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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST DECEMBER 2015

The board of directors (the “Director(s)”) (the “Board”) of Universe International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31st December 2015 (the “Period”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
		2015	2014
	Note	HK\$'000	HK\$'000
Revenue and income			
Sales of goods		42,372	2,874
Income on film exhibition, licensing and sub-licensing of film rights		22,738	22,538
Fair value changes on investment securities		(133,011)	(18,664)
Income on other businesses		9,853	4,742
Total revenue and income	4	(58,048)	11,490
Cost of revenue and income			
Cost of inventories sold		(18,261)	(2,314)
Related cost on film exhibition, licensing and sub-licensing of film rights		(8,098)	(14,351)
Cost on other businesses		(477)	—
Total cost of revenue and income	5	(26,836)	(16,665)

* for identification purposes only

		For the six months ended 31st December	
		2015 HK\$'000	2014 HK\$'000
	Note		
Selling expenses	5	(9,735)	(1,604)
Administrative expenses	5	(34,309)	(27,291)
Other income		1,744	300
Other gains – net		81	151
Gain on disposal of a subsidiary		–	6
Gain on step acquisition of a subsidiary	11(a)	1,764	–
Increase in fair value of financial assets at fair value through profit or loss		683	–
Decrease in fair value of convertible bonds		6,878	–
Other operating (expenses)/income	5	(425)	535
Finance income		2,970	180
Finance cost		(543)	–
Share of profit/(loss) of associates		753	(191)
Share of loss of a joint venture		(112)	(110)
Loss before income tax		(115,135)	(33,199)
Income tax credit	6	20,217	2,812
Loss for the period		(94,918)	(30,387)
Loss for the period attributable to:			
Owners of the Company		(94,645)	(30,387)
Non-controlling interests		(273)	–
		(94,918)	(30,387)
Loss per share attributable to the owners of the Company during the period (expressed in HK cent)			
– basic	7	(7.54)	(1.45)
– diluted	7	(7.54)	(1.45)
		(94,918)	(30,387)
Loss for the period		(94,918)	(30,387)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Change in value of available-for-sale financial assets		(10,274)	67
Currency translation differences		172	–
Other comprehensive (loss)/income for the period, net of tax		(10,102)	67
Total comprehensive loss for the period		(105,020)	(30,320)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(104,747)	(30,320)
Non-controlling interests		(273)	–
		(105,020)	(30,320)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2015 <i>HK\$'000</i>	Audited As at 30th June 2015 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		9,585	5,229
Investment properties		25,560	25,560
Goodwill		86,819	1,314
Other intangible assets		23,107	1,858
Film rights and films in progress		17,759	17,906
Investments in associates		38,179	5,022
Investments in joint ventures		594	706
Loans receivable	8	23,000	–
Loan receivable from a joint venture		8,252	8,140
Film related deposits		37,524	38,195
Deposits paid		1,192	6,204
Deferred income tax assets		377	380
Available-for-sale financial assets		74,268	88,415
		<u>346,216</u>	<u>198,929</u>
Current assets			
Inventories		22,595	5,841
Accounts receivable	9	108,541	14,183
Loans receivable	8	124,946	37,000
Amount due from a joint venture		10	10
Amounts due from shareholders		27	–
Amounts due from directors		149	–
Deposits paid, prepayments and other receivables		37,590	65,722
Financial assets at fair value through profit or loss		201,517	315,109
Bank balances – trust and segregated accounts		153,770	–
Bank balances (general accounts) and cash		184,158	102,834
		<u>833,303</u>	<u>540,699</u>
Total assets		<u><u>1,179,519</u></u>	<u><u>739,628</u></u>

		Unaudited As at 31st December 2015 <i>HK\$'000</i>	Audited As at 30th June 2015 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to the owners of the Company			
Share capital		14,815	2,984
Share premium		510,938	213,630
Other reserves		139,688	148,463
Retained earnings		112,298	206,943
		<u>777,739</u>	<u>572,020</u>
Non-controlling interests		(421)	247
		<u>777,318</u>	<u>572,267</u>
Total equity		<u>777,318</u>	<u>572,267</u>
LIABILITIES			
Non-current liabilities			
Borrowings		–	9,200
Obligations under finance lease		79	97
Deferred income tax liabilities		8,921	29,813
Convertible bonds		57,441	–
		<u>66,441</u>	<u>39,110</u>
Current liabilities			
Accounts payable	10	182,108	4,189
Other payables and accrued charges		42,346	52,868
Borrowings		23,766	–
Deposits received		68,051	56,726
Amount due to the ultimate holding company		1	1
Obligations under finance lease		35	35
Taxation payable		19,453	14,432
		<u>335,760</u>	<u>128,251</u>
Total liabilities		<u>402,201</u>	<u>167,361</u>
Total equity and liabilities		<u>1,179,519</u>	<u>739,628</u>
Net current assets		<u>497,543</u>	<u>412,448</u>
Total assets less current liabilities		<u>843,759</u>	<u>611,377</u>

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in film distribution and exhibition, licensing and sub-licensing of film rights, properties and securities investment, money lending, trading, wholesaling and retailing of optical, watches and jewellery products, securities brokerage and margin financing, training and coaching.

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”).

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules of Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the 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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30th June 2015.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2015 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.

There were no new standards, amendments to standards and interpretations that are mandatory and relevant to the Group for the financial year beginning on 1st July 2015.

The following new standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1st July 2015 and have not been early adopted.

		Effective for annual period beginning on or after
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1st January 2016
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1st January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKAS 1 Amendment	Disclosure Initiative	1st January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1st January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st July 2017
HKFRS 9	Financial Instruments	1st January 2018

4. 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:

- Films distribution and exhibition, licensing and sub-licensing of film rights
- Trading, wholesaling and retailing of optical, watches and jewellery products
- Properties and securities investments
- Money lending
- Securities brokerage and margin financing
- Training and coaching

The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as gain on step acquisition of a subsidiary, increase in fair value of financial assets at fair value through profit or loss and decrease in fair value of convertible bonds. Finance income and income tax credit 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 unaudited condensed consolidated interim financial information.

Total assets, excluding investment properties, financial assets at fair value through profit or loss, loans receivable, inventories, accounts receivable, goodwill, other intangible assets and other unallocated assets (including property, plant and equipment, deposits paid, prepayment and other receivables) are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

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.

