

Interim Report 2010/2011 中期報告



universe
| 寰宇 |

UNIVERSE INTERNATIONAL HOLDINGS LIMITED

寰宇國際控股有限公司

Incorporated in Bermuda with limited liability

於百慕達註冊成立之有限公司

Stock Code 股份代號: 1046

CORPORATE INFORMATION

Executive Directors

Mr Lam Shiu Ming, Daneil (*Chairman*)
Mr Yeung Kim Piu

Independent Non-executive Directors

Mr Ng Kwok Tung
Dr Leung Shiu Ki, Albert
Mr Ma Chun Fung, Horace

Company Secretary

Mr Chan Hau Chuen

Authorized Representatives

Mr Lam Shiu Ming, Daneil
Mr Chan Hau Chuen

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank, Limited
Chong Hing Bank Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

So Keung Yip & Sin
2203-2205, 22nd Floor
Wheelock House
20 Pedder Street
Central
Hong Kong

Share Registrar

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East,
Hong Kong

Audit Committee

Mr Ng Kwok Tung (*Chairman*)
Dr Leung Shiu Ki, Albert
Mr Ma Chun Fung, Horace

Remuneration Committee

Mr Ma Chun Fung, Horace (*Chairman*)
Mr Ng Kwok Tung
Dr Leung Shiu Ki, Albert
Mr Lam Shiu Ming, Daneil

Nomination Committee

Dr Leung Shiu Ki, Albert (*Chairman*)
Mr Ng Kwok Tung
Mr Ma Chun Fung, Horace
Mr Lam Shiu Ming, Daneil

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

18th Floor
Wyler Centre Phase II
192-200 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

Websites

www.uih.com.hk
www.u333.com

Stock Code

1046

The board of directors (the “Director(s)”) (the “Board”) of Universe International Holdings Limited (the “Company”) announces the unaudited condensed consolidated balance sheet as at 31st December 2010 and the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31st December 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000 (Restated) (Note 20)
	Note		
ASSETS			
Non-current assets			
Leasehold land	5	3,318	3,359
Property, plant and equipment	5	18,395	17,941
Investment properties	5	400	400
Other intangible asset	5	1,408	1,408
Film rights and films in progress	5	78,933	125,999
Film deposits		33,126	20,810
Deferred income tax assets		742	940
Available-for-sale financial asset	6	1,275	1,275
		137,597	172,132
Current assets			
Inventories		3,458	3,364
Accounts receivable	8	54,216	12,314
Deposits paid, prepayments and other receivables		21,757	17,328
Cash and cash equivalents		92,361	120,328
		171,792	153,334
Total assets		309,389	325,466

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000 (Restated) (Note 20)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	32,492	32,492
Share premium		127,211	127,211
Other reserves		821	821
Retained earnings		111,183	120,407
Total equity		271,707	280,931
LIABILITIES			
Non-current liabilities			
Other long-term liabilities	11	32	71
Deferred income tax liabilities		718	884
		750	955
Current liabilities			
Accounts payable	13	2,593	3,134
Other payables and accrued charges		8,985	6,871
Deposits received		24,993	33,185
Amount due to the ultimate holding company		1	1
Obligations under finance leases	11	80	80
Taxation payable		280	309
		36,932	43,580
Total liabilities		37,682	44,535
Total equity and liabilities		309,389	325,466
Net current assets		134,860	109,754
Total assets less current liabilities		272,457	281,886

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
		2010	2009
		HK\$'000	HK\$'000
	Note		
Revenue	4	96,487	78,276
Cost of revenue	14	(83,765)	(71,511)
Selling expenses	14	(1,209)	(1,307)
Administrative expenses	14	(14,076)	(15,353)
Other income		651	721
Other gains — net		1,313	1,190
Gain on disposal of non-current assets held for sale		—	4,355
Other operating expenses	14	(8,946)	(9)
Finance income		324	157
Loss before income tax		(9,221)	(3,481)
Income tax (expense)/credit	15	(3)	1,513
Loss attributable to the equity holders of the Company		(9,224)	(1,968)
Other comprehensive income/(loss):			
Gain/(loss) recognized directly in equity		—	—
Total comprehensive loss for the period attributable to the equity holders of the Company		(9,224)	(1,968)
Loss per share for loss attributable to the equity holders of the Company during the period (expressed in HK cent)			
— basic	16	(0.57)	(0.12)
— diluted	16	(0.57)	(0.12)

