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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 2013

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 2013, together with comparative figures for the year ended 30th June 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30th June	
		2013	2012
	Note	HK\$'000	HK\$'000
			(Restated)
Revenue	2	79,106	75,881
Cost of revenue	3	(50,049)	(59,079)
Impairment losses of film rights	3	(7,381)	(1,470)
Selling expenses	3	(3,136)	(3,124)
Administrative expenses	3	(27,924)	(28,275)
Other income		175	958
Other (losses)/gains – net		(115)	513
Increase in fair value of investment properties		4,228	500
Other operating expenses	3	(188)	(4,350)
Finance income		397	923
Finance cost		(1,090)	–
Share of profit of a jointly controlled entity		1,087	–
Loss before income tax		(4,890)	(17,523)
Income tax credit	4	213	154
Loss attributable to the equity holders of the Company		(4,677)	(17,369)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit and loss:			
Fair value adjustment upon transfer from land and buildings to investment properties		10,980	938
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company		6,303	(16,431)
Loss per share for loss attributable to the equity holders of the Company during the year (expressed in HK cent)			
– basic	5	(0.27)	(1.02)
– diluted	5	(0.27)	(1.02)

* for identification purposes only

CONSOLIDATED BALANCE SHEET

		As at 30th June		
		2013	2012	2011
	Note	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Leasehold land		3,113	3,195	3,277
Property, plant and equipment		14,677	16,570	17,845
Investment properties		49,896	9,100	6,100
Other intangible assets		1,858	1,858	1,858
Film rights and films in progress		171,268	120,756	66,467
Interest in a jointly controlled entity		1,145	—	—
Loans and receivables		7,710	—	—
Film deposits		37,650	33,377	32,502
Deferred income tax assets		741	564	625
Available-for-sale financial assets		—	—	1,275
Deposits paid		—	—	1,730
		<u>288,058</u>	<u>185,420</u>	<u>131,679</u>
Current assets				
Inventories		3,284	3,384	3,619
Accounts receivable	7	24,758	16,702	50,518
Deposits paid, prepayments and other receivables		28,273	31,237	6,810
Cash and cash equivalents		50,430	71,076	79,432
		<u>106,745</u>	<u>122,399</u>	<u>140,379</u>
Non-current assets held for sale		<u>1,654</u>	<u>—</u>	<u>—</u>
Total assets		<u>396,457</u>	<u>307,819</u>	<u>272,058</u>

		As at 30th June		
		2013	2012	2011
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>	<i>(Restated)</i>
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		34,235	34,235	32,492
Share premium		135,293	135,293	127,211
Other reserves		14,229	3,249	821
Retained earnings		57,396	62,073	79,442
Total equity		241,153	234,850	239,966
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		246	282	577
Current liabilities				
Accounts payable	8	4,164	4,302	4,529
Other payables and accrued charges		15,981	7,739	8,511
Deposits received		133,825	59,547	17,400
Amount due to the ultimate holding company		1	1	1
Obligations under finance leases		4	15	71
Taxation payable		1,083	1,083	1,003
		155,058	72,687	31,515
Total liabilities		155,304	72,969	32,092
Total equity and liabilities		396,457	307,819	272,058
Net current (liabilities)/assets		(46,659)	49,712	108,864
Total assets less current liabilities		241,399	235,132	240,543

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term referred to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current assets held for sale 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.

For the year ended 30th June 2013, the Group reported a net loss of HK\$4,677,000, and as at the same date, the Group had net current liabilities of HK\$46,659,000. Included in current liabilities were primarily deposits of HK\$133,825,000 received from customers in advance. Majority of the deposits received will be recognized as income upon the delivery of the pre-recorded audio visual products and the materials for video features including the master tapes to the customers, in accordance with the terms of the underlying contracts. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

In order to strengthen the Group’s financial position, management has implemented measures to control operating costs and to tighten capital expenditure and investment policies to improve the Group’s cash flows. The Board has reviewed the Group’s cash flow projections prepared by management. The projections cover a period of twelve months ending 30th June 2014. The projections make key assumptions with regard to the anticipated cash flows from the Group’s operations. The Directors, after making due enquiries and considering the basis of management’s projections described above and after taking into account the reasonably possible changes in the operational performance, believe that there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1st July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of Underlying Assets	1st July 2012

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial year ended 30th June 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values totalling HK\$9,100,000 as at 1st July 2012 (1st July 2011: HK\$6,100,000). As required by the amendment, the Group has re-measured the deferred tax relating to all investment properties amounting to HK\$301,000 (1st July 2011: HK\$63,000) according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures have been restated to reflect the change in accounting policy, as summarized below.

