

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



寰宇

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 2011

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 2011, together with comparative figures for the year ended 30th June 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30th June	
		2011	2010
	Note	HK\$'000	HK\$'000
Revenue	2	131,256	119,096
Cost of revenue	3	(111,189)	(105,282)
Selling expenses	3	(2,818)	(2,569)
Administrative expenses	3	(26,893)	(30,131)
Other income		1,045	1,025
Other gains — net		5,406	4,592
Gain on disposal of non-current assets held for sale		—	4,355
Increase in fair value of investment properties		131	50
Other operating expenses	3	(17,615)	(5,783)
Finance income		559	288
Loss before income tax		(20,118)	(14,359)
Income tax expense	4	(765)	(400)
Loss attributable to the equity holders of the Company		(20,883)	(14,759)
Other comprehensive income:			
Gain recognized directly in equity		—	91
Total comprehensive loss for the year attributable to the equity holders of the Company		(20,883)	(14,668)
Loss per share for loss attributable to the equity holders of the Company during the year (expressed in HK cent)			
— basic	5	(1.29)	(0.91)
— diluted	5	(1.29)	(0.91)
Dividend per share (expressed in HK cent)			
Special cash dividend	6	1.24	—

CONSOLIDATED BALANCE SHEET

		As at 30th June		As at
		2011	2010	1st July
		HK\$'000	HK\$'000	2009
	Note		(As restated)	(As restated)
			(Note 1)	(Note 1)
ASSETS				
Non-current assets				
Leasehold land		3,277	3,359	3,441
Property, plant and equipment		17,845	17,941	19,146
Investment properties		6,100	400	350
Other intangible asset		1,858	1,408	1,408
Film rights and films in progress		66,467	125,999	142,948
Film deposits		32,502	20,810	19,812
Deferred income tax assets		625	940	2,553
Available-for-sale financial assets		1,275	1,275	—
Deposits paid		1,730	—	—
		<u>131,679</u>	<u>172,132</u>	<u>189,658</u>
Current assets				
Inventories		3,619	3,364	5,023
Accounts receivable	7	50,518	12,314	5,765
Deposits paid, prepayments and other receivables		6,810	17,328	10,643
Other bank deposit		—	—	51,742
Cash and cash equivalents		79,432	120,328	64,844
Non-current assets held for sale		—	—	23,345
		<u>140,379</u>	<u>153,334</u>	<u>161,362</u>
Total assets		<u>272,058</u>	<u>325,466</u>	<u>351,020</u>

		As at 30th June		As at
		2011	2010	1st July
	Note	HK\$'000	HK\$'000	2009
			(As restated)	(As restated)
			(Note 1)	(Note 1)
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		32,492	32,492	32,492
Share premium		127,211	127,211	127,211
Other reserves		821	821	1,279
Retained earnings		79,379	120,407	134,617
		<u> </u>	<u> </u>	<u> </u>
Total equity		239,903	280,931	295,599
		<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Non-current liabilities				
Other long-term liabilities		—	71	151
Deferred income tax liabilities		640	884	2,307
		<u> </u>	<u> </u>	<u> </u>
		640	955	2,458
		<u> </u>	<u> </u>	<u> </u>
Current liabilities				
Accounts payable	8	4,529	3,134	3,826
Other payables and accrued charges		8,511	6,871	13,346
Deposits received		17,400	33,185	35,520
Amount due to the ultimate holding company		1	1	1
Obligations under finance leases		71	80	80
Taxation payable		1,003	309	190
		<u> </u>	<u> </u>	<u> </u>
		31,515	43,580	52,963
		<u> </u>	<u> </u>	<u> </u>
Total liabilities		32,155	44,535	55,421
		<u> </u>	<u> </u>	<u> </u>
Total equity and liabilities		272,058	325,466	351,020
		<u> </u>	<u> </u>	<u> </u>
Net current assets		108,864	109,754	108,399
		<u> </u>	<u> </u>	<u> </u>
Total assets less current liabilities		240,543	281,886	298,057
		<u> </u>	<u> </u>	<u> </u>

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 and available-for-sale financial assets, 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 or available for early adoption 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.