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Reserve arising on consolidation HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st July 2010	32,492	127,211	821	120,407	280,931
Comprehensive loss					
Loss for the period	—	—	—	(9,224)	(9,224)
Total comprehensive loss for the period	—	—	—	(9,224)	(9,224)
Balance at 31st December 2010	32,492	127,211	821	111,183	271,707

	Attributable to the equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Reserve arising on consolidation HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st July 2009	32,492	127,211	821	458	134,617	295,599
Comprehensive loss						
Loss for the period	—	—	—	—	(1,968)	(1,968)
Other comprehensive income						
Revaluation reserve adjustment upon disposal of non-current assets held for sale	—	—	—	(458)	458	—
Deferred income tax adjustment upon disposal of non-current assets held for sale	—	—	—	—	91	91
Total other comprehensive income	—	—	—	(458)	549	91
Total comprehensive loss for the period	—	—	—	(458)	(1,419)	(1,877)
Balance at 31st December 2009	32,492	127,211	821	—	133,198	293,722

The notes on pages 7 to 24 are an integral part of these unaudited condensed interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 31st December	
Note		2010 HK\$'000	2009 HK\$'000
Net cash generated from operating activities		18,142	22,041
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(1,478)	(640)
Proceeds from disposal of property, plant and equipment		561	—
Proceeds from disposal of non-current assets held for sale		—	28,000
Increase in film deposits		(12,316)	(141)
Increase in available-for-sale financial asset	6	—	(1,275)
Purchase of film rights and investment in films in progress	5	(33,161)	(48,237)
Interest received		324	157
Decrease in other bank deposits		—	51,742
Net cash (used in)/generated from investing activities		(46,070)	29,606
Cash flow from financing activities			
Capital element of finance lease payments		(39)	(33)
Net cash used in financing activities		(39)	(33)
Net (decrease)/increase in cash and cash equivalents		(27,967)	51,614
Cash and cash equivalents at 30th June		120,328	64,844
Cash and cash equivalents at 31st December		92,361	116,458

The notes on pages 7 to 24 are an integral part of these unaudited condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Universe International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the business of production of films and television series, distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights and leasing of investment properties.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated interim financial information are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. The unaudited condensed consolidated interim financial information have been approved for issue by the board of directors of the Company (the “Board”) on 28th February 2011.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31st December 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. ACCOUNTING POLICIES

Except as described below in Note 3.1, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2010, as described in those annual financial statements.

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

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

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

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

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

3. ACCOUNTING POLICIES *(Continued)*

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

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

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

	As at 31st December 2010 HK\$'000	As at 30th June 2010 HK\$'000	As at 1st July 2009 HK\$'000
Decrease in leasehold land	(6,913)	(6,305)	(6,475)
Increase in property, plant and equipment	<u>6,913</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\$85,000 and a decrease in amortization of leasehold land of HK\$85,000 for the six months ended 31st December 2009 and 2010.