Effect on consolidated balance sheet

	As at 30th June 2013 HK\$'000	As at 30th June 2012 HK\$'000	As at 1st July 2011 HK\$'000
Decrease in deferred tax liabilities	(2,811)	(301)	(63)
Increase in revaluation reserve	1,967	155	–
Increase in retained earnings	844	146	63

Effect on consolidated statement of comprehensive income

	For the year ended 30th June 2013 HK\$'000	2012 HK\$'000
Increase in income tax credit	698	83
Increase in other comprehensive income	1,812	155
Decrease in basic loss per share (expressed in HK cent)	(0.04)	(0.01)
Decrease in diluted loss per share (expressed in HK cent)	(0.04)	(0.01)

The adoption of above 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 HKAS12 (Amendment).

The Group has not early adopted any new and revised HKFRSs which have been issued but not yet effective for the accounting period beginning 1st July 2012.

The following new and revised standards, amendments to standard and interpretations have been published that are mandatory for the Group's financial year beginning on or after 1st July 2013 or later periods but which the Group has not early adopted.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2009-2011 Cycle	1st January 2013
HKAS 19 (Amendment)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
HKFRS 1 (Amendment)	First Time Adoption on Government Loans	1st January 2013
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance	1st January 2013
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January 2013
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1st January 2014
HKAS 39 (Amendments)	Novation of Derivatives	1st January 2014
HK(IFRIC) – Int 21	Levies	1st January 2014
HKFRS 10, HKFRS 12 and HKFRS 27 (Revised 2011)	Investment Entities	1st January 2014
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1st January 2015

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 increase in fair value of investment properties and provision for impairment of available-for-sale financial assets. 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 assets, available-for-sale financial assets, deferred income tax assets, cash and cash equivalents and other unallocated assets (including leasehold land, property, plant and equipment, interest in a jointly controlled entity, loans and receivables, film rights and films in progress, film deposits, deposits paid, prepayments and other receivables), 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

	2013					
	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	6,426	62,170	920	9,590	–	79,106
Inter-segment sales	–	2,771	–	45	(2,816)	–
	<u>6,426</u>	<u>64,941</u>	<u>920</u>	<u>9,635</u>	<u>(2,816)</u>	<u>79,106</u>
Results						
Segment results before impairment losses	(4,016)	2,417	458	(990)	–	(2,131)
Impairment losses of film rights	–	(7,381)	–	–	–	(7,381)
Segment results	(4,016)	(4,964)	458	(990)	–	(9,512)
Increase in fair value of investment properties	–	–	4,228	–	–	4,228
Finance income						397
Finance cost						(1,090)
Share of profit of a jointly controlled entity						1,087
Loss before income tax						(4,890)
Income tax credit						213
Loss attributable to the equity holders of the Company						<u>(4,677)</u>
Assets						
Segment assets	11,215	94,564	49,910	17,918	–	173,607
Unallocated assets						222,850
Total assets						<u>396,457</u>
Liabilities						
Segment liabilities	1,984	131,873	335	6,460	–	140,652
Unallocated liabilities						14,652
Total liabilities						<u>155,304</u>
Other information						
Capital expenditures	2,382	427	25,422	34	–	28,265
Unallocated capital expenditures						92,071
Total capital expenditures						<u>120,336</u>
Depreciation and amortization of leasehold land	240	78	–	43	–	361
Unallocated depreciation and amortization of leasehold land						641
Total depreciation and amortization of leasehold land						<u>1,002</u>
Amortization of film rights	2,981	33,186	–	–	–	<u>36,167</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> (Restated)
Revenue						
External sales	10,560	56,443	248	8,630	–	75,881
Inter-segment sales	–	2,296	–	1,016	(3,312)	–
	<u>10,560</u>	<u>58,739</u>	<u>248</u>	<u>9,646</u>	<u>(3,312)</u>	<u>75,881</u>
Results						
Segment results before impairment losses	(4,959)	(8,463)	173	(1,222)	–	(14,471)
Impairment losses of film rights	–	(1,470)	–	–	–	(1,470)
Segment results	(4,959)	(9,933)	173	(1,222)	–	(15,941)
Increase in fair value of investment properties	–	–	500	–	–	500
Provision for impairment of available-for-sale financial assets						(3,005)
Finance income						923
Loss before income tax						(17,523)
Income tax credit						154
Loss attributable to the equity holders of the Company						<u>(17,369)</u>
Assets						
Segment assets	10,891	63,668	9,103	12,278	–	95,940
Unallocated assets						211,879
Total assets						<u>307,819</u>
Liabilities						
Segment liabilities	1,968	46,346	147	2,809	–	51,270
Unallocated liabilities						21,699
Total liabilities						<u>72,969</u>
Other information						
Capital expenditures	1,528	172	–	59	–	1,759
Unallocated capital expenditures						96,793
Total capital expenditures						<u>98,552</u>
Depreciation and amortization of leasehold land	393	82	–	46	–	521
Unallocated depreciation and amortization of leasehold land						613
Total depreciation and amortization of leasehold land						<u>1,134</u>
Amortization of film rights	3,525	37,928	–	–	–	<u>41,453</u>