		Effective for accounting periods beginning on or after
HKFRSs (Amendments)	Improvements to HKFRSs 2009	1st January 2010
HKFRSs (Amendments)	Improvements to HKFRSs 2010	1st July 2010
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July 2010
HKAS 7 (Amendment)	Statement of Cash Flows	1st January 2010
HKAS 17 (Amendment)	Leases	1st January 2010
HKFRS 8 (Amendment)	Operating Segments	1st January 2010

The adoption of these new and revised HKFRSs has not led to any significant changes in the accounting policies applied in these consolidated financial statements, and 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, except for the adoption of HKAS 17 (Amendment), ‘Leases’.

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 amortized over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for accounting 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 as at 1st July 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 30th June 2011 <i>HK\$'000</i>	As at 30th June 2010 <i>HK\$'000</i>	As at 1st July 2009 <i>HK\$'000</i>
Decrease in leasehold land	(6,320)	(6,305)	(6,475)
Increase in property, plant and equipment	<u>6,320</u>	<u>6,305</u>	<u>6,475</u>

The adoption of this amendment also resulted in an increase in depreciation of property, plant and equipment of HK\$170,000 and HK\$176,000 and a decrease in amortization of leasehold land of HK\$170,000 and HK\$176,000 for the years ended 30th June 2010 and 2011 respectively.

The Group has not early adopted any new standards, amendments and interpretation of the HKFRSs which have been issued but not yet effective for the accounting period beginning 1st July 2010.

2. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Group that makes strategic decisions. The CODM 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 on disposal of non-current assets held for sale and increase in fair value of investment properties. Finance income and income tax expense 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 consolidated financial statements.

Total assets, excluding 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, prepayments and other receivables and non-current assets held for sale), 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 consolidated statement of comprehensive income.

There are no sales between geographical segments.

Primary reporting format - business segments

2011

	Sale of goods <i>HK\$'000</i>	Film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue						
External sales	13,407	113,604	36	4,209	—	131,256
Inter-segment sales	—	5,600	—	150	(5,750)	—
	<u>13,407</u>	<u>119,204</u>	<u>36</u>	<u>4,359</u>	<u>(5,750)</u>	<u>131,256</u>
Results						
Segment results before impairment losses	(4,212)	585	23	(4,751)	—	(8,355)
Impairment losses of film rights and film deposits	(79)	(12,374)	—	—	—	(12,453)
Segment results	(4,291)	(11,789)	23	(4,751)	—	(20,808)
Increase in fair value of investment properties	—	—	131	—	—	131
Finance income						559
Loss before income tax						(20,118)
Income tax expense						(765)
Loss attributable to the equity holders of the Company						<u>(20,883)</u>
Assets						
Segment assets	14,042	67,420	6,101	4,331	—	91,894
Unallocated assets						180,164
Total assets						<u>272,058</u>
Liabilities						
Segment liabilities	3,810	18,144	149	2,663	—	24,766
Unallocated liabilities						7,389
Total liabilities						<u>32,155</u>
Other information						
Capital expenditures	3,369	387	5,569	10	—	9,335
Unallocated capital expenditures						43,474
Total capital expenditures						<u>52,809</u>
Depreciation and amortization of leasehold land	600	79	—	42	—	721
Unallocated depreciation and amortization of leasehold land						588
Total depreciation and amortization of leasehold land						<u>1,309</u>
Amortization of film rights	5,700	87,106	—	—	—	<u>92,806</u>