Unaudited For the six month ended 31st December 2015									
	Video distribution, film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Sales of goods – optical, watches and jewellery products <i>HK\$'000</i>	Securities investments and leasing of investment properties <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Training and coaching <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue and income									
External sales	28,566	36,544	510	3,833	694	840	3,976	–	74,963
Fair value changes in investment securities	–	–	(133,011)	–	–	–	–	–	(133,011)
Inter-segment sales	–	–	–	–	–	–	–	–	–
	<u>28,566</u>	<u>36,544</u>	<u>(132,501)</u>	<u>3,833</u>	<u>694</u>	<u>840</u>	<u>3,976</u>	<u>–</u>	<u>(58,048)</u>
Results									
Segment results	5,019	8,465	(132,470)	1,331	535	(123)	(8,782)	–	(126,025)
Other operating income									(425)
Gain on step acquisition of a subsidiary									1,764
Increase in fair value of financial assets at fair value through profit or loss									683
Decrease in fair value of convertible bonds									6,878
Finance income									1,818
Finance costs									(469)
Share of loss of associates									753
Share of loss of a joint venture									(112)
Loss before income tax									(115,135)
Income tax credit									20,217
Loss attributable to the equity holders of the Company									<u>(94,918)</u>
Other information									
Capital expenditures	6,032	–	–	11	5	–	5		6,053
Unallocated capital expenditures									–
Total capital expenditures									<u>6,053</u>
Depreciation	433	593	1	242	108	68	16		1,461
Unallocated depreciation									198
Total depreciation									<u>1,659</u>
Amortisation of film rights	5,838	–	–	–	–	–	–		<u>5,838</u>

Unaudited
for the six month ended 31st December 2014

	Video distribution, film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Sales of goods – optical, watches and jewellery products <i>HK\$'000</i>	Securities investments and leasing of investment properties <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Training and coaching <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue and income									
External sales	25,412	–	486	2,921	–	–	1,334	–	30,153
Fair value changes in investment securities	–	–	(18,663)	–	–	–	–	–	(18,663)
Inter-segment sales	–	–	–	–	–	–	7	(7)	–
	<u>25,412</u>	<u>–</u>	<u>(18,177)</u>	<u>2,921</u>	<u>–</u>	<u>–</u>	<u>1,341</u>	<u>(7)</u>	<u>11,490</u>
Results									
Segment results	(1,186)	–	(19,801)	1,712	–	–	(14,344)	–	(33,619)
Gain on disposal of a subsidiary									6
Other operating income									535
Finance income									180
Share of loss of an associate									(191)
Share of loss of a joint venture									(110)
									<u>(33,199)</u>
Loss before income tax									2,812
Income tax credit									<u>(30,387)</u>
Loss attributable to the equity holders of the Company									<u>(30,387)</u>
Other information									
Capital expenditures	609	–	–	45	–	–	32	–	686
Unallocated capital expenditures									<u>10,263</u>
Total capital expenditures									<u>10,949</u>
Depreciation	83	–	1	12	–	–	17	–	113
Unallocated depreciation									<u>193</u>
Total depreciation									<u>306</u>
Amortisation of film rights	12,747	–	–	–	–	–	–	–	<u>12,747</u>

Unaudited
As at 31st December 2015

	Video distribution, film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Sales of goods – optical, watches and jewellery products <i>HK\$'000</i>	Securities investments and leasing of investment properties <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities, brokerage and margin financing <i>HK\$'000</i>	Training and coaching <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets									
Segment assets	32,621	81,174	212,791	104,855	290,671	26,402	7,322	–	755,836
Deferred income tax assets									377
Bank balances (general accounts) and cash									184,158
Other unallocated assets									239,148
Total assets									<u>1,179,519</u>

Audited
As at 30th June 2015

	Video distribution, film exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Sales of goods – optical, watches and jewellery products <i>HK\$'000</i>	Securities investments and leasing of investment properties <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities, brokerage and margin financing <i>HK\$'000</i>	Training and coaching <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets									
Segment assets	41,839	1,314	340,677	37,000	–	–	13,913	–	434,743
Deferred income tax assets									380
Bank balances (general accounts) and cash									102,834
Other unallocated assets									201,671
Total assets									<u>739,628</u>

5. EXPENSES BY NATURE

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

	Unaudited	
	For the six months ended	
	31st December	
	2015	2014
	HK\$'000	HK\$'000
Amortisation of film rights	5,838	12,747
Depreciation	1,659	306
Write-off of inventories	132	132
Provision for inventories	310	—
Employee benefits expenses including directors' emoluments	17,481	6,635
Cost of inventories sold	18,261	2,314

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period (2014: 16.5%).

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

	Unaudited	
	For the six months ended	
	31st December	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong profits tax – current	(673)	(289)
Deferred income tax relating to the origination and reversal of temporary differences	1,170	(35)
Deferred income tax relating to unrealised fair value loss on investment securities	19,720	3,136
	20,217	2,812

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity owners of the Company during the Period is based on the following data:

	Unaudited For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Loss for the Period attributable to the owners of the Company	<u>(94,645)</u>	<u>(30,387)</u>
	Number of shares (in thousand)	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic loss per share	1,255,990	2,088,698
Effect of deemed issue of shares under the Company's share option scheme	<u>449</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted loss per share	<u>1,256,439</u>	<u>N/A</u>

For the Period, the computation of diluted loss per share does not assume the exercise of the Company's share options since the exercise of share options would result in a decrease in loss per share.

For the six months ended 31st December 2014, the basic and diluted loss per share are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the six months ended 31st December 2014 was anti-dilutive.

8. LOANS RECEIVABLE

The credit quality analysis of the loans receivable is as follows:

	Unaudited As at 31st December 2015 HK\$'000	Audited As at 30th June 2015 HK\$'000
Loans to customers (<i>Note i</i>)	98,050	37,000
Loan to a third party (<i>Note ii</i>)	49,896	—
	<u>147,946</u>	<u>37,000</u>

As at 31st December 2015 and 30th June 2015, the maturity profile of the loans receivable, based on the maturity date is as follows:

– Non-current	23,000	—
– Current	124,946	37,000
	<u>147,946</u>	<u>37,000</u>

The credit quality analysis of the loans receivables is as follows:

Neither past due nor impaired

– Unsecured loans	147,946	37,000
– Secured loans	—	—
	<u>147,946</u>	<u>37,000</u>

Notes:

- (i) The Group's loans receivable from customers, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars.

The loans receivable are neither impaired nor overdue as at 31st December 2015 (At 30th June 2015: same).

The maximum exposure to credit risk at each balance sheet dates is the carrying value of the loans receivable.

All the loans receivable are entered with contractual maturity within 1 to 2 years. The Group seeks to maintain tight control over its loans receivable in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

Loans receivable are interest-bearing at rates ranging from 8% to 12% per annum (At 30th June 2015: 8% to 15% per annum).

Interest income of approximately HK\$3,833,000 (2014: approximately HK\$2,921,000) has been recognised in ‘revenue and income’ in the unaudited condensed consolidated statement of comprehensive income during the Period.