Secondary reporting format – geographical segments

	Revenue		Total assets		Capital expenditures	
	Year ended 30th June		As at 30th June		Year ended 30th June	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and Macau	38,188	28,790	357,078	268,054	120,336	98,552
Asia (other than Hong Kong and Macau)	40,283	46,546	39,317	39,694	–	–
North America	328	1	3	–	–	–
Australia and New Zealand	–	63	–	–	–	–
Europe	297	481	35	59	–	–
Others	10	–	24	12	–	–
	<u>79,106</u>	<u>75,881</u>	<u>396,457</u>	<u>307,819</u>	<u>120,336</u>	<u>98,552</u>

3. Expenses by nature

	Year ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Amortization of film rights	36,167	41,453
Amortization of leasehold land	82	82
Depreciation of owned assets	909	995
Depreciation of leased assets	11	57
Impairment losses of film rights	7,381	1,470
Provision for impairment of available-for-sale financial assets	–	3,005
Provision for impairment of accounts receivable	–	142
Write-off of accounts receivable	–	650
Write-off of film deposits	77	–
Cost of inventories sold	2,734	4,390
Employee benefits expenses (Note)	<u>18,326</u>	<u>20,232</u>

Note: For the year ended 30th June 2013, there was no share-based compensation recognized in the consolidated statement of comprehensive income (2012: HK\$1,490,000).

4. Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit of the Group for the year.

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

	Year ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong profits tax	–	(80)
Deferred income tax	<u>213</u>	<u>234</u>
	<u>213</u>	<u>154</u>

5. Loss per share

Basic

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

	2013	2012 (Restated)
Loss attributable to the equity holders of the Company (HK\$'000)	<u>4,677</u>	<u>17,369</u>
Weighted average number of ordinary shares in issue	<u>1,711,770,370</u>	<u>1,698,909,960</u>
Basic loss per share (HK cent per share)	<u>0.27</u>	<u>1.02</u>

The basic and diluted loss per share for the year ended 30th June 2013 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive (2012: same).

6. Dividend per share

The Board did not recommend the payment of a final dividend (2012: same).

7. Accounts receivable

	As at 30th June 2013 HK\$'000	2012 HK\$'000
Accounts receivable	24,900	16,844
Less: Provision for impairment of accounts receivable	<u>(142)</u>	<u>(142)</u>
Accounts receivable – net	<u>24,758</u>	<u>16,702</u>

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

As at 30th June 2013 and 2012, the ageing analysis of the accounts receivable is as follows:

	As at 30th June 2013 HK\$'000	2012 HK\$'000
Current to 90 days	10,175	10,051
91 days to 180 days	4,761	4,030
Over 180 days	<u>9,822</u>	<u>2,621</u>
	<u>24,758</u>	<u>16,702</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 2013 and 2012, the ageing analysis of the accounts payable by invoice date is as follows:

	As at 30th June	
	2013	2012
	HK\$'000	HK\$'000
Current to 90 days	1,511	1,623
91 days to 180 days	167	139
Over 180 days	2,486	2,540
	<u>4,164</u>	<u>4,302</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\$935,872 (equivalent to HK\$7,299,799) 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\$5,495,700, 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 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\$935,872 (equivalent to HK\$7,299,799) 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 (HK\$7,299,799 less HK\$5,495,700).