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

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

3.1 Property, plant and equipment

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

4. SEGMENT INFORMATION (Continued)

	Unaudited For the six months ended 31st December 2010					Group HK\$'000
	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	
Revenue						
External sales	9,054	85,136	—	2,297	—	96,487
Inter-segment sales	—	1,282	—	14	(1,296)	—
	<u>9,054</u>	<u>86,418</u>	<u>—</u>	<u>2,311</u>	<u>(1,296)</u>	<u>96,487</u>
Results						
Segment results before impairment losses	(49)	91	(1)	(642)	—	(601)
Impairment losses of film rights	—	(8,944)	—	—	—	(8,944)
Segment results	<u>(49)</u>	<u>(8,853)</u>	<u>(1)</u>	<u>(642)</u>	<u>—</u>	<u>(9,545)</u>
Finance income						<u>324</u>
Loss before income tax						<u>(9,221)</u>
Income tax expense						<u>(3)</u>
Loss attributable to the equity holders of the Company						<u>(9,224)</u>
Other information						
Capital expenditures	2,703	276	—	8	—	2,987
Unallocated capital expenditures						<u>31,652</u>
Total capital expenditures						<u>34,639</u>
Depreciation and amortization of leasehold land	286	32	—	5	—	323
Unallocated depreciation and amortization of leasehold land						<u>388</u>
Total depreciation and amortization of leasehold land						<u>711</u>
Amortization of film rights	4,665	66,618	—	—	—	<u>71,283</u>

4. SEGMENT INFORMATION (Continued)

	Unaudited					Group HK\$'000
	For the six months ended 31st December 2009					
	Sale of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Others HK\$'000	Elimination HK\$'000	
Revenue						
External sales	6,143	70,344	—	1,789	—	78,276
Inter-segment sales	—	507	—	165	(672)	—
	<u>6,143</u>	<u>70,851</u>	<u>—</u>	<u>1,954</u>	<u>(672)</u>	<u>78,276</u>
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						<u>157</u>
Loss before income tax						(3,481)
Income tax credit						<u>1,513</u>
Loss attributable to the equity holders of the Company						<u>(1,968)</u>
Other information						
Capital expenditures	258	309	—	—	—	567
Unallocated capital expenditures						<u>48,310</u>
Total capital expenditures						<u>48,877</u>
Depreciation and amortization of leasehold land	320	39	—	4	—	363
Unallocated depreciation and amortization of leasehold land						<u>490</u>
Total depreciation and amortization of leasehold land						<u>853</u>
Amortization of film rights	1,806	49,472	—	—	—	<u>51,278</u>

4. SEGMENT INFORMATION (Continued)

	Unaudited As at 31st December 2010					Group HK\$'000
	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	
Assets						
Segment assets	11,658	77,012	400	20,357	—	109,427
Other intangible asset						1,408
Deferred income tax assets						742
Available-for-sale financial asset						1,275
Cash and cash equivalents						92,361
Other unallocated assets						104,176
Total assets						309,389
	Audited As at 30th June 2010					
	Sale of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Others HK\$'000	Elimination HK\$'000	Group HK\$'000
Assets						
Segment assets	15,057	40,225	440	6,970	—	62,692
Other intangible asset						1,408
Deferred income tax assets						940
Available-for-sale financial asset						1,275
Cash and cash equivalents						120,328
Other unallocated assets						138,823
Total assets						325,466

5. CAPITAL EXPENDITURES

	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Unaudited Investment properties HK\$'000	Other intangible asset HK\$'000	Film rights and films in progress HK\$'000
Opening net book amount at 1st July 2010, as previously reported	9,664	11,636	400	1,408	125,999
Effect of adoption of HKAS17 (Amendment)	(6,305)	6,305	—	—	—
Opening net book amount at 1st July 2010, as restated	3,359	17,941	400	1,408	125,999
Additions	—	1,478	—	—	33,161
Disposals	—	(354)	—	—	—
Depreciation and amortization (Note 14)	(41)	(670)	—	—	(71,283)
Impairment losses (Note 14)	—	—	—	—	(8,944)
Closing net book amount at 31st December 2010	3,318	18,395	400	1,408	78,933