- (ii) On 5th October 2015, Fragrant River Entertainment Limited (“FREI”), an indirect wholly owned subsidiary of the Company, entered into a loan agreement with Cassia Investments Limited Partnership I (“Cassia Investments”), an independent third party, pursuant to which FREI agreed to grant to Cassia Investments an unsecured loan in the principal amount of HK\$55,000,000, bearing interest at a rate of 9.75% per annum for a period of one year.

Pursuant to the loan agreement, Cassia Investments agreed to grant an option to FREI to confer it the right (“Call Option”) to purchase existing issuing shares of Cassia Optical Holdings Limited (“COH”) currently held by Cassia Investments (“Option Shares”) at an exercise price of HK\$177,993.50 each, in which the aggregate shareholding percentage of the Option Shares shall not exceed 15.45% of the issued share capital of COH. The Call Option can be exercised by FREI more than once during the period commencing from the 6th October 2015 until the one-month-period prior to 5th October 2016. The aggregate amount in relation to the exercise of the Call Option shall be settled by offsetting an equivalent amount of outstanding loan.

The fair value at initial recognition of the receivable component and the Call Option, which is a derivative component, amounted to HK\$48,194,000 and HK\$6,806,000 respectively, are determined based on the valuation provided by Grant Sherman Appraisal Limited, an independent professionally qualified valuers. Subsequent to initial recognition, the debt component was carried at amortised cost using the effective interest method and was recognised as the loan receivable of the balance sheet. The derivative component – Call Option was carried at fair value and was recognised as the financial assets at fair value through profit or loss in the balance sheet.

The Group’s loan receivable from third party and the Call Option were recognised as follows:

	Debt component – loan receivable HK\$’000	Derivative component – Call Option HK\$’000
At 5th October 2015 (Date of the loan agreement and date of the grant of the Call Option)	48,194	6,806
Accretion income for the period	1,702	–
Change in fair value recognised in profit or loss	<u>–</u>	<u>683</u>
At 31st December 2015	<u><u>49,896</u></u>	<u><u>7,489</u></u>

9. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2015 HK\$'000	Audited As at 30th June 2015 HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:		
Accounts receivable – cash clients	70,063	–
Accounts receivable – margin clients	16,302	–
Accounts receivable – clearing house	8,018	–
Accounts receivable – other businesses		
Accounts receivable – others	14,300	14,325
Less: Provision for impairment of accounts receivable – others	(142)	(142)
Accounts receivable – net	108,541	14,183

For securities brokerage and margin financing business, the settlement terms of accounts receivable from cash clients, margin clients and clearing house are two days after trade date.

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

As at 31st December 2015, the ageing analysis of the accounts receivable – securities brokerage and margin financing business, arising from cash clients, margin clients and clearing house, was presented as follows based on trade date which approximates revenue recognition date:

	Unaudited As at 31st December 2015 HK\$'000	Audited As at 30th June 2015 HK\$'000
Current	84,826	–
Less than 2 months past due	6,574	–
2 to 3 months past due	874	–
More than 3 months but less than 12 months past due	2,109	–
	94,383	–

As at 31st December 2015, the ageing analysis of the accounts receivable – other businesses based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2015	2015
	HK\$'000	HK\$'000
1 to 90 days	10,679	13,800
91 days to 180 days	2,545	211
Over 180 days	934	172
	14,158	14,183

Sales of videogram products are with credit terms vary from 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms. Sales to retail customers are made in cash or via major credit cards. Training and coaching fees are received in advance. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

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.

No provision was recognised by the Group for the impairment of its accounts receivable during the Period (2014: Nil). During the Period, no provision (2014: Nil) was written off from the allowance account.

As at 31st December 2015, except for the margin clients of securities brokerage and margin financing business, the Group does not hold any collateral as security (As at 30th June 2015: Nil).

10. ACCOUNTS PAYABLE

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2015	2015
	HK\$'000	HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
Accounts payable – cash clients	111,893	–
Accounts payable – margin clients	63,225	–
Accounts payable – others	2,144	–
Accounts payable – other businesses		
Accounts payable – others	4,846	4,189
	182,108	4,189

The settlement terms of accounts payable arising from securities brokerage and margin financing business are two days after trade date.

Accounts payable to cash clients and margin clients bear variable interest at commercial rates, and repayable on demand subsequent to two days after trade date.

No ageing analysis is disclosed as in the opinion of the Board, the ageing analysis does not give additional value in view of the nature of business of securities brokerage and margin financing business.

The accounts payable to clients and clearing house in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of securities brokerage and margin financing business. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

As at 31st December 2015, the ageing analysis of the accounts payable – other businesses based on invoice date was as follows:

Accounts payable – other businesses

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2015	2015
	HK\$'000	HK\$'000
Current to 90 days	2,137	1,761
91 days to 180 days	171	97
Over 180 days	2,538	2,331
	<u>4,846</u>	<u>4,189</u>

11. ACQUISITION OF SUBSIDIARIES

(a) Step acquisition from associate to subsidiary of Winston Asia Limited (“Winston”)

On 31st July 2015, Fragrant River Entertainment Culture (Holdings) Limited (“FREC”), a directly-owned subsidiary of the Company, acquired 79.99% equity interests in Winston, which is principally engaged in trading, wholesaling and retailing of watches and jewellery products, at a consideration of HK\$64,000,000 by issuing convertible bonds with an aggregate principal amount of HK\$64,000,000. Prior to the business combination, the Group already held 20.01% equity interest in Winston and was accounted for by equity accounting. As a result of the business combination, the Group held 100% equity interest in Winston.

The following summarises the acquisition date fair value of the total consideration transferred:

HK\$'000

Fair value of convertible bonds issued	<u>64,319</u>
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The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of intangible assets and goodwill arising from the acquisition recognised at 31st July 2015 (the date of acquisition):

Fair value

HK\$'000

Property, plant and equipment	1,227
Brand name	1,108
Inventories	20,696
Trade and other receivables	8,864
Cash and cash equivalents	1,468
Accrued liabilities and other payables	(5,426)
Bank borrowings	<u>(2,000)</u>
 Total identifiable net assets at fair value	 25,937
Fair value of the equity interest held before the business combination	(6,989)
Goodwill arising on step acquisition	<u>45,371</u>
 Total consideration	 <u><u>64,319</u></u>

Net cash inflow on step acquisition:

HK\$'000

Net cash acquired from step acquisition	<u><u>1,468</u></u>
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The transaction costs of HK\$1,313,000 have been excluded from the consideration transferred and included in 'administrative expenses' in the unaudited condensed consolidated statement of comprehensive income.

The Group recognised a gain on step acquisition of HK\$1,764,000 as a result of measuring at fair value of its 20.01% equity interest in Winston held before the business combination. The gain is included in the unaudited condensed consolidated statement of comprehensive income for the Period.

The goodwill arising from the acquisition is attributable to the synergies expected to arise from the business combination and future growth and profitability of Winston. None of the goodwill recognised is expected to be deductible for income tax purposes.