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 for the year ended 30th June 2013.

- (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 June 2012, the action was discontinued against the Company and Mr Lam Shiu Ming, Daneil. The claim made against ULV has been agreed with KPE and appropriate provision was recognized accordingly in the consolidated financial statements for the year ended 30th June 2012.

No additional provision has been made in the consolidated financial statements for the year ended 30th June 2013. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

Save as disclosed above, as at 30th June 2013, 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

- (a) Universe Films Distribution Company Limited, an indirect wholly owned subsidiary of the Company, completed the sale transaction for disposal of the investment properties in Lantau Island to Eternal Good Development Limited (“EGDL”) on 11th July 2013, which have been classified as non-current assets held for sale measured at fair value as at 30th June 2013, for a total consideration of HK\$1.8 million.

The entire issued share capital of EGDL is solely and beneficially owned by Mr Lam Shiu Ming, Daneil (one of the Directors). By virtue of the interests of Mr Lam Shiu Ming, Daneil in EGDL, the transaction constituted a connected transaction for the Company under Rule 14A.13(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The transaction was announced by the Company on 11th June 2013.

- (b) As announced on 16th September 2013, the Company and Astrum Capital Management Limited (the “Placing Agent”) entered into the placing agreement (the “Placing Agreement”), pursuant to which the Company appointed the Placing Agent as its agent to procure placees to subscribe for the warrants (the “Warrant(s)”), on a best efforts basis, at an issue price of HK\$0.0025 per Warrant.

The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK\$85.5 million for the new shares of the Company at an initial subscription price of HK\$0.25 per Warrant (the “Initial Subscription Price”), subject to adjustments, for a period of 2 years commencing from the date of issue of the Warrants. Based on the Initial Subscription Price of HK\$0.25 per new share to be allotted and issued upon exercise of the subscription right attaching to the Warrants, a maximum of 342,000,000 new shares (the “Warrant Shares”) will be allotted and issued by the Company.

The Warrant Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 29th November 2012. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants.

Assuming the maximum aggregate amount of HK\$85.5 million of the Warrants are placed with the placee(s), the maximum gross proceeds from the issue of the Warrants is approximately HK\$0.9 million and the maximum net proceeds from the placing of the Warrant is approximately HK\$0.6 million. The net proceeds will be utilised by the Group as its general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Initial Subscription Price, it is expected an additional amount of HK\$85.5 million will be raised. Such funds will be utilised by the Group as its general working capital and for development of new investment opportunities.

Completion of the placing of the Warrants is conditional upon the Stock Exchange granting approval of the issue of the Warrants (if required) and granting or agreeing to grant the listing of, and permission to deal in, all Warrant Shares falling to be issued upon the exercise of the subscription rights attaching to the Warrants either unconditionally or subject to conditions to which the Placing Agent accepts. If the above condition is not fulfilled by 5:00 p.m. on 31st October 2013 (Hong Kong time) (or such later time or date as the Company and the Placing Agent may agree), the Placing Agreement will terminate and the placing of the Warrants will not proceed and neither the Company nor the Placing Agent shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Placing Agreement save for any antecedent breach of any obligation under the Placing Agreement and in connection with any and all rights and obligations accrued prior to such termination.

OPERATING RESULTS

The operating environment of the Group remained challenging in the past year. For the year ended 30th June 2013, the revenue of the Group slightly increased by 4.2% over the same period last year to HK\$79.1 million while the loss attributable to the equity holders of the Company narrowed by 73.1% from HK\$17.4 million (restated) to HK\$4.7 million. Loss per share for the year was HK0.27 cent compared to HK1.02 cent (restated) in 2012.

Despite an increase in impairment losses of film rights to HK\$7.4 million compared with HK\$1.5 million last year, the Group's results was improved mainly due to (i) satisfactory performance of film exhibition business; (ii) higher gross profit contribution from licensing of non-newly released films and television series which had been fully amortized in the previous years; (iii) increase in fair value of investment properties; and (iv) absence of two one-off expenses recorded last year, being those relating to share-based compensation of HK\$1.5 million and a provision for impairment of available-for-sale financial assets of HK\$3.0 million.