	Sale of goods <i>HK\$'000</i>	Film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue						
External sales	20,150	94,501	—	4,445	—	119,096
Inter-segment sales	—	11,524	—	155	(11,679)	—
	<u>20,150</u>	<u>106,025</u>	<u>—</u>	<u>4,600</u>	<u>(11,679)</u>	<u>119,096</u>
Results						
Segment results before impairment losses	(3,556)	(11,658)	(1,204)	2,463	—	(13,955)
Impairment losses of film rights and film deposits	—	(5,097)	—	—	—	(5,097)
Segment results	(3,556)	(16,755)	(1,204)	2,463	—	(19,052)
Gain on disposal of non-current assets held for sale	—	—	4,355	—	—	4,355
Increase in fair value of investment properties	—	—	50	—	—	50
Finance income						288
Loss before income tax						(14,359)
Income tax expense						(400)
Loss attributable to the equity holders of the Company						<u>(14,759)</u>
Assets						
Segment assets	15,057	40,225	440	6,970	—	62,692
Unallocated assets						262,774
Total assets						<u>325,466</u>
Liabilities						
Segment liabilities	2,127	31,751	90	2,281	—	36,249
Unallocated liabilities						8,286
Total liabilities						<u>44,535</u>
Other information						
Capital expenditures	8,889	38	—	—	—	8,927
Unallocated capital expenditures						59,902
Total capital expenditures						<u>68,829</u>
Depreciation and amortization of leasehold land	633	78	—	8	—	719
Unallocated depreciation and amortization of leasehold land						975
Total depreciation and amortization of leasehold land						<u>1,694</u>
Amortization of film rights	12,118	67,824	—	—	—	<u>79,942</u>

Secondary reporting format - geographical segments

	Revenue		Total assets		Capital expenditures	
	Year ended 30th June		As at 30th June		Year ended 30th June	
	2011	2010	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and Macau	43,618	55,492	220,617	307,347	52,809	68,829
Asia (other than Hong Kong and Macau)	83,681	56,983	50,749	15,537	—	—
North America	1,706	937	538	—	—	—
Australia and New Zealand	303	974	68	65	—	—
Europe	1,585	4,710	74	2,505	—	—
Others	363	—	12	12	—	—
	<u>131,256</u>	<u>119,096</u>	<u>272,058</u>	<u>325,466</u>	<u>52,809</u>	<u>68,829</u>

3. Expenses by nature

	Year ended 30th June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
		<i>(Note 1)</i>
Amortization of film rights	92,806	79,942
Amortization of leasehold land	82	82
Depreciation of owned assets	1,149	1,533
Depreciation of leased assets	78	79
Impairment losses of film rights	12,031	5,097
Impairment losses of film deposits	422	—
Provision for impairment of accounts receivable	—	1
Cost of inventories sold	4,709	6,170
Employee benefits expenses	<u>20,549</u>	<u>19,898</u>

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit of the Group for the year.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 30th June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	(694)	(119)
Deferred income tax	<u>(71)</u>	<u>(281)</u>
	<u>(765)</u>	<u>(400)</u>

5. Loss per share

Basic

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

	2011	2010
Loss attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>(20,883)</u>	<u>(14,759)</u>
Weighted average number of ordinary shares in issue	<u>1,624,605,370</u>	<u>1,624,605,370</u>
Basic loss per share (<i>HK cent per share</i>)	<u>(1.29)</u>	<u>(0.91)</u>

The basic and diluted loss per share for the year ended 30th June 2011 are the same as there was no dilutive potential ordinary share outstanding during the year (2010: same).

6. Dividend per share

On 24th March 2011, the Company declared a special cash dividend of 1.24 Hong Kong cents per ordinary share (2010: nil), or HK\$20,145,107 (2010: nil) in aggregate. This amount is offset against the retained earnings in the consolidated statement of changes in equity. The special cash dividend was paid in April 2011.

The Board did not recommend the payment of a final dividend for the year ended 30th June 2011 (2010: same).

7. Accounts receivable

	As at 30th June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	50,518	12,551
Less: Provision for impairment of accounts receivable	<u>—</u>	<u>(237)</u>
Accounts receivable — net	<u>50,518</u>	<u>12,314</u>

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

As at 30th June 2011, the ageing analysis of the accounts receivable was as follows:

	As at 30th June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	7,475	9,899
91 days to 180 days	7,810	1,977
Over 180 days	<u>35,233</u>	<u>438</u>
	<u>50,518</u>	<u>12,314</u>

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 2011, the ageing analysis of the accounts payable was as follows:

	As at 30th June	
	2011	2010
	HK\$'000	HK\$'000
Current to 90 days	1,923	1,075
91 days to 180 days	493	45
Over 180 days	2,113	2,014
	<u>4,529</u>	<u>3,134</u>

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 alleged 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 licence fee of the movie entitled “Shaolin Soccer” (the “Movie”).

