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**UNIVERSE ENTERTAINMENT AND CULTURE
GROUP COMPANY LIMITED**
寰宇娛樂文化集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 31ST DECEMBER 2018**

The board of directors (the “**Director(s)**”) (the “**Board**”) of Universe Entertainment and Culture Group Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31st December 2018 (the “**Period**”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

		Unaudited	
		For the six months ended	
		31st December	
		2018	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>
CONTINUED OPERATIONS			
Revenue			
Sales of goods – video distribution, optical products, watches and jewellery products		17,352	19,829
Income on film distribution and exhibition, licensing and sub-licensing of film rights		3,710	24,631
Income from other businesses		7,209	5,825
Total revenue	4	28,271	50,285

		Unaudited	
		For the six months ended	
		31st December	
		2018	2017
<i>Note</i>		HK\$'000	HK\$'000
			<i>(restated)</i>
Cost of revenue			
		(10,269)	(13,434)
		(3,595)	(13,657)
		(345)	–
Total cost of revenue		(14,209)	(27,091)
Selling expenses		(5,446)	(6,330)
Administrative expenses		(35,034)	(77,404)
Other operating income		–	3,896
Gain on disposal of a subsidiary		–	249
Gain on disposal of film library	12	–	182,050
Impairment loss of available-for-sale financial assets		–	(12,553)
Change in expected credit loss		(1,828)	–
Impairment loss of accounts receivable		–	(1,834)
Amortisation of other intangible assets		(74)	(74)
Other (losses)/gains – net		(3,228)	2,498
Other income		5,321	966
Gains/(losses):			
Fair value change on trading securities		(2,777)	(104,189)
Fair value change on other financial assets at fair value through profit or loss		(17,347)	–
Fair value change on contingent consideration receivable		–	15
Fair value change on contingent consideration payable		–	(340)
Finance income		1,546	33
Finance costs		–	(1,673)
Share of losses of associates		(499)	(411)
Share of losses of a joint venture		–	(31)
Loss on deregistration of a subsidiary		–	(35)
(Loss)/profit before tax	5	(45,304)	8,027
Income tax expense	6	(935)	(7,546)
(Loss)/profit for the Period from continuing operations		(46,239)	481

		Unaudited	
		For the six months ended	
		31st December	
		2018	2017
	Note	HK\$'000	HK\$'000
			(restated)
DISCONTINUED OPERATION:			
Loss for the Period from discontinued operation	14	(3,418)	(6,551)
Loss for the Period		(49,657)	(6,070)
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Net movement in available-for-sale investment reserve in respect of available-for-sale financial assets:			
Net changes in fair value of available-for-sale financial assets		–	(19,623)
Reclassification adjustments for amounts transferred to profit or loss:			
Impairment loss		–	12,553
Realised gain upon disposal of available-for-sale financial assets		–	(2,608)
		–	(9,678)
Release of translation reserve upon deregistration of a subsidiary		–	34
Currency translation differences		65	450
Other comprehensive loss for the Period, net of tax		65	(9,194)
Total comprehensive loss for the Period		(49,592)	(15,264)
(Loss)/profit attributable to owners of the Company:			
– from continuing operations		(46,150)	523
– from discontinued operation		(3,418)	(6,551)
Loss for the Period attributable to owners of the Company		(49,568)	(6,028)
Loss attributable to non-controlling interest:			
– from continuing operations		(89)	(42)
– from discontinued operation		–	–
Loss for the Period attributable to non-controlling interests		(89)	(42)