Winston contributed HK\$32,857,000 to the Group's total revenue and income and approximately HK\$8,720,000 profit to the Group's loss before tax, for the period between the date of completion of the step acquisition and the end of the reporting period.

If the acquisition of Winston had been completed on 1st July 2015, the Group's total revenue and income and loss after tax for the Period would have been HK\$(52,658,000) and HK\$93,903,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the total revenue and income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st July 2015, nor is intended to be a projection of future results.

(b) Acquisition of Win Fung Securities Limited ("Win Fung")

On 21st August 2015, Rising Fame International Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with two independent third party vendors to acquire the entire interest of Win Fung at a cash consideration of HK\$73,000,000. Win Fung is a licensed corporation under the Securities and Futures Ordinance and authorised to engage in the following regulated activities: (i) Type 1: Dealing in securities; and (ii) Type 4: Advising on securities. The principal activities of Win Fung are provision of brokerage services and securities margin financing to clients. The acquisition was completed on 17th November 2015.

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of intangible assets and goodwill arising from the acquisition recognised at 17th November 2015 (the date of acquisition):

	Fair value <i>HK\$'000</i>
Property, plant and equipment	1,554
Trading rights	20,141
Trade and other receivables	232,758
Bank balances (general accounts) and cash	8,809
Bank balances – trust and segregated accounts	168,391
Trade and other payables	(366,167)
Tax payable	(1,809)
Bank borrowings	(10,000)
Total identifiable net assets at fair value	53,677
Goodwill arising on acquisition	19,323
Total consideration	73,000
Net cash outflow on acquisition of Win Fung:	<i>HK\$'000</i>
Cash consideration paid	73,000
Net cash acquired from the subsidiary	(8,809)
	64,191

The transaction costs of HK\$570,000 have been excluded from the consideration transferred and included in ‘administrative expenses’ in the unaudited condensed consolidated statement of comprehensive income.

The goodwill arising on the acquisition of Win Fung is attributable to the future growth and profitability in relation to the provision of brokerage services and securities margin financing to clients.

Win Fung contributed HK\$694,000 to the Group’s total revenue and income and approximately HK\$535,000 profit to the Group’s loss before tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition of Win Fung had been completed on 1st July 2015, the Group’s total revenue and income and loss after tax for the Period would have been HK\$(52,718,000) and HK\$91,219,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the total revenue and income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st July 2015, nor is intended to be a projection of future results.

(c) Acquisition of AP Group Investment Holdings Limited (“AP Group”)

On 12th October 2015, FREC, a direct wholly owned subsidiary of the Company, entered into an agreement with four independent third party vendors to acquire 51% equity interest of AP Group for consideration of HK\$20,400,000 (subject to downward adjustment in respect of the guaranteed profit as described in the sale and purchase agreement). AP Group is principally engaged in provision of education and training programs in relation to self-improvement and self-enhancement in Hong Kong and the PRC. The acquisition was completed on 14th December 2015.

The vendors have agreed to provide a profit guarantee to FREC in relation to the financial performance of AP Group for the period from 1st January 2016 to 31st December 2017. The profit guarantee requires AP Group to meet a target profit after tax for the period from 1st January 2016 to 31st December 2017 of HK\$16,000,000 (the “Guaranteed Profit”). If AP Group fails to meet the Guaranteed Profit, the consideration of HK\$20,400,000 should be reduced by the shortfall calculated in accordance with the formula stipulated in the sale and purchase agreement.

The following summarises the acquisition date fair value of the total consideration transferred:

	<i>HK\$’000</i>
Cash consideration	20,400
Contingent consideration arrangement	—
Total consideration	20,400

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of intangible assets and goodwill arising from the acquisition recognised at the date of acquisition:

	Fair value <i>HK\$'000</i>
Property, plant and equipment	3,063
Trade and other receivables	2,948
Cash and cash equivalents	1,710
Trade and other payables	(7,915)
Tax payable	(612)
Total identifiable net liabilities at fair value	(806)
Non-controlling interest	395
Goodwill arising on acquisition	20,811
Total consideration	<u>20,400</u>

Net cash outflow on acquisition of AP Group:

HK\$'000

Cash consideration paid	20,400
Net cash acquired from the subsidiary	(1,710)
	<u>18,690</u>

The transaction costs of HK\$417,000 have been excluded from the consideration transferred and included in 'administrative expenses' in the unaudited condensed consolidated statement of comprehensive income.

The goodwill arising on the acquisition of AP Group is attributable to the future growth and profitability expected to arise from the business combination. None of the goodwill is expected to be deductible for income tax purposes.

AP Group contributed HK\$840,000 to the Group's total revenue and income and approximately HK\$131,000 loss to the Group's loss before tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition of AP Group had been completed on 1st July 2015, the Group's revenue and income and loss after tax for the Period would have been HK\$(48,260,000) and HK\$94,738,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the total revenue and income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st July 2015, nor is intended to be a projection of future results.

12. 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\$935,872 (equivalent to HK\$7,299,799) 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, 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 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 said claim against UEL will have no material financial impact on the Group for the Period.

- (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 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 (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 settled by ULV and appropriate legal costs provision was recognised accordingly in the consolidated financial statements for the year ended 30th June 2012.

No additional provision has been made in the unaudited condensed consolidated interim financial information for the Period. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

- (d) Universe Artiste Management Limited (“UAM”) commenced Court of First Instance Action against Kwong Ling and Oriental Prosperous Int’l Entertainments Limited (collectively the “Defendants”) on 30th June 2014 claiming inter alia for a declaration that UAM is entitled to extend/renew the term of the Artist Management Contract of the Defendants with UAM (the “Artist Management Contract”) for 5 years as from 3rd May 2014 to 2nd May 2019.

The Defendants filed their defence and counterclaim on 29th September 2014. By such counterclaim, the Defendants claiming against UAM inter alia for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM is liable to account to the Defendants and an order for payment of all sums found to be due by UAM to the Defendants.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against UAM. The Board considers that the amounts of counterclaim by the Defendants against UAM is insignificant to the Group as a whole.

Save as disclosed above, as at 31st December 2015, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

13. EVENTS AFTER THE BALANCE SHEET DATE

(a) Capital reorganisation

As announced on 29th January 2016, the Board proposed the following capital reorganisation (the “Capital Reorganisation”) that:

- (1) every 10 issued and unissued existing ordinary share(s) of HK0.01 each (“Existing Share”) in the existing share capital of the Company will be consolidated into 1 consolidated share (the “Consolidated Share”) of HK\$0.10 each (the “Share Consolidation”) and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation;
- (2) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.09 (the “Capital Reduction”) on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01 (the “New Share”);
- (3) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK\$0.10 each will be sub-divided into 10 New Shares of HK\$0.01 each; and

- (4) the credits arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation; and (ii) the Capital Reduction of approximately HK\$13,333,418.29 will be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.