Pursuant to an Order (the “Order”) made by the High Court on 21st February 2003, UEL 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 licensee of the Movie) and which was also part of the sum claimed by Star. Pursuant to the Order, UEL is also liable to pay Star interest in the sum of HK\$350,905.30 and some of the costs of the application leading to the making of the Order, all of which 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 Star for the latter’s wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover all losses 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 losses 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 said claim made 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 (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Video Compact Disc owned by KPE.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim made 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.

- (c) On 8th January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Digital Video Disc owned by KPE.

In late September 2011, the claim made against ULV has been agreed with KPE and appropriate provision has been recognized accordingly in the current year's consolidated financial statements. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

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

Save as disclosed above, as at 30th June 2011, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

10. Events after the balance sheet date

On 22nd August 2011, a substantial shareholder of the Company placed an aggregate 87,165,000 existing ordinary shares of the Company to certain independent third parties, at a price of HK\$0.115 per share, for a total cash consideration of HK\$10,023,975 and the substantial shareholder subscribed for 87,165,000 new ordinary shares of the Company at the same price on 24th August 2011.

OPERATING RESULTS

The operating environment of the Group during the year under review continued to be difficult and challenging. While the revenue of the Group increased by 10.2% over the same period last year to HK\$131.3 million, the loss attributable to the equity holders of the Company widened significantly by 41.5% from HK\$14.8 million to HK\$20.9 million. Notwithstanding the foregoing, the gross profit margin recorded an improvement, increasing to 15.3% from 11.6% in the same period last year. Loss per share for the year was HK1.29 cents compared to HK0.91 cent in 2010.

The operating results were mainly affected by a provision for impairment losses of film rights and film deposits of HK\$12.5 million made for the year under review. The absence of the one-off gain on disposal of an investment property which amounted to HK\$4.4 million, and the absence of property's reversal of taxable temporary differences of HK\$2.0 million recorded in the same period last year, also contributed to the decline in operating results.

During the year under review, the local video distribution market remained stagnant resulting in a decline in the revenue of 32.4 % from last period's HK\$19.8 million to HK\$13.4 million. Despite the lowered revenue, the Group experienced a higher gross profit as a result of stringent cost control and a more prudent approach when acquiring new titles for the local video distribution business.

Given the persistent unfavourable local operating environment for businesses of film licensing and exhibition, the Group has continued with its geographical diversification strategy by allocating more resources toward production of television series. This strategy cemented a solid base for the Group to further expand its films and television series distribution network in Mainland China. To this end, we are delighted to see encouraging growth in the Mainland China market. During the year under review, sales to Mainland China rose by HK\$28.8 million to HK\$64.1 million, representing 48.8% of the Group's consolidated revenue for the year.

Looking ahead, the management expects operating environment to be challenging for the Group. In response to this, the management 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.

BUSINESS REVIEW

Video Distribution

During the year under review, revenue from the video distribution segment recorded a decline of 32.4% from last year's HK\$19.8 million to the current year's HK\$13.4 million. This business segment contributed 10.2% (2010: 16.6%) of the Group's consolidated revenue. Such decrease was mainly due to the continued contraction of the video distribution market in Hong Kong.

Notwithstanding the foregoing, the gross profit from this business segment recorded an improvement compared with the same period last year mainly attributable to our strategies of appropriate pricing and prudent acquisition of new titles for local video distribution.

During the year under review, the gross profit of this business segment increased by 71.7% to approximately HK\$2.9 million, compared with HK\$1.7 million recorded in the same period last year.

In light of the challenging operating environment, the Group has continued to streamline its operation and adopt a more pragmatic approach for this business segment.

Film Exhibition, Licensing and Sub-licensing of Film Rights

During the year under review, the revenue and gross profit generated from film exhibition, licensing and sub-licensing of film rights are encouraging. This business segment recorded a growth of 20.2% and 58.5% in revenue and gross profit to HK\$113.6 million and HK\$13.0 million respectively. The revenue from this business segment accounted for 86.6% (2010: 79.3%) of the Group's consolidated revenue.