During the year under review, the local video distribution business continued to be affected by the unfavourable market environment. Nevertheless, this was offset by revenue growth from film exhibition, licensing and sub-licensing of film rights. Consequently, the total revenue for the year has maintained at similar level compared with last year. In particular, the revenue and gross profit from film exhibition in the year under review was satisfactory.

In anticipation of continued positive development in the property markets in Hong Kong and Macau, the Group has been actively seeking and reviewing property investment opportunities that would offer stable and satisfactory returns. As announced in October 2012 and April 2013, the Group has entered into a sale and purchase agreement to acquire certain investment properties, and has entered into a joint venture agreement to subscribe for 40% of registered capital of a company, which was incorporated in Macau and engaged in the business of investment of lands and properties in Macau, respectively. The Board believes that such investments would provide the Group with not only a potential for capital gains, but also a satisfactory and stable recurring income.

Looking ahead, we expect that the overall operating environment will remain challenging in the coming year. In light of this, the Group will continue to consider new investment opportunities and diversify to develop its business to maximize the returns for the shareholders of the Company in a prudent and pragmatic manner.

BUSINESS REVIEW

Video distribution

During the year under review, the local video distribution business remained sluggish where revenue from this business segment recorded a decline of 39.1% from HK\$10.6 million to the HK\$6.4 million. It contributed 8.1% (2012: 13.9%) of the Group's consolidated revenue. The decrease in revenue from this business segment was mainly due to fewer new titles being released during the year under review, as management continued to adopt a cautious and prudent approach towards film acquisition in view of an adverse operating environment and keen competition.

As a result of the above, gross profit margin and gross profit of this business segment decreased to 11.0% (2012: 24.6%) and HK\$0.7 million (2012: HK\$2.6 million) respectively.

To respond to such difficult operating environment, the Group will continue to improve and streamline the cost structure of this business segment and exercise prudence when acquiring new titles for the local video distribution business.

Film exhibition, licensing and sub-licensing of film rights

Revenue from this business segment for the year under review was HK\$62.2 million, representing an increase of 10.1% over the same period last year. It accounted for 78.6% (2012: 74.4%) of the Group's consolidated revenue.

Revenue from film exhibition was HK\$7.7 million, representing an increase of 1.1 times compared with the same period last year while we are also delighted to record a gross profit of HK\$205,000 (2012: gross loss of HK\$5.4 million). This encouraging performance was mainly due to satisfactory box office of the films released for the year in particular “My Sassy Hubby”(「我老公唔生性」) and “Conspirators”(「同謀」).

Revenue from licensing and sub-licensing of film rights increased slightly by 3.1% to HK\$54.5 million from HK\$52.8 million compared to the previous year. Meanwhile, gross profit margin of licensing and sub-licensing of film rights increased at a larger extent from 25.9% to 37.4% as there was higher contribution from non-newly released films. The gross profit margin for such non-newly released films is typically higher because their cost had been fully amortized in previous years.

In terms of geographical contribution, overseas markets accounted for 47.6% (2012: 57.0%) of the Group's total revenue during the year under review due to higher licensing income of non-newly released films generated from the local market. Revenue from the Mainland China market decreased by 15.5% to HK\$29.6 million, accounting for 37.5% of the Group's consolidated revenue (2012: 46.2%).

Leasing of investment properties

During the year under review, this business segment recorded a growth of 2.7 times in revenue to HK\$920,000 from HK\$248,000. As stated in the announcement dated 15th October 2012, the Group entered into a sale and purchase agreement to acquire certain investment properties for an aggregate consideration of HK\$24.0 million and the agreement was completed on 15th November 2012. This contributed to the growth in revenue. Management believes that the Group will benefit from the anticipated growth in value of the investment properties while providing a steady income stream. The acquisition also expanded the Group's investment properties portfolio in Hong Kong. Management will continue to review and evaluate potential investment opportunities in the property market that would offer stable and satisfactory returns.