The New Shares will be traded in board lot of 5,000 New Shares after the Capital Reorganisation having become effective.

The special general meeting of the Company will be convened and held for the shareholders on 17th March 2016 to consider and, if thought fit, approve the Capital Reorganisation. Details of the Capital Reorganisation are set out in the Company's announcement and circular dated 29th January 2016 and 23rd February 2016, respectively.

(b) Placing of new shares

As announced on 24th February 2016, the Company and SBI China Capital Financial Services Limited (the "Placing Agent") entered into a placing agreement ("New Placing Agreement"), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 296,250,000 Existing Shares ("New Placing Shares") (or where Completion takes place after the Capital Reorganisation becomes effective, 29,625,000 New Shares) to not less than six Placees who and whose ultimate beneficial owners are independent third parties at the placing price of HK\$0.10 ("New Placing Price") per Existing Share (or where completion takes place after the Capital Reorganisation becomes effective, HK\$1.00 per New Share) ("New Placing").

The New Placing Price of HK\$0.10 per Existing Share was determined after arm's length negotiations between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and represents: (i) a discount of approximately 12.3% to the closing price of HK\$0.114 per Existing Share as quoted on the Stock Exchange on 23rd February 2016 (the "New Last Trading Day"); and (ii) a premium of approximately 15.2% over the average closing price of HK\$0.0868 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days of the Existing Shares immediately prior to the New Last Trading Day.

Assuming completion of New Placing takes place prior to the Capital Reorganisation becoming effective, the maximum number of 296,250,000 New Placing Shares represents (i) approximately 19.99% of the existing issued share capital of the Company as at 24 February 2016; and (ii) approximately 16.66% of the existing issued share capital of the Company as enlarged by the New Placing (assuming the maximum number of the New Placing Shares is placed and there is no other change in the issued share capital of the Company from 24 February 2016 and up to completion of the New Placing). The aggregate nominal value of the maximum number of the New Placing Shares under the New Placing will be HK\$2,962,500.

Assuming completion of New Placing takes place prior to the Capital Reorganisation becoming effective and assuming the maximum number of the New Placing Shares is placed, the gross proceeds from the New Placing will be approximately HK\$29.6 million and the net proceeds from the New Placing will be approximately HK\$28.5 million (after deduction of commission and other expenses of the New Placing). It is expected that the net proceeds from the New Placing will be utilised for general working capital.

The New Placing Shares will be allotted and issued pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of 30th November 2015 and therefore the allotment and issue of the New Placing Shares are not subject to any additional shareholders' approval.

The Board are of the view that the New Placing can strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The New Placing also represents good opportunities to broaden the shareholders' base and the capital base of the Company. The Board consider that the New Placing is in the interest of the Company and the Shareholders as a whole.

Completion of the New Placing is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the New Placing Shares to be placed pursuant to the New Placing Agreement. Each of the Company and the Placing Agent shall use their respective best endeavours to procure the satisfaction of the above condition by 18th March 2016 ("Long Stop Date"). If the above condition is not satisfied by the Long Stop Date, all obligations of the Placing Agent and of the Company under the New Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the New Placing Agreement (save in respect of any antecedent breach of any obligation thereunder).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group recorded a net loss of approximately HK\$94.9 million for the Period, representing an increase of approximately 3.12 times as compared to the net loss of approximately HK\$30.4 million for the same period last year, which is mainly due to the significant increase of the fair value loss arising from the investment securities from approximately HK\$18.7 million during the six months period ended 31st December 2014 to approximately HK\$133.0 million during the Period.

The Group's unaudited consolidated revenue (excluding the fair value changes in investment securities, the "Consolidated Revenue") for the Period was HK\$75.0 million, representing an increase of approximately 2.48 times as compared to the Consolidated Revenue of approximately HK\$30.2 million for the same period last year. The increase in Consolidated Revenue was mainly due to the completion of the acquisition of 79.99% equity interest of Winston, which are principally engaged in trading, wholesale and retails of watches and jewellery products, in July 2016. The Group recorded revenue from Winston of approximately HK\$32.9 million during the Period.

Films distribution and exhibition, licensing and sub-licensing of film rights

Revenue from this business segment during the Period was approximately HK\$28.6 million, representing an increase of approximately 12.6% as compared to approximately HK\$25.4 million in the same period last year. It accounted for approximately 38.1% (2014: approximately 84.3%) of the Group's Consolidated Revenue during the Period.

The growth of revenue from this business segment was mainly due to the increase in the number of new titles of films/television drama distributed in various videogram formats during the Period.

The performance of this segment improved. Segmental profit of approximately of HK\$5.0 million was recorded during the Period against a segmental loss of approximately HK\$1.2 million for the same period last year, which is mainly due to (i) the increase of gross profit contribution from the new titles of films/television drama distributed in various videogram formats during the Period and (ii) higher gross contribution from film exhibition, licensing and sub-licensing of film rights business as a result of the stringent cost control on the film production cost implemented during the Period.

Due to high production, advertising and distribution cost, the business environment of this segment is more challenging than before and the Group will continue to adopt a cautious and prudent approach to identify new opportunities and streamline the cost structure of this business segment.

Trade, wholesale and retail of optical, watches and jewellery products

Revenue from this business segment during the Period was approximately HK\$36.5 million (2014: Nil), which included the revenue of approximately HK\$3.6 million from trade, wholesales and retail of optical products from 2 optical retail shops under the name of “茂昌眼鏡 Hong Kong Optical” in Hong Kong and the revenue of approximately HK\$32.9 million from Winston, which are principally engaged in trading, wholesale and retails of watches and jewellery products in Hong Kong and the People’s Republic of China (“PRC”). It accounted for approximately 48.7% (2014: Nil) of the Group’s Consolidated Revenue during the Period.

As the controlling stake of the business of the trade, wholesale and retail of optical, watches and jewellery products were acquired by the Group in May 2015 and July 2015, no comparative figure for the 6 months period ended 31 December 2014 was presented here.

Segmental profit of approximately of HK\$8.5 million was recorded during the Period, which is mainly contributed by Winston during the Period. Due to the weakening of the retails market in Hong Kong and PRC in 2016, the business outlook of this segment is very challenging. In view of the downward trend of the retail market in Hong Kong and PRC in coming year, the Group will adopt a tight cost control. The Group will review the performance of each retail shops and close down those shops with lower profitability in order to maintain the competitiveness of this business segment.

