	(672)	78,276
Segment results	(2,630)	(4,824)	(1,068)	529	—	(7,993)
Gain on disposal of non-current assets held for sale	—	—	4,355	—	—	4,355
Finance income						157
Loss before income tax						(3,481)
Income tax credit						1,513
Loss attributable to the equity holders of the Company						(1,968)
Other information						
Capital expenditures	258	309	—	—	—	567
Unallocated capital expenditures						48,310
Total capital expenditures						48,877
Depreciation and amortization of leasehold land	320	39	—	4	—	363
Unallocated depreciation and amortization of leasehold land						490
Total depreciation and amortization of leasehold land						853
Amortization of film rights	1,806	49,472	—	—	—	51,278

	Sale of goods HK$'000	Film exhibition, licensing and sub-licensing of film rights HK$'000	Leasing of investment properties HK$'000	Others HK$'000	Elimination HK$'000	Group HK$'000
			Unaudited As at 31st December 2010			
Assets						
Segment assets	**11,658**	**77,012**	**400**	**20,357**	**—**	**109,427**
Other intangible asset						**1,408**
Deferred income tax assets						**742**
Available-for-sale financial asset						**1,275**
Cash and cash equivalents						**92,361**
Other unallocated assets						**104,176**
Total assets						**309,389**

	Sale of goods HK$'000	Film exhibition, licensing and sub-licensing of film rights HK$'000	Leasing of investment properties HK$'000	Others HK$'000	Elimination HK$'000	Group HK$'000
			Audited As at 30th June 2010			
Assets						
Segment assets	15,057	40,225	440	6,970	—	62,692
Other intangible asset						1,408
Deferred income tax assets						940
Available-for-sale financial asset						1,275
Cash and cash equivalents						120,328
Other unallocated assets						138,823
Total assets						325,466

3. EXPENSES BY NATURE

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

	Unaudited For the six months ended 31st December	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 1)
Amortization of film rights	**71,283**	51,278
Amortization of leasehold land	**41**	41
Depreciation of owned assets	**630**	623
Depreciation of leased assets	**40**	189
Write-off of inventories	**2**	9
Impairment losses of film rights	**8,944**	—
Employee benefits expenses	**9,560**	9,785
Cost of inventories sold	**2,651**	2,525

4. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period (2009: 16.5%).

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

	Unaudited For the six months ended 31st December	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax	**(29)**	41
Deferred income tax relating to the origination and reversal of temporary differences	**32**	(1,554)
	3	(1,513)

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the equity holders of the Company of HK$9,224,000 (2009: HK$1,968,000) and the weighted average of 1,624,605,370 (2009: 1,624,605,370) ordinary shares in issue during the period.

The basic and diluted loss per share for the six months ended 31st December 2009 and 2010 are the same as there were no dilutive potential ordinary share outstanding during the periods.

6. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2010	Audited As at 30th June 2010
	HK$'000	*HK$'000*
Accounts receivable	**54,453**	12,551
Less: Provision for impairment of accounts receivable	**(237)**	(237)
Accounts receivable — net	**54,216**	12,314

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

As at 31st December 2010, the ageing analysis of the accounts receivable was as follows:

	Unaudited As at 31st December 2010	Audited As at 30th June 2010
	HK$'000	*HK$'000*
Current to 90 days	**24,440**	9,899
91 days to 180 days	**28,692**	1,977
Over 180 days	**1,084**	438
	54,216	12,314

Sales of video 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.

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.

Save as a bank's guarantee of HK$90,000 provided to the Group by a customer, the Group does not hold any collateral as security (As at 30th June 2010: same).

7. ACCOUNTS PAYABLE

As at 31st December 2010, the ageing analysis of the accounts payable was as follows:

	Unaudited As at 31st December 2010	Audited As at 30th June 2010
	HK$'000	*HK$'000*
Current to 90 days	**680**	1,075
91 days to 180 days	**113**	45
Over 180 days	**1,800**	2,014
	2,593	3,134

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group's unaudited consolidated revenue for the six months ended 31st December 2010 was approximately HK$96.5 million, increasing by approximately 23.3% over the comparative period last year. Loss attributable to the equity holders of the Company was HK$9.2 million, representing almost 3.7 times the same period last year. Loss per share for the period under review was HK0.57 cent compared with HK0.12 cent during the corresponding period in 2009.

The period under review was undoubtedly a challenging one for the Group. The deterioration in operating results was affected by not only an absence of one-off gain on disposal of an investment property which amounted to HK$4.4 million and the investment property's reversal of taxable temporary differences of HK$2.0 million recorded in the same period last year, but also a provision for impairment losses of film rights of HK$8.9 million made for the period under review.