Revenue from film exhibition was HK\$10.3 million, representing a decrease of 19.7% compared with the same period last year. The reduction in revenue from film exhibition was mainly due to fewer blockbuster films released during the year under review. Despite the substantially lowered revenue, gross loss for this business segment has narrowed from HK\$2.7 million to HK\$0.8 million over the same period last year mainly due to the Group's control on film production and promotional costs.

Meanwhile, revenue from licensing and sub-licensing of film rights was HK\$103.3 million, representing an increase of 26.5 % over the same period last year. The growth was the result of diversification of 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\$12.0 million was made and included in the audited condensed consolidated statement of comprehensive income as "other operating expenses" for the year under review.

In terms of geographical contribution, overseas markets accounted for 65.5 % (2010: 51.4%) of the Group's total revenue during the year under review. In particular, we are encouraged to see the development of the Mainland China market which showed continuous growth. Revenue from the Mainland China market rose by HK\$29.6 million to HK\$62.6 million, accounting for 47.7% of the Group's consolidated revenue (2010: 27.7%).

Leasing of Investment Properties

During the year under review, revenue from this business segment was HK\$36,000 (2010: nil). In April 2011, the Group acquired a residential property in Hong Kong for leasing purpose. The management will continue to explore and consider investment opportunity in properties that would offer stable and satisfactory returns.

OUTLOOK

The management expects operating environment for the Group will continue to be challenging and competition will remain keen. In view of such circumstances, the management will closely evaluate the overall business environment and will adjust its pace of 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. To this end, the Group intends to allocate more of its resources in developing the Mainland China market.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

The Group's financial position remained healthy. As at 30th June 2011, the Group had cash balances of HK\$79.4 million (2010: HK\$120.3 million). As stated in the announcement dated 24th August 2011, the Group raised net proceeds (after expenses) of approximately HK\$9.8 million by placing of 87,165,000 shares of the Company on 22nd August 2011. The Directors considered that such placing could strengthen the financial position of the Group and the net proceeds would be applied as general working capital.

As at 30th June 2011, the Group had total assets of approximately HK\$272.1 million, representing a decrease of HK\$53.4 million over that as at 30th June 2010. Such reduction was mainly due to payment of a special cash dividend of HK\$20,145,107 in April 2011 and a provision of HK\$12.5 million for impairment in value of film rights and film deposits for the year.

The Group's gearing ratio as at 30th June 2011 was approximately 0.03% (2010: 0.05%), which was calculated on the basis of the Group's long term borrowings including obligations under finance leases of approximately HK\$71,000 (fully repayable within one year) and on the total equity of the Company of approximately HK\$240.0 million.

There was no finance cost incurred for the year ended 30th June 2011 (2010: same).

In light of the fact that most of the Group's transactions are denominated in Hong Kong dollars, Renminbi 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 2011, the Group did not have any pledged assets (2010: same).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2011, the Group employed 49 staff (2010: 59). 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.

SHARE OPTION SCHEME

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

Pursuant to an ordinary resolution passed in the annual general meeting held on 23rd November 2007 (the “2007 AGM”), the Company approved the refreshment of the scheme mandate limit, which is 10% of the total number of issue shares of the Company as at the date of the 2007 AGM, under the Scheme. After the refreshment of the scheme mandate limit, the total number of share options available for issue under the Scheme as at 30th June 2011 was 162,460,537, the full exercise of which in subscribing for shares of the Company would represent 10% of the issued share capital of the Company as at 30th June 2011.

There was no share options outstanding or granted throughout the year ended 30th June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 30th June 2011, 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.

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 Group because it can promote the efficient formulation and implementation of the Group’s strategies.

INTERNAL CONTROL

The Directors have the overall responsibility for internal control and set 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 the code provision C.2.1 of the Code 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 system control of the Group for the year ended 30th June 2011. 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 the system is to provide reasonable, but not absolute, assurance against material misstatements in the consolidated 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 the 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 auditor in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal control and risk evaluation. The Audit Committee comprises three independent non-executive Directors, namely Mr Ng Kwok Tung (as Chairman), Dr Leung Shiu Ki, Albert and Mr Ma Chun Fung, Horace. Three meetings were held during the year.

The annual results for the year ended 30th June 2011 and the continuing connected transactions 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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uih.com.hk). The annual report for 2011 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, 30th September 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*