Securities investments and leasing of investment properties

As at 31st December 2015, the carrying value of the securities investments (recorded as the financial assets at fair value through profit or loss in the unaudited condensed consolidated balance sheet) was approximately HK\$194.0 million (30th June 2015: approximately HK\$315.1 million). It included the Group’s investment portfolio and consists of nine (30th June 2015: seven) investment items, all of which are shares of companies listed on the Stock Exchange. Three of the aforesaid investment items held by the Group, i.e., the shares of (i) Town Health International Medical Group Limited (“Town Health”); (ii) China Jicheng Holdings Limited (“China Jicheng”); and (iii) Jiu Rong Holdings Limited (“Jiu Rong”) valued at approximately HK\$62.2 million, approximately HK\$52.4 million and approximately HK\$27.7 million respectively which represented approximately 5.3%, approximately 4.4% and approximately 2.3% of the Group’s total asset value as at 31st December 2015 respectively and approximately 30.9%, approximately 26.0% and approximately 13.7% of the value of the Group’s financial assets at fair value through profit or loss as at 31st December 2015 respectively.

As at 31st December 2015, the total market value of the aforesaid three investment items was approximately HK\$142.3 million, representing (i) approximately 12.1% of the Group's total asset value and (ii) approximately 70.6% of the total financial assets at fair value through profit or loss of the Group respectively.

Town Health and its subsidiaries are principally engaged in (i) healthcare business investments; (ii) provision and management of medical, dental and other healthcare related services; and (iii) investments and trading in properties and securities. As at 31st December 2015, the Group held 38,900,000 shares (30th June 2015: same) of Town Health, representing approximately 0.5% of the total issued shares of Town Health of 7,469,631,786 shares.

China Jicheng and its subsidiaries are principally engaged in manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. As at 31st December 2015, the Group held 38,250,000 shares (30th June 2015: same) of China Jicheng, representing approximately 0.3% of the total issued shares of China Jicheng of 15,000,000,000 shares.

Jiu Rong and its subsidiaries are principally engaged in (i) design, assembly and installation of water meter; and (ii) TV business. As at 31st December 2015, the Group held 180,000,000 shares (30th June 2015: same) of Jiu Rong, representing approximately 4.7% of the total issued shares of Jiu Rong of 3,800,000,000 shares.

The Group's recorded fair value loss on changes on investment securities of approximately HK\$133.0 million (2014: approximately HK\$18.7 million) during the Period. Such loss was mainly attributable to the volatile and unfavourable market sentiment in the stock market in Hong Kong in the second half of 2015 which lead to the substantial decrease in the market price of the investments of the Group.

The investments in the shares of Town Health, China Jicheng and Jiu Rong recorded fair value loss of approximately HK\$18.3 million, approximately HK\$27.2 and approximately HK\$43.4 million respectively, and together contributed to approximately 66.8% of the total fair value loss on changes on investment securities of the Group for the Period.

As at 31st December 2015, the Group's securities investments portfolio included the shares of companies listed on the Stock Exchange and engaged in different industries such as entertainment services, manufacturing, financial advisory business, asset management, solar energy, healthcare and wholesale business etc. The Group will continue reviewing its investment portfolios, so as to achieve a better return to the Group.

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK\$0.5 million (2014: approximately HK\$0.5 million) during the Period.

The overall segment loss of this business segment was approximately HK\$132.5 million (2014: segment loss of approximately HK\$19.8 million) during the Period.

Available-for-sale financial assets

As at 31 December 2015, the available-for-sale financial assets of the Group of approximately HK\$74.3 million (30th June 2015: approximately HK\$88.4 million) consisted of five (30th June 2015: four) investment items in non-listed funds or companies. One of the aforesaid investment items held by the Group, named “Hydra Capital SPC – Class A #1 Share” (“Hydra Capital”) valued at approximately HK\$47.3 million as at 31st December 2015 which represented (i) approximately 4.0% of the Group’s total asset value as at 31st December 2015 and (ii) approximately 63.7% of the value of the Group’s available-for-sale financial assets as at 31st December 2015.

Hydra Capital is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolios where its principal investments are internet related and mobile application in Asia.

As at 31st December 2015, the Group held 5,500 shares (30th June 2015: same) in Hydra Capital, representing approximately 24.6% of the total issued shares of Hydra Capital of 22,400 shares.

The Group recorded a decrease of the carrying value of the available-for-sale financial assets of approximately HK\$10.3 million (2014: increase in value of approximately HK\$67,000) in the other comprehensive income/loss during the Period. In view of the negative trend of the financial market and business outlook for the available-for-sale financial assets, including factors such as industry and sector performance as well as operational and financing cash flow, it was determined that the carrying value of the available-for-sale financial assets was depreciated.

Money lending business

The Group engaged in money lending business in Hong Kong during the Period. As at 31st December 2015, the Group had loans receivable of approximately HK\$98.1 million (As at 30th June 2015: HK\$37.0 million) and recognised interest income of approximately HK\$3.8 million (2014: approximately HK\$2.9 million). It accounted for approximately 5.1% (2014: 9.8%) of the Group’s Consolidated Revenue during the Period. There was no default event happened in respect of the Group’s loans receivable during the Period (2014: Nil). The segment profit of this business segment was approximately HK\$1.3 million (2014: approximately HK\$1.7 million) during the Period.

It is expected the money lending market in Hong Kong will be stable and continue to grow in the nearly future. The Group will continue to expand the money lending business to effectively utilise the Group’s cash resources and to diversify the sources of the Group’s income.

Securities brokerage and margin financing

The Group completed the acquisition of 100% equity interest in Win Fung Securities Limited (“Win Fung”) in November 2015. Win Fung is a company with limited liability incorporated in Hong Kong. Win Fung is a licensed corporation under the SFO with the following regulated activities: (i) Type 1: Dealing in securities; and (ii) Type 4: Advising on securities. The principal activities of Win Fung are provision of brokerage services and securities margin financing to clients.

Revenue from this business segment during the Period was approximately HK\$0.7 million (2014: Nil). It accounted for approximately 0.9% (2014: Nil) of the Group's Consolidated Revenue during the Period. The segment profit of this business segment was approximately HK\$0.5 million (2014: Nil) during the Period.

The acquisition of Win Fung during the Period enabled the Company to diversify its business into the financial services industry and broaden revenue sources of the Group in the coming financial period.

Training and coaching

The Group completed the acquisition of 51% equity interest in AP Group Investment Holdings Limited in December 2015. AP Group Investment Holdings Limited and its subsidiaries (collectively "AP Group") is principally engaged in the provision of education and training programs in relation to self-improvement and self-enhancement in Hong Kong and PRC.

Revenue from this business segment during the Period was approximately HK\$0.8 million (2014: Nil). It accounted for approximately 1.1% (2014: Nil) of the Group's Consolidated Revenue during the Period. The segment loss of this business segment was approximately HK\$0.1 million (2014: Nil) during the Period.