	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Unaudited Investment properties HK\$'000	Other intangible asset HK\$'000	Film rights and films in progress HK\$'000
Opening net book amount at 1st July 2009, as previously reported	9,916	12,671	350	1,408	142,948
Effect of adoption of HKAS17 (Amendment)	(6,475)	6,475	—	—	—
Opening net book amount at 1st July 2009, as restated	3,441	19,146	350	1,408	142,948
Additions	—	640	—	—	48,237
Disposals	—	(331)	—	—	—
Depreciation and amortization, as previously reported	(126)	(727)	—	—	(51,278)
Effect of adoption of HKAS17 (Amendment)	85	(85)	—	—	—
Depreciation and amortization, as restated (Note 14)	(41)	(812)	—	—	(51,278)
Closing net book amount at 31st December 2009, as restated	3,400	18,643	350	1,408	139,907

6. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000
Unlisted investment		
Equity securities in Hong Kong, at fair value	1,275	1,275

7. INTERESTS IN JOINTLY CONTROLLED ASSETS

The Group has participating interests ranging from 60% to 80% in three jointly controlled asset arrangements to produce television series (30th June 2010: three). As at 31st December 2010, the aggregate amounts of assets, liabilities and profit/(loss) after income tax recognized in the unaudited condensed consolidated interim financial information relating to the Group's interests in these jointly controlled asset arrangements were as follows:

	Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000
Assets		
Television series rights	—	—
Liabilities		
Accounts payable	495	495
Deposits received	21	21
	516	516

	Unaudited For the six months ended 31st December 2010 HK\$'000	2009 HK\$'000
Revenue	8	667
Expenses	—	(667)
Profit/(loss) after income tax	8	—

8. ACCOUNTS RECEIVABLE

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

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

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

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

Sales of video products are with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers, and are internationally dispersed.

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

9. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares HK\$'000
At 1st July 2010 and 31st December 2010	1,624,605,370	32,492

The total authorized number of ordinary shares is 5,000 million shares (As at 30th June 2010: 5,000 million shares) with a par value of HK\$0.02 per share (As at 30th June 2010: HK\$0.02 per share). All shares issued are fully paid.

10. SHARE OPTIONS

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 "Share Option Scheme") in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Share Option Scheme. After the refreshment of the scheme mandate limit, the total number of share options available for issue under the Share Option Scheme as at 31st December 2010 was 162,460,537, the full exercise of which in subscribing for shares of the Company would represented 10% of the issued share capital of the Company as at 31st December 2010.

There was no share options outstanding and granted throughout the six months ended 31st December 2010.

11. OBLIGATIONS UNDER FINANCE LEASES AND OTHER LONG-TERM LIABILITIES

	Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000
Obligations under finance leases	112	151
Current portion of long-term liabilities	(80)	(80)
	32	71

As at 31st December 2010, the Group's obligations under finance leases were repayable as follows:

	Unaudited As at 31st December 2010 HK\$'000	Audited As at 30th June 2010 HK\$'000
Within one year	80	80
In the second year	32	71
	112	151
Future finance charges on obligations under finance leases	—	—
Present value of obligations under finance leases	112	151
The present value of obligations under finance leases was as follows:		
Within one year	80	80
In the second year	32	71
	112	151

12. EMPLOYEE BENEFITS EXPENSES

On 1st December 2000, a mandatory provident fund scheme (the "MPF Scheme") was set up for employees, including executive Directors. Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month before 1st February 2003 and HK\$5,000 after 1st February 2003. The mandatory provident fund contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

	Unaudited	
	For the six months ended	
	31st December	
	2010	2009
	HK\$'000	HK\$'000
Wages and salaries	8,560	8,015
Provision for unutilized annual leave	(14)	98
Provision for long service payment	(47)	103
Staff welfare	867	1,361
Pension costs — defined contribution plan	194	208
Total including directors' emoluments	9,560	9,785

13. ACCOUNTS PAYABLE

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

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

14. EXPENSES BY NATURE

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

	Unaudited For the six months ended 31st December	
	2010 HK\$'000	2009 HK\$'000 (Restated) (Note 3)
Amortization of film rights (Note 5)	71,283	51,278
Amortization of leasehold land (Note 5)	41	41
Depreciation of owned assets (Note 5)	630	623
Depreciation of leased assets (Note 5)	40	189
Write-off of inventories	2	9
Impairment losses of film rights (Note 5)	8,944	—
Employee benefits expenses (Note 12)	9,560	9,785
Cost of inventories sold	2,651	2,525

15. INCOME TAX EXPENSE/(CREDIT)

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

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

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

16. LOSS PER SHARE

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

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

17. 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 alleges 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 revenue of the movie entitled “Shaolin Soccer” (the “Movie”).