		Unaudited	
		For the six months ended	
		31st December	
		2018	2017
<i>Note</i>		HK\$'000	HK\$'000
			<i>(restated)</i>
Total comprehensive loss for the Period			
attributable to:			
	Owners of the Company	(49,503)	(15,222)
	Non-controlling interests	<u>(89)</u>	<u>(42)</u>
		<u>(49,592)</u>	<u>(15,264)</u>
Total comprehensive loss attributable to owners of			
the Company arises from:			
	Continuing operations	(46,085)	(8,671)
	Discontinued operation	<u>(3,418)</u>	<u>(6,551)</u>
		<u>(49,503)</u>	<u>(15,222)</u>
(Loss)/Profit per share attributable to the owners			
of the Company for the Period			
(expressed in HK cents per share)			
From continuing and discontinued operations			
	– basic and diluted	7 <u>(5.47)</u>	<u>(0.69)</u>
From continuing operations			
	– basic and diluted	7 <u>(5.09)</u>	<u>0.06</u>

Note:

The Group has initially applied HKFRS 15 and HKFRS 9 at 1st July 2018. Under the transition methods chosen, comparative information is not restated for the change in these accounting policies.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2018 <i>HK\$'000</i>	Audited As at 30th June 2018 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		5,311	5,705
Investment properties		29,360	29,360
Other intangible assets		2,461	2,535
Film rights and films in progress		88,028	80,603
Interests in associates		2,376	2,875
Loans receivable	9	887	1,447
Loan to an associate		4,799	4,340
Film related deposits		76,654	35,693
Deposits paid		859	1,396
Deferred tax assets		444	274
Other financial assets		13,877	65,882
		<u>225,056</u>	<u>230,110</u>
Current assets			
Inventories		10,496	8,028
Accounts receivable	10	17,612	30,935
Loans receivable	9	78,350	56,598
Loan to an associate		–	2,500
Amount due from an associate		–	89
Deposits paid, prepayments and other receivables		76,095	170,589
Trading securities		24,216	49,356
Contingent consideration receivable		3,796	3,796
Tax recoverable		2,242	–
Bank balances and cash			
– trust accounts		882	7,157
Cash and cash equivalents		331,387	522,285
Total current assets		<u>545,076</u>	<u>851,333</u>
Total assets		<u>770,132</u>	<u>1,081,443</u>

	Unaudited As at 31st December 2018 <i>Note</i> <i>HK\$'000</i>	Audited As at 30th June 2018 <i>HK\$'000</i>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	9,066	9,066
Share premium	35,013	928,358
Other reserves	682,356	67,565
Accumulated losses	<u>(137,683)</u>	<u>(88,094)</u>
	588,752	916,895
Non-controlling interests	<u>(11)</u>	<u>78</u>
Total equity	<u>588,741</u>	<u>916,973</u>
LIABILITIES		
Non-current liabilities		
Obligations under a finance lease	–	7
Deferred tax liabilities	<u>629</u>	<u>440</u>
	<u>629</u>	<u>447</u>
Current liabilities		
Accounts payable	11 3,423	8,518
Amount due to an associate	3,376	–
Other payables and accrued charges	89,440	112,388
Contingent consideration payable	20,400	20,400
Contract liabilities	51,407	–
Deposits received	5,292	14,528
Obligations under a finance lease	16	18
Taxation payable	<u>7,408</u>	<u>8,171</u>
Total current liabilities	<u>180,762</u>	<u>164,023</u>
Total liabilities	<u>181,391</u>	<u>164,470</u>
Total equity and liabilities	<u>770,132</u>	<u>1,081,443</u>
Net current assets	<u>364,314</u>	<u>687,310</u>
Total assets less current liabilities	<u>589,370</u>	<u>917,420</u>

Note:

The Group has initially applied HKFRS 15 and HKFRS 9 at 1st July 2018. Under the transition methods chosen, comparative information is not restated for the change in these accounting policies.

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, money lending, leasing of investment properties, entertainment business, securities investment, trading, wholesaling and retailing of optical products, watches and jewellery products. The Group ceased the business of China Jianxin Financial Services Limited, an indirect wholly-owned subsidiary of the Company, which was principally engaged in the business of securities brokerage and margin financing (“**Securities Brokerage Business**”) with effect from 30th June 2018.