AP Group has a well-established business in the provision of education and training programs in relation to self-improvement and self-enhancement in Hong Kong and PRC. The acquisition of AP Group enabled the Group to tap into the business of education and training program and broaden revenue sources of the Group.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 45% (2014: approximately 22%) of the Group's Consolidated Revenue during the Period. More revenue were generated from the trading, wholesale and retails of watches and jewellery products in PRC after the acquisition of Winston in July 2015 during the Period as compared to the same period last year.

Selling expenses

Selling expenses for the Period increased by approximately 6.07 times to approximately HK\$9.7 million as compared to approximately HK\$1.6 million in the same period last year. The increase in selling expenses was mainly due to the inclusion of the selling expense of Winston of approximately HK\$6.6 million in the new business of trade, wholesale and retails of watches and jewellery products during the Period.

Administrative expenses

Administrative expenses for the Period increased by approximately 25.7% to approximately HK\$34.3 million as compared to approximately HK\$27.3 million in the same period last year.

The increase in administrative expenses was mainly due to (i) the inclusion of the administrative expense of Winston of approximately HK\$4.0 million in the new business of trade, wholesale and retails of watches and jewellery products during the Period and (ii) the increase of legal and professional fee of approximately HK\$3.7 million which was mainly due to the acquisitions conducted by the Group during the Period.

Income tax credit

The Group recorded income tax credit of approximately HK\$20.2 million during the Period (2014: approximately HK\$2.8 million), which was mainly attributable to the deferred income tax credit of approximately HK\$20.4 million arising from the fair value loss on investment securities during the Period. The increase in income tax credit was mainly due to the increase of the fair value loss on investment securities during the Period.

Update on the adjustment to the consideration of Winston

Reference is made to the announcement and the circular (the “Circular”) of the Company dated 7th May 2015 and 26th June 2015 respectively, Fragrant River Entertainment Culture (Holdings) Limited (the “Purchaser”), a company incorporated in BVI and a wholly-owned subsidiary of the Company, entered into an agreement (“SP Agreement”) with Victor Meg Limited, Mr. Ng Tang and Most Profitable Investment Ltd. (collectively the “Vendors”) to acquire from them an aggregate of 79.99% of the enlarged issued share capital of Winston (together with its subsidiaries, the “Winston Group”) at a consideration of HK\$64,000,000 (the “Consideration”) (subject to adjustments).

In accordance to the SP Agreement and as disclosed in the Circular, in the event that the audited consolidated profit after tax of the Winston Group attributable to the owners of Winston for the year ended 31st December 2015 (“FY 2015”) (the “2015 Net Profit”) (which only comprised income or gain generated by activities in the ordinary and usual course of business of Winston) is less than the target profit for FY 2015 of HK\$10,000,000, the Vendors and the guarantors, namely, Mr. Ng Tang and Ms. Lo Lai Kuen, shall collectively pay the Purchaser in cash a sum equal to the adjustment amount as defined in the Circular without any set off, withholding or deduction within 10 Business Days upon the receipt of the audited consolidated financial statements of the Target for FY 2015.

According to the audited consolidated financial statements of Winston for FY 2015 delivered to the Group on 25th February 2016, the 2015 Net Profit (which only comprised income or gain generated by activities in the ordinary and usual course of business of Winston) was not less than HK\$10,000,000. As such, the Consideration is not required to be adjusted and is fixed at HK\$64,000,000.

OUTLOOK

During the Period the Group has successfully acquired three new business, namely, (i) trade, wholesale and retails of watches and jewellery; (ii) securities brokerage and margin financing and (iii) training and coaching. These diversified the Group’s business in 3 different industries, enabling the Group to broaden the sources of revenue.

In addition, the Group will continue to identify different investment opportunities in other business sectors with enormous potentials. This allows the Group to further diversify its businesses and broaden the income sources with the aim to maximise the return to its shareholders.

FINANCIAL RESOURCES/LIQUIDITY

As at 31st December 2015, the Group had cash balances of approximately HK\$184.2 million (As at 30th June 2015: approximately HK\$102.8 million).

As at 31st December 2015, the Group had total assets of approximately HK\$1,179.5 million (As at 30th June 2015: approximately HK\$739.6 million).

The Group's gearing ratio as at 31st December 2015 is approximately 7.4% (As at 30th June 2015: approximately 1.6%), which was calculated on the basis of the Group's non-current liabilities excluding the deferred tax liabilities and on the total equity of the Group.

The Group incurred financial cost of approximately HK\$0.5 million (2014: Nil).

In light of the fact that most of the Group's transactions were denominated in Hong Kong dollars, Renminbi 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 were used by the Group.

As at 31st December 2015, current ratio (defined as total current assets divided by total current liabilities) was approximately 2.5 (As at 30th June 2015: approximately 4.2).

CAPITAL STRUCTURE

As at 31st December 2015, the Group had shareholders' capital of approximately HK\$14.8 million (30th June 2015: approximately HK\$3.0 million). The shareholders' capital of the Company is constituted of 1,481,490,921 shares.

Pursuant to the Company's announcement dated 26th May 2015, Company's circular dated 24th June 2015 and Company's prospectus dated 24th July 2015, the Company proposed to raise not less than approximately HK\$120.55 million and not more than approximately HK\$134.36 million before expenses by issuing not less than 596,760,614 and not more than 665,160,614 new Shares ("Rights Shares") at the subscription price of HK\$0.202 ("Subscription Price") per Rights Share on the basis of two (2) Rights Shares for every one (1) Share in issue held on the 23rd July 2015 ("Rights Issue").

The Subscription Price of HK\$0.202 per Rights Share represented: (i) a discount of 74.75% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 26th May 2015, being the last trading day of the announcement of Rights Issue ("Last Trading Day"); (ii) a discount of approximately 49.66% to the theoretical ex-rights price of approximately HK\$0.4013 per Share based on the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day; and (iii) a discount of approximately 72.78% to the average closing price of approximately HK\$0.742 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.

The Rights Issue was completed on 13th August 2015 and an aggregated of 596,760,614 Rights Shares have been issued. The net proceeds from the Rights Issue were approximately HK\$114.8 million. Up to the date of this announcement, the Group has applied (i) approximately HK\$50.0 million for the development of money lending business and (ii) approximately HK\$33.0 million for the film production in Hong Kong and PRC. The remaining unutilised proceeds of approximately HK\$31.8 million will be utilised as intended.

Pursuant to the Company's announcement dated 26th May 2015 and Company's circular dated 24th June 2015, the Company entered into a placing agreement (the "Placing Agreement") pursuant to which the Company appointed a placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 586,350,000 new Shares of the Company ("Placing Shares") at a price of HK\$0.3411 per Placing Share ("Placing"). The placing price of HK\$0.3411 per Placing Share represented: (i) a discount of approximately 57.36% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 26th May 2015, being the date of the Placing Agreement; (ii) a discount of approximately 15.00% to the theoretical ex-rights price of approximately HK\$0.4013 per Share based on the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the date of the Placing Agreement (taking into account the Rights Issue); and (iii) a discount of approximately 54.03% to the average of the closing price per Share of HK\$0.742 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

Assuming the maximum number of the Placing Shares was placed, the gross proceeds from Placing would be approximately HK\$200.0 million and the net proceeds would be approximately HK\$192.5 million. On such basis, the net issue price would be approximately HK\$0.3283 per Placing Share.

