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 2009

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 2009 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**78,276**	34,009
Cost of revenue	*3*	**(71,511)**	(22,986)
Selling expenses		**(1,307)**	(853)
Administrative expenses		**(15,353)**	(12,715)
Other income		**721**	293
Other gains — net		**1,190**	245
Gain on disposal of non-current assets held for sale		**4,355**	—
Other operating expenses	*3*	**(9)**	(23)
Finance income		**157**	1,845
Loss before income tax		**(3,481)**	(185)
Income tax credit	*4*	**1,513**	96
Loss attributable to the equity holders of the Company		**(1,968)**	(89)
Other comprehensive income:			
Gain/(loss) recognized directly in equity		**—**	—
Total comprehensive income for the period attributable to the equity holders of the Company		**(1,968)**	(89)
Loss per share for loss attributable to the equity holders of the Company (expressed in HK cents)			
— basic	*5*	**0.12**	0.01
— diluted	*5*	**N/A**	0.01

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31st December 2009** *HK$'000*	Audited As at 30th June 2009 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land		**9,790**	9,916
Property, plant and equipment		**12,253**	12,671
Investment properties		**350**	350
Other intangible asset		**1,408**	1,408
Film rights and films in progress		**139,907**	142,948
Available-for-sale financial asset		**1,275**	—
Film deposits		**19,953**	19,812
Deferred income tax assets		**2,632**	2,553
		187,568	189,658
Current assets			
Inventories		**5,344**	5,023
Accounts receivable	*6*	**17,494**	5,765
Deposits paid and prepayments		**13,496**	10,643
Other bank deposit		**—**	51,742
Cash and cash equivalents		**116,458**	64,844
Non-current assets held for sale		**—**	23,345
		152,792	161,362
Total assets		**340,360**	351,020
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**	1,279
Retained earnings		**133,198**	134,617
Total equity		**293,722**	295,599

	Note	Unaudited As at 31st December 2009 *HK$'000*	Audited As at 30th June 2009 *HK$'000*
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		**118**	151
Deferred income tax liabilities		**741**	2,307
		859	2,458
Current liabilities			
Accounts payable	*7*	**8,583**	3,826
Other payables and accrued charges		**7,782**	13,346
Deposits received		**29,102**	35,520
Amount due to the ultimate holding company		**1**	1
Obligations under finance leases		**80**	80
Taxation payable		**231**	190
		45,779	52,963
Total liabilities		**46,638**	55,421
Total equity and liabilities		**340,360**	351,020
Net current assets		**107,013**	108,399
Total assets less current liabilities		**294,581**	298,057

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 31st December 2009 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 2009, 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, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2009, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1st July 2009.

- HKAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present one performance statement. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions.

  There are no material changes in the disclosure of reportable operating segments and the segment information have been prepared under HKFRS 8. Comparative figures for 2008 have been restated.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 30th June 2010.

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 beginning 1st July 2009.

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, such as gain/loss on disposal of non-current assets held for sale. 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, available-for-sale financial assets, deferred income tax assets, other bank deposit, 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 and prepayments and non-current assets held for sale), 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 2009					
	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*
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
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

	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*
Revenue						
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)
Finance income						1,845
Income tax credit						96
Loss attributable to the 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					
	As at 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*
Assets						
Segment assets	**13,211**	**71,072**	**424**	**8,769**	**—**	**93,476**
Other intangible asset						**1,408**
Available-for-sale financial asset						**1,275**
Deferred income tax assets						**2,632**
Cash and cash equivalents						**116,458**
Other unallocated assets						**125,111**
Total assets						**340,360**

	Audited					
	As at 30th June 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*
Assets						
Segment assets	20,965	17,061	17,811	6,657	—	62,494
Other intangible asset						1,408
Deferred income tax assets						2,553
Other bank deposit						51,742
Cash and cash equivalents						64,844
Other unallocated assets						167,979
Total assets						351,020

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	
	2009	2008
	HK$'000	*HK$'000*
Amortization of film rights	**51,278**	14,924
Amortization of leasehold land	**126**	151
Depreciation of owned assets	**538**	769
Depreciation of leased assets	**189**	36
Write-off of inventories	**9**	14
Employee benefits expenses	**9,785**	9,205
Cost of inventories sold	**2,525**	3,133

4. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period (2008: 16.5%).

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

	Unaudited For the six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax	**41**	—
Deferred income tax relating to the origination and reversal of temporary differences	**(1,554)**	(96)
	(1,513)	(96)

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$1,968,000 (2008: HK$89,000) and the weighted average of 1,624,605,370 (2008: 1,624,605,370) ordinary shares in issue during the period.

The basic and fully diluted loss per share for the period ended 31st December 2008 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the period was anti-dilutive.

The diluted loss per share is not presented for the period ended 31st December 2009 as there was no dilutive potential ordinary shares outstanding during the period.

6. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2009 *HK$'000*	Audited As at 30th June 2009 *HK$'000*
Accounts receivable	**17,730**	6,001
Less: Provision for impairment of accounts receivable	**(236)**	(236)
Accounts receivable — net	**17,494**	5,765

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

As at 31st December 2009, the ageing analysis of the accounts receivable was as follows:

	Unaudited As at 31st December 2009 *HK$'000*	Audited As at 30th June 2009 *HK$'000*
Current to 90 days	**14,585**	4,451
91 days to 180 days	**2,243**	364
Over 180 days	**666**	950
	17,494	5,765

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.

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 2009: same).