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 address of the principal place of business of the Company is 18th Floor, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company’s shares are listed on the Main Board of 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. This unaudited condensed consolidated interim financial information has been approved for issue by the Board on 28th February 2019.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure provisions of the Rules of Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited condensed consolidated interim financial information has been prepared on the historical cost convention, as modified by the revaluation of financial instruments that are measured at fair values at the end of each reporting period, contingent consideration receivable, contingent consideration payable and investment properties, which are carried at fair value.

The unaudited condensed interim financial information has been prepared in accordance with the same accounting policies adopted in the Company’s consolidated financial statements for the year ended 30th June 2018, except for the accounting policy changes that are expected to be reflected in the Company’s consolidated financial statements for the year ending 30th June 2019. Details of these changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, 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.

The unaudited condensed consolidated interim financial information contains selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30th June 2018. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities.

(a) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to item that existed at 1st July 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to opening equity at 1st July 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition of HKFRS 9 on retained earnings and fair value reserve attributable to equity shareholders of the Company at 1st July 2018.

HK'000

Accumulated losses

Transferred from Available-for-sale investment reserve (recycling) relating to financial assets now measured at FVTPL	6,629
Recognition of additional expected credit losses on financial assets measured at amortised cost	(6,650)
Net increase in accumulated losses at 1st July 2018	(21)

Available-for-sale investment reserve (recycling)

Transferred to accumulated losses relating to financial assets now measured at FVTPL	(6,629)
Net decrease in Available-for-sale investment reserve (recycling) at 1st July 2018	6,629

Further details of the nature and effect of the changes to previous accounting policies resulting from its adoption of HKFRS 9 are set out below.

i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“**FVTOCI**”) and at fair value through profit or loss (“**FVTPL**”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. Classification of a financial asset under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flows characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss.

The Group decides not to elect this designation option (irrevocably designate as FVTOCI) for any of the investments held on 1st July 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 30th June 2018 \$'000	Reclassification \$'000	Remeasurement \$'000	HKFRS 9 carrying amount at 1st January 2018 \$'000
Financial assets carried at amortised cost				
Accounts receivable	30,935	–	(788)	30,147
Loans receivable	58,045	–	(3,763)	54,282
Loans to an associate	6,840	–	(101)	6,739
Amount due from an associate	89	–	–	89
Deposits paid, prepayments and other receivables	164,937	–	(1,998)	162,939
Bank balances and cash – trust accounts	7,157	–	–	7,157
Cash and cash equivalents	522,285	–	–	522,285
	<u>790,288</u>	<u>–</u>	<u>(6,650)</u>	<u>783,638</u>
Financial assets carried at FVPL				
Trading securities	49,356	–	–	49,356
Contingent consideration receivable	3,796	–	–	3,796
Unlisted investment funds (note (i))	–	1,049	–	1,049
Unlisted limited partnership (note (i))	–	64,833	–	64,833
	<u>53,152</u>	<u>65,882</u>	<u>–</u>	<u>119,034</u>
Financial assets classified as available-for-sale under HKAS 39 (notes (i))	<u>65,882</u>	<u>(65,882)</u>	<u>–</u>	<u>–</u>

Note:

- (i) Under HKAS39, investments in unlisted investment funds and unlisted limited partnership not held for trading purpose were classified as available-for-sale financial assets. These equity investments are classified as at FVTPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1st July 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1st July 2018.

ii) Credit losses

HKFRS 9 replaces the ‘incurred loss’ model in HKAS 39 with an ‘expected credit loss’ (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial assets and therefore recognises ECL earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, loan receivables and trade and other receivables); and
- loan commitments issued, which are not measured at FVTPL.

Policy applicable from 1st January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- contract assets as defined in HKFRS 15;
- debt securities measured at FVTOCI; and
- loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, equity securities designated at FVTOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 30th June 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1st July 2018.