The Placing Agreement was completed on 28 July 2015 and an aggregated of 586,350,000 Placing Shares have been successfully placed to not less than six placees. The net proceeds from the issuance of the Placing Shares were approximately HK\$192.5 million. Up to the date of this announcement, the Group has applied (i) approximately HK\$20 million for the development of its existing business in trading, wholesale, and retail of watch and jewellery products; (ii) Item (II): approximately HK\$36.75 million to acquire 49% of the issued share capital of Glory International Entertainment Limited principally engaged in film and advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and other cultural events in Hong Kong, Taiwan and the PRC as announced on 27th August 2015, (iii) Item (III): approximately HK\$55 million to Cassia Investments Limited Partnership I, with the options grant to the Group to subscribe up to 15.45% of the issued capital of Cassia Optical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which owned 85% equity interest in a group of companies which are principally engaged in the production, supply and distribution of frames for eyeglasses and other optical products as announced on 5th October 2015; (iv) approximately HK\$53.3 million for the development of money lending business (including the HK\$18.3 million to the provision of short terms loans re-allocated from item Item (II) as disclosed in the Company's announcement dated 27th August 2015); and (v) approximately HK\$27.45 million as general working capital of the Group (inclusive of approximately HK\$4.9 million originally allocated in Item (II) and the remaining HK\$5 million referred to in Item (III) was used as general working capital).

The Board has noted that the revenue and income of the Group has fluctuated in the past five financial years (i.e. from the year ended 30th June 2010 to the year ended 30th June 2014) from a maximum of approximately HK\$233.2 million for the year ended 30th June 2014 to a minimum of approximately HK\$75.9 million for the year ended 30th June 2012. The business segment of the film exhibition, licensing and sub-licensing of film rights accounted for a major portion of the total revenue and income of the Group, which represented approximately 74.8% of the total revenue for the financial year ended 30th June 2014. However, films are produced on a project basis and the revenue generated thereunder are not stable, thus causing the fluctuation of the revenue and income and also the profitability of the Group. In view of the above, it was the goal of the Group to expand its revenue and income stream and stabilise its revenue and income through (i) the acquisition of new businesses, which are considered to have a relatively stable income stream, from other parties; and/or (ii) further expansion of the other existing business segments of the Group. As such, the Group conducted the Rights Issue and the Placing to raise funds for this goal. The Board also considered that the Rights Issue and the Placing represented a good opportunity to broaden the shareholders' base and the capital base of the Company.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2015, the Group did not have any pledged assets (As at 30th June 2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2015, the Group had 203 staff (As at 30th June 2015: 52). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits including 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 2nd December 2013 (the "2013 AGM"), the Company conditionally approved and adopted a new share option scheme (the "Share Option Scheme") in compliance with the Listing Rules. The total number of share options available for issue under the Share Option Scheme as at the date of the 2013 AGM was 171,604,979, which represented 10% of the total number of the issued shares of the Company as at the date of the 2013 AGM. There was no share option outstanding prior to 30th June 2014 under the Share Option Scheme.

On 21st July 2014, the Company granted 171,604,000 share options to certain Directors and employees of the Group under the Share Option Scheme at the subscription price of HK\$0.1738 per share option which were vested immediately and exercisable for a two-year period between 21st July 2014 and 20th July 2016 (both dates inclusive).

As a result of the capital reorganisation which became effective on 17th March 2015, adjustments have been made and the said outstanding 171,604,000 share options became 17,160,400 share options conferring holders thereof to subscribe for up to a total of 17,160,400 Shares, out of which 2,072,000 share options were lapsed in April 2015 and 15,088,400 share options remained unexercised and outstanding as at 30th June 2015. The subscription price per share option was adjusted to HK\$1.738 per share option after taking into account of the effect of capital reorganisation which became effective on 17th March 2015 and was further adjusted to HK\$1.077 per share option after taking into account of the effect of Rights Issue.

Particulars of the share options under the Share Option Scheme outstanding during the Period and as at 31st December 2015 were as follows:

Participants	Date of grant	Period during which share options are exercisable	Price per share on exercise of options HK\$	Number of share options outstanding at the beginning of the Period	Adjusted number of share options after Right Issue	Number of share options granted during the Period	Number of share options exercised during the Period	Number of share options outstanding at the end of the Period	Market value per share on grant of share options HK\$
Executive directors									
Mr. Lam Shiu Ming, Daneil	21st July 2014	21st July 2014 to 20th July 2016	1.077*	2,072,000	3,343,673	–	–	3,343,673	0.94*
Mr. Hung Cho Sing	21st July 2014	21st July 2014 to 20th July 2016	1.077*	2,072,000	3,343,673	–	–	3,343,673	0.94*
Mr. Lam Kit Sun	21st July 2014	21st July 2014 to 20th July 2016	1.077*	2,072,000	3,343,673	–	–	3,343,673	0.94*
Other eligible participants									
	21st July 2014	21st July 2014 to 20th July 2016	1.077*	8,872,400	14,317,763	–	–	14,317,763	0.94*
	30th September 2015	30th September 2015 to 29th September 2017	0.169	–	–	20,720,880	–	20,720,880	0.161
				<u>15,088,400</u>	<u>24,348,782</u>	<u>20,720,880</u>	<u>–</u>	<u>45,069,662</u>	

* The price per share on exercise of options and market value per share on grant of options have been adjusted after taking into account of the effect of the Rights Issue.

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2015, complied with the code provisions contained in Corporate Governance Code (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. Lam Wing Tai (Chairman), Mr. Lam Chi Keung and Mr. Choi Wing Koon.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2015 with the management.

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

The Company has not redeemed any of its shares during the six months ended 31st December 2015. 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 2015, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code throughout the Period.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.uih.com.hk) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report will also be available on the same websites on or before 31st March 2016.

By Order of the Board
Lam Shiu Ming, Daneil
Chairman and Executive Director

Hong Kong, 26th February 2016

As at the date of this announcement, the executive Directors are Mr. Lam Shiu Ming, Daneil, Mr. Hung Cho Sing, Ms. Cheng Hei Yu and Mr. Lam Kit Sun, the non-executive Director is Mr. Chan Shiu Kwong Stephen, and the independent non-executive Directors are Mr. Lam Wing Tai, Mr. Choi Wing Koon and Mr. Lam Chi Keung.