Video distribution

Notwithstanding that the local video distribution market had remained stagnant and intensely competitive; the gross profit from the video distribution business segment achieved in the period under review remained at similar level compared with the same period last year. This was mainly attributable to our strategies of appropriate pricing and prudent acquisition of new titles for local video distribution.

During the period under review, revenue from this business segment recorded an increase in revenue of 47.4% from last year's HK$6.1 million to approximately HK$9.1 million. It accounted for 9.4% (2009: 7.8%) of the Group's consolidated revenue. The gross profit of this business segment slightly declined by 4.1% to approximately HK$1.7 million, compared with HK$1.8 million recorded in the same period last year.

In light of the unfavorable operating environment, the Group has continued to adopt a more pragmatic and prudent approach for this business segment.

Film exhibition, licensing and sub-licensing of film rights

During the period under review, the revenue and gross profit generated from film exhibition, licensing and sub-licensing of film rights in the period under review are satisfactory. This business segment recorded a growth of 21.0% and 174.6% in revenue and gross profit to HK$85.1 million and HK$8.7 million respectively. The revenue from this business segment accounted for 88.2% (2009: 89.9%) of the Group's consolidated revenue.

Revenue from film exhibition was HK$6.8 million, representing a decrease of 45.5% compared with the same period last year. The reduction in revenue from film exhibition was mainly due to a lack of blockbusters released during the period under review. In comparison, the blockbuster entitled "The Storm Warriors" (「風雲II」) was released during the same period last year. Despite substantially lower revenue, its operating loss has narrowed from HK$2.3 million to HK$0.7 million over the comparative period last year due mainly to the Group's stringent measures and control on film production and promotional costs.

Meanwhile, revenue from licensing and sub-licensing of film rights was HK$78.3 million, representing an increase of 35.5% over the same period last year. The growth was the result of diversification into investments in the production of television series, and the broadening of customer base following an expansion of distribution network, particularly the Mainland China market. However, in view of the continued difficult operating environment for the business of film exhibition, licensing and sub-licensing of film rights, a provision of impairment losses in relation to certain film rights of HK$8.9 million was made and included in the unaudited condensed consolidated statement of comprehensive income as "other operating expenses" for the period under review.

In terms of geographical contribution, overseas markets accounted for 64.7% (2009: 56.6%) of the Group's total revenue during the period under review. In particular, we are encouraged to see the development of the Mainland China market which continuously showed growth. Revenue from the Mainland China market rose by HK$21.8 million to HK$46.7 million, accounting for 48.4% of the Group's total revenue (2009: 31.8%).

Leasing of investment properties

During the period under review, the Group did not generate any revenue from this business segment (2009: same). The management however intends to explore and consider investment opportunity in properties that would offer stable and satisfactory returns. In particular, it will focus on Hong Kong and the Mainland China markets.

OUTLOOK

The management expects operating environment for the Group will continue to be unfavorable and the competition will remain keen. It will closely monitor the changing business environment and adopt a pragmatic and prudent approach towards the Group's business development accordingly.

Meanwhile, the management is encouraged by the Group's development in the Mainland China market and has identified it as the key market for the Group's future development. In view of this, the Group will continue to allocate its resources on developing the Mainland China market.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2010, the Group had cash balances of HK$92.4 million (As at 30th June 2010: HK$116.5 million).

As at 31st December 2010, the Group had total assets of approximately HK$309.4 million, representing a decrease of HK$16.1 million over that of 30th June 2010.

The Group's gearing ratio as at 31st December 2010 was approximately 0.04% (As at 30th June 2010: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK$112,000 (of which HK$80,000 and HK$32,000 are repayable within one year and in the second year respectively) and on the total equity of the Company of approximately HK$271.7 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 2010, the Group did not have any pledged assets (As at 30th June 2010: same).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2010, the Group had 50 staff (As at 30th June 2010: 59). Remuneration is reviewed annually and certain staff are entitled to commission. In addition to basic salaries, staff benefits including discretionary bonus, medical insurance scheme and mandatory provident fund.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 31st December 2010, 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 of the Code 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 on 11th October 1999. Its current members include three Independent Non-executive Directors, namely Mr Ng Kwok Tung (as 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 information for the six months ended 31st December 2010 with the management.

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

The Company has not redeemed any of its listed securities during the six months ended 31st December 2010. 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 2010, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors of the Company confirmed that they have complied with the required standards 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 2011.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 28th February 2011

As at the date of this announcement, the Board comprises Mr Lam Shiu Ming, Daneil 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*