	30th June 2018 (HKAS 39) HK\$'000	Additional credit loss recognised at 1st July 2018 HK\$'000	1st July 2018 (HKFRS 9) HK\$'000
Accounts receivables	5,515	788	6,303
Loans receivable	–	3,763	3,763
Loans to an associate	–	101	101
Deposits paid, prepayment and other receivables	–	1,998	1,998
	<u>5,515</u>	<u>6,650</u>	<u>12,165</u>

iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1st July 2018. Accordingly, the information presented for the year ended 30th June 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1st July 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVTOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles. Except for the change in presentation of contract assets and liabilities, the adoption of HKFRS 15 does not have any material impact on the financial position and there is no transitional impact to accumulated losses. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. The contract asset is transferred to receivables when the right to consideration becomes unconditional. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognise the related revenue.

(c) HK(IFRIC) 22, Foreign Currency Transactions and Advance Consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Chairman of the Company, being the Group’s chief operating decision maker (“**CODM**”) for the purposes of resources allocation and performance assessment. The Group has presented the following reportable segments.

During the year ended 30th June 2018, the Group ceased its business in securities brokerage and margin financing which are classified as discontinued operations for the year ended 30th June 2018. Further details of the cessation of the business in securities brokerage and margin financing are set out in the note 14 to the consolidated financial statements.

Continuing operations

- Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights
- Trading, wholesaling and retailing of optical products, watches and jewellery products
- Leasing of investment properties
- Securities investments
- Money lending
- Entertainment business

Discontinued operation

- Securities brokerage and margin financing

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance is set out below.

	2018											
	Continuing operations									Discontinued operation		
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products, watches and jewellery products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment businesses HK\$'000	Other businesses HK\$'000	Elimination HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Total for discontinued operation HK\$'000	Total HK\$'000
For the six months ended 31st December 2018 (Unaudited):												
Segment revenue												
External revenue	5,039	16,023	544	-	4,694	1,699	272	-	28,271	1	1	28,272
Inter-segment sales	-	-	-	-	-	-	463	(463)	-	-	-	-
	<u>5,039</u>	<u>16,023</u>	<u>544</u>	<u>-</u>	<u>4,694</u>	<u>1,699</u>	<u>735</u>	<u>(463)</u>	<u>28,271</u>	<u>1</u>	<u>1</u>	<u>28,272</u>
Segment results	(12,438)	(3,411)	413	(1,302)	1,797	25	(3,635)		(18,551)	(3,438)	(3,438)	(21,989)
Fair value change on other financial assets at fair value through profit or loss									(17,347)		-	(17,347)
Finance income									1,546		-	1,546
Share of losses of associates									(499)		-	(499)
Unallocated corporate expenses									<u>(10,453)</u>		-	<u>(10,453)</u>
Loss before tax									<u>(45,304)</u>		<u>(3,438)</u>	<u>(48,742)</u>
As at 31st December 2018 (Unaudited):												
Reportable segment assets	237,182	21,339	29,429	24,216	79,969	7,235	4,194		403,564	14,676	14,676	418,240
Reportable segment liabilities	<u>137,055</u>	<u>4,910</u>	<u>238</u>	<u>-</u>	<u>-</u>	<u>2,924</u>	<u>905</u>		<u>146,032</u>	<u>1,451</u>	<u>1,451</u>	<u>147,483</u>