7. ACCOUNTS PAYABLE

As at 31st December 2009, the ageing analysis of the accounts payable was as follows:

	Unaudited As at 31st December 2009 *HK$'000*	Audited As at 30th June 2009 *HK$'000*
Current to 90 days	**5,602**	251
91 days to 180 days	**1,945**	1,943
Over 180 days	**1,036**	1,632
	8,583	3,826

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2009 (2008: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group's unaudited consolidated revenue for the six months ended 31st December 2009 significantly increased by approximately 1.3 times over the same period last year to HK$78.3 million. Meanwhile the loss attributable to equity holders of the Company widened by HK$1.9 million to HK$2.0 million compared to the same period last year. Loss per share for the period under review was HK0.12 cent (2008: HK0.01 cent).

The period under review has remained challenging for the Group. Notwithstanding the significant increase in the Group's total revenue, gross profit was adversely impacted as a result of higher film production and promotion costs. This is mitigated by the effect of net gain on disposal of an investment property amounting to HK$4.4 million and a reversal of taxable temporary differences of HK$2.0 million arising from this investment property upon its disposal during the period.

Video distribution

Revenue from the video distribution business segment has been on a declining trend over the past few years as the market remained to be sluggish and difficult.

During the period under review, revenue from the video distribution business decreased by 32.9% to HK$6.1 million from HK$9.2 million over the same period last year. It accounted for 7.8% (2008: 26.9%) of the Group's total revenue.

The Group has been faced with a stagnant local video distribution market aggravated by weak consumer sentiment and spending as a result of the illegal distribution of copyrighted film on the internet through peer to peer file sharing activities. In addition, severe price competition persisted in the market also affected the revenue and gross profit of this business segment.

In view of such difficult operating environment, the Group has continued with the strategies of streamlining its cost structure and adopting a prudent approach in respect of acquisitions of new titles for local video distribution.

Film exhibition, licensing and sub-licensing of film rights

During the period under review, revenue from this business was HK$70.3 million, representing almost 2 times the revenue of the same period last year. While contributing 89.9% (2008: 69.1%) of the Group's total revenue, the gross profit has however dropped by 58.5% to HK$3.2 million. The substantial increase in revenue of this business segment was mainly driven by more self-produced films being completed and released during the period, in particular, "The Storm Warriors" (「風雲II」). Despite the dramatic increase in revenue, the profit margin was lower due to the increased film production and promotion costs.

Revenue from film exhibition business was HK$12.6 million, representing an increase of HK$8.3 million over same period last year. Notwithstanding the increase in revenue from film exhibition, gross profit margin was impacted by higher promotion cost incidental to films released and the continual contraction of local Chinese language film exhibition market. Consequently, the operating loss of film exhibition widened to HK$2.3 million from HK$340,000 compared to the same period last year.

Revenue from licensing and sub-licensing of film rights rose by almost 2 times to HK$57.8 million over the same period last year, representing 73.8% of the Group's total revenue. Gross profit has however declined by 32.5% to HK$5.4 million from HK$8.0 million as the global economic downturn affected the licensees' confidence which had inevitably impacted the gross profit margin of this business segment. Compared with this period, the gross profit margin last year was higher as there was higher proportion of licensing and sub-licensing of non-newly released films which had been fully amortized in previous years.

In terms of geographical distribution, contribution from overseas markets accounted for 56.6% (2008: 29.7%) of the Group's total revenue during the period under review. In particular, there has been satisfactory development in the sales performance of the Mainland China market as the Group continued with its pre-set strategy of focusing on further development of this market where demand for both television series and films is growing rapidly. Revenue from the Mainland China market rose by HK$18.8 million to HK$24.9 million, accounting 31.8% of the Group's total revenue.

Leasing of investment properties

On 15th September 2009, the Group completed a disposal of an investment property at a consideration of HK$28.0 million, its relevant tenancy agreement had expired in November 2008, and thereafter such property remained vacant until the date of the disposal. Following the above disposal, the remaining investment property of the Group is a car parking space which is currently vacant. Although the Group did not generate any revenue from this business segment as the above car parking space was vacant throughout the period under review, the Group will continue to review and consider investment opportunity in property that would offer stable and satisfactory returns.

OUTLOOK

The outlook for the second half of the fiscal year remains uncertain and the Group expects continued pressure on revenue and gross profit margin for its businesses. In view of such unfavorable circumstance, the management will closely evaluate the overall business environment and will adjust its pace of development accordingly.

The Group continues to hold a positive view on the Mainland China market, which is one of the fastest growing emerging economies in the world. Riding on this positive trend, the Group will continue its efforts on development of the Mainland China market. Meanwhile, the Group will continue to implement cost-control measures to reduce costs at all level. The management is confident that the Group can overcome the challenges ahead.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2009, the Group had cash balances of HK$116.5 million (As at 30th June 2009: HK$116.6 million).

As at 31st December 2009, the Group had total assets of approximately HK$340.4 million, representing a slight decrease of HK$10.6 million over that of 30th June 2009.

The Group's gearing ratio as at 31st December 2009 was approximately 0.1% (As at 30th June 2009: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK$198,000 (of which HK$80,000, HK$72,000 and HK$46,000 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$293.7 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 2009, the Group did not have any pledged assets (As at 30th June 2009: same).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2009, the Group had 51 employees (As at 30th June 2009: 55). Remuneration is reviewed annually and certain employees 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 2009, 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 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 2009 with the management.

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

During the six months ended 31st December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31st December 2009, 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 had complied with the required standard set out in the Model Code throughout the period under review.

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 2010.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 19th March 2010

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*