Pursuant to an Order (the “Order”) made by the High Court on 21st February 2003, the Company 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 above for the latter’s wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover loss and damages suffered by UEL as a result of the wrongful exploitation.

17. PENDING LITIGATIONS *(Continued)*

(a) *(Continued)*

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 loss 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 claim 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 (the Director), 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 unaudited condensed consolidated interim financial information.

- (c) On 8th January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr Lam Shiu Ming, Daneil (the Director), 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 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 unaudited condensed consolidated interim financial information.

Save as disclosed above, as at 31st December 2010, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

18. COMMITMENTS

(a) Operating leases

As at 31st December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2010	2010
	HK\$'000	HK\$'000
Land and buildings		
Not later than one year	219	957

(b) Others

As at 31st December 2010, the Group had commitments contracted but not provided for in these unaudited condensed consolidated interim financial information as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2010	2010
	HK\$'000	HK\$'000
Purchase of film rights and production of films	43,750	39,183

Note: As at 31st December 2010, the Group had no any commitment in respect of jointly controlled assets (As at 30th June 2010: nil).

19. RELATED PARTY TRANSACTIONS

- (a) On 19th December 2006, ULV entered into a tenancy agreement with Rainbow Nice Limited (“RNL”) whereby ULV agreed to lease a premises (the “Premises”) from RNL for a term of 3 years commencing from 1st January 2007 for the use of Mr Lam Shiu Ming, Daneil and Ms Chiu Suet Ying for the Directors’ residential purpose, the latter resigned as the Director on 16th August 2010. The monthly rental payable by ULV was HK\$200,000 which was inclusive of furnitures, fixtures and home electronic appliances but excluding government rent, rates, taxes and all other outgoings. The entire issued share capital of RNL, the landlord of the Premises, is wholly owned by Ms Chiu Suet Ying.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

On 26th August 2008, ULV entered into a supplemental agreement with RNL whereby both parties mutually agreed to reduce the monthly rental of the Premises from HK\$200,000 to HK\$100,000 for the remaining term commencing from 1st September 2008 to 31st December 2009. The Premises was solely leased for Ms Chiu Suet Ying for the Director's residential purpose with effect from 1st September 2008.

On 10th December 2009, Universe Digital Entertainment Limited ("UDE"), an indirect wholly-owned subsidiary of the Company, entered into a renewed tenancy agreement (the "Renewed Tenancy Agreement") with RNL whereby UDE agreed to lease the Premises from RNL for a term of 3 years commencing from 1st January 2010 for the use of Ms Chiu Suet Ying for the Director's residential purpose. The monthly rental payable by UDE was HK\$100,000 which was inclusive furnitures, fixtures and home electronic appliances but excluding government rent, rates, taxes and all other outgoings.

On 16th August 2010, UDE entered a deed of surrender with RNL whereby both parties mutually agreed to terminate the Renewed Tenancy Agreement with immediate effect.

During the six months ended 31st December 2009 and 2010, ULV and UDE paid rental of HK\$600,000 and HK\$151,613 respectively to RNL.

(b) **Details of key management compensation**

	Unaudited For the six months ended 31st December	
	2010 HK\$'000	2009 HK\$'000
Salaries and other short-term employee benefits	4,141	4,209
Employer's contribution to retirement scheme	26	30
	4,167	4,239

Save as disclosed above and elsewhere in these unaudited condensed consolidated interim financial information, no other material related party transactions have been entered into by the Group. The Directors are of the opinion that the above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business.

20. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the current period's presentation. This reclassification had no impact on the Group's loss for the period ended 31st December 2009 or the total equity as at 31st December 2009.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

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

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

Video distribution

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Film exhibition, licensing and sub-licensing of film rights

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Leasing of investment properties

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

OUTLOOK

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

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

FINANCIAL RESOURCES/LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2010, the Group had cash balances of HK\$92.4 million (As at 30th June 2010: HK\$120.3 million).

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

The Group's gearing ratio as at 31st December 2010 was approximately 0.04% (As at 30th June 2010: 0.1%), which was calculated on the basis of the Group's long term borrowings of approximately HK\$112,000 (of which HK\$80,000 and HK\$32,000 are repayable within one year and in the second year) and on the total equity of the Company of approximately HK\$271.7 million.

In light of the fact that most of the Group's transactions were denominated in Hong Kong dollars and United States dollars, the management considered that the exposure to fluctuation of currency exchange rates is limited and no financial instruments for hedging purposes was used by the Group.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2010, the Group did not have any pledged assets (As at 30th June 2010: same).

EMPLOYEES AND REMUNERATION POLICIES

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2010, the interests which are all long positions of each of the Directors and chief executive of the Company in the share capital of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interest which any such Director was taken or deemed to have under such provisions of the SFO) or; (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or; (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Interests in issued shares of the Company

Name of Director	Nature of interest	Number of the Company's share held	Percentage of shareholding
Mr Lam Shiu Ming, Daneil	Founder of a discretionary trust (Note)	859,131,705	52.88%

Note: The trustee of the discretionary trust is Central Core Resources Limited which owns the entire issued share capital of Globalcrest Enterprises Limited which in turn is interested in 859,131,705 shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Interests in issued shares of the Company *(Continued)*

All the interests in the shares of the Company were long positions.

Save as disclosed above, as at 31st December 2010, none of the Directors or chief executives of the Company had any interests or short position in the share, underlying shares and debentures or any of its associated corporations which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were deemed or taken to have under such provisions of the SFO) or; (b) notified to the Company and the Stock Exchange pursuant to the Model Code or; (c) entered in the register kept by the Company pursuant to Section 352 of the SFO.

Save as disclosed above, at no time during the period, the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO.

In addition, at no time during the period was the Company, its holding company, its subsidiaries, its associated company or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short position in the shares or underlying shares in or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December 2010, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Number of the Company's share held	Percentage of shareholding
Globalcrest Enterprises Limited <i>(Note)</i>	859,131,705	52.88%
Central Core Resources Limited <i>(Note)</i>	859,131,705	52.88%

Note: The entire issued share capital of Globalcrest Enterprises Limited is held by Central Core Resources Limited, the trustee of a discretionary trust under which certain immediate family members of Mr Lam Shiu Ming, Daneil are discretionary objects.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31st December 2010, no other person has any interests or short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 31st December 2010, complied with the code provisions contained in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules except for the code provision A.2.1 of the Code for the separation of the roles of chairman and chief executive officer (“CEO”) as described in the following.

Code provision A.2.1 of the Code sets out that the roles of the chairman and CEO should be separate and should not be performed by the same individual. The Company does not at present have any officer holding the position of CEO. Mr Lam Shiu Ming, Daneil is the founder and chairman of the Company and has also carried out the responsibilities of CEO. Mr Lam possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure to be more suitable to the Company because it can promote the efficient formulation and implementation of the Group’s strategies.

AUDIT COMMITTEE

The Audit Committee was established on 11th October 1999. Its current members include three Independent Non-executive Directors, namely Mr Ng Kwok Tung (as Chairman), Dr Leung Shiu Ki, Albert and Mr Ma Chun Fung, Horace.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2010 with the management.

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

The Company has not redeemed any of its listed securities during the six months ended 31st December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31st December 2010, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the period.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 28th February 2011



Universe International Holdings Limited
寰宇國際控股有限公司