2017 (restated)												
	Continuing operations							Discontinued operation				
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products, watches and jewellery products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment businesses HK\$'000	Other businesses HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Elimination HK\$'000	Total for discontinued operation HK\$'000	Total HK\$'000
For the six months ended 31st December 2017 (Unaudited):												
Segment revenue												
External revenue	27,097	17,105	537	–	3,685	1,861	–	50,285	7,688	–	7,688	57,973
Inter-segment sales	–	–	–	–	–	–	–	–	134	(134)	–	–
	<u>27,097</u>	<u>17,105</u>	<u>537</u>	<u>–</u>	<u>3,685</u>	<u>1,861</u>	<u>–</u>	<u>50,285</u>	<u>7,822</u>	<u>(134)</u>	<u>7,688</u>	<u>57,973</u>
Segment results	141,458	(5,319)	454	(105,029)	2,739	420	22	34,745	(6,551)		(6,551)	28,194
Gain on disposal of a subsidiary								249			–	249
Fair value change on contingent consideration receivable								15			–	15
Fair value change on contingent consideration payable								(340)			–	(340)
Impairment loss of available-for-sale financial assets								(12,553)			–	(12,553)
Realised gain upon disposal of available-for-sale financial assets								2,608			–	2,608
Finance income								33			–	33
Finance costs								(1,673)			–	(1,673)
Share of losses of associates								(411)			–	(411)
Share of loss of a joint venture								(31)			–	(31)
Loss on deregistration of a subsidiary								(35)			–	(35)
Unallocated equity-settled share-based payment expenses								(3,353)			–	(3,353)
Unallocated corporate expenses								(11,227)			–	(11,227)
Profit/(loss) before tax								<u>8,027</u>			<u>(6,551)</u>	<u>1,476</u>
As at 30th June 2018 (Audited):												
Reportable segment assets	292,428	18,297	29,439	49,356	60,009	12,150	–	461,679	73,380		73,380	535,059
Reportable segment liabilities	<u>104,239</u>	<u>1,308</u>	<u>252</u>	<u>–</u>	<u>–</u>	<u>13,757</u>	<u>–</u>	<u>119,556</u>	<u>6,632</u>		<u>6,632</u>	<u>126,188</u>

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from continuing operations. The profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that fair value change on other financial assets at fair value through profit or loss, finance income, finance costs, share of losses of associates, gain on disposal of a subsidiary, fair value change on contingent consideration receivable/payable, impairment loss of available-for-sale financial assets, realised gain upon disposal of available-for-sale financial assets, share of loss of a joint venture, loss on deregistration of a subsidiary, unallocated equity-settled share-based payment expenses and unallocated corporate expenses.

Segment assets exclude unallocated other intangible assets, interests in associates, other financial assets, unallocated cash and cash equivalents, deferred tax assets, loan to an associate, amount due from an associate, contingent consideration receivable, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, contingent consideration payable, amount due to an associate and other unallocated corporate liabilities as these liabilities are managed on a group basis.

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging:

	Unaudited For the six months ended 31st December					
	2018			2017		
	Continued	Discontinued	Total	Continued	Discontinued	Total
	Operation	Operation		Operation	Operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of film right	267	–	267	5,076	–	5,076
Amortisation of other intangible assets	74	–	74	74	–	74
Depreciation of property, plant and equipment	1,470	35	1,505	1,147	85	1,232
Write-off of inventories	–	–	–	1	–	1
Employee benefits expenses including directors' emoluments	20,485	1,111	21,596	63,298	4,488	67,786
Equity-settled share-based payment expenses to a business partner	–	–	–	1,676	–	1,676
Cost of inventories sold	<u>10,269</u>	<u>–</u>	<u>10,269</u>	<u>13,434</u>	<u>–</u>	<u>13,434</u>

6. INCOME TAX EXPENSE

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

	Unaudited For the six months ended 31st December					
	2018			2017		
	Continued	Discontinued	Total	Continued	Discontinued	Total
	Operation	Operation		Operation	Operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax – current	982	(20)	962	1,209	–	1,209
Deferred tax relating to the origination and reversal of temporary differences	<u>(47)</u>	<u>–</u>	<u>(47)</u>	<u>6,337</u>	<u>–</u>	<u>6,337</u>
Income tax expense/(credit)	<u>935</u>	<u>(20)</u>	<u>915</u>	<u>7,546</u>	<u>–</u>	<u>7,546</u>

7. LOSS PER SHARE

(a) Basic

Basic (loss)/profit per ordinary share is calculated by dividing the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 31st December 2017 and 2018.

(i) *(Loss)/profit for the Period attributable to the owners of the Company*

	Unaudited For the six months ended 31st December	
	2018	2017
	HK\$'000	HK\$'000
		(restated)
(Loss)/profit for the Period attributable to the owners