OUTLOOK

China's film market shows a good progress in its development. According to the State Administration of Radio Film and Television, the total accumulated box office in China hit record high and reached RMB10.99 billion in the first half of 2013. In response to the growing demand of for high-quality of entertainment experience in Hong Kong and China, the Group will put more resources into large-scale film productions that enables broader and deeper market penetration. The Group expects to release a number of blockbuster films, including “Out of Inferno 3D”(「逃出生天3D」) starring Sean Lau and Louis Koo and “White Storm”(「掃毒」) starring Sean Lau, Louis Koo and Nick Cheung, in the coming year. Beside film production, management will also consider to make passive investment in film making and downstream investments in cinema network, both at home and abroad, to strengthen our overall competitiveness in the film industry.

The Group currently has a professional production team with extensive expertise in the entertainment industry. In order to cope with the rapid expansion in the entertainment industry in China, the Group will actively seek other new investment opportunities in online entertainment and other culture-related businesses to further diversify our business stream in the entertainment industry in China aiming to become a leading integrator of the film and entertainment industry in Hong Kong and China.

The Group will continue to adopt its business diversification strategy and develop other new business operations. In order to maximize the returns for the shareholders of the Company, the Group will consider commencing a money lender business and investing in quality listed securities. Its approach not only diversifies the sources of income, but also provides additional resources to finance its core business, which in turn enhance the Group's competitive edges.

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

The Group's financial position remained healthy. As at 30th June 2013, the Group had cash balances of HK\$50.4 million (2012: HK\$71.1 million).

As at 30th June 2013, the Group had total assets of approximately HK\$396.5 million, representing an increase of HK\$88.6 million over that as at 30th June 2012. Such increase was mainly due to the increase in investment in film rights and films in progress.

The Group's gearing ratio as at 30th June 2013 fell to almost zero (2012: almost zero), which was calculated on the basis of the Group's long term borrowings including obligations under finance leases of approximately HK\$4,000 (fully repayable within one year) and on the total equity of the Company of approximately HK\$241.1 million.

Finance cost of HK\$1,090,000 represents difference between a loan of HK\$8.8 million advanced to a jointly controlled entity on 26th April 2013 and its present value measured at amortized cost using the effective interest method, which will be recognized as accretion income through the passage of time over the contractual loan period. There was no finance cost arising from borrowings for the year ended 30th June 2013 (2012: same).

In light of the fact that most of the Group's transactions are denominated in Hong Kong dollars, Renminbi and United States dollars, 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 2013, the Group did not have any pledged assets (2012: same).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2013, the Group employed 45 staff (2012: 45). 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 the Listing Rules.

Pursuant to an ordinary resolution passed in the annual general meeting held on 29th November 2011 (the “2011 AGM”), the Company approved the refreshment of the scheme mandate limit, which is 10% of the total number of the issued shares of the Company as at the date of the 2011 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 the date of 2011 AGM was 171,177,037, which represented 10% of the total number of the issued shares of the Company as at the date of 2011 AGM.

On 27th June 2012, the Company granted 34,235,403 share options, which represented 2% of the total number of the issued shares of the Company as at 27th June 2012, to certain Directors and employees of the Group at the subscription price of HK\$0.067 per share option which were vested immediately and exercisable for a three-year period between 27th June 2012 to 26th June 2015 (both days inclusive). Each share option gives the holder the right to subscribe for one ordinary share of the Company. None of the share options has been exercised or cancelled for the period from 27th June 2012 to 30th June 2013. There was no share option outstanding prior to 27th June 2012 under the Scheme.

The total number of share options available for issue under the Scheme as at 30th June 2013 was 136,941,634, which represented 8% of the total number of the issued shares of the Company as at 30th June 2013.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has, throughout the year ended 30th June 2013, complied with the code provisions contained in Corporate Governance Code and Corporate Governance Report (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 separated 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.

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 2013. 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 misstatement in the financial statement or loss of assets and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. No material suspected frauds and irregularities, internal control deficiencies or infringement of relevant regulations and rules have come to the attention of Board to cause the Board to believe that the system of internal control is inadequate.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Group's 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 2013 of the Group 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 2013 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 2013

As at the date of this announcement, the Board comprises Mr Lam Shiu Ming, Daneil, Mr Yeung Kim Piu and Mr Lam Kit Sun as executive Directors and Mr Ng Kwok Tung, Dr Leung Shiu Ki, Albert and Mr Ma Chun Fung, Horace as independent non-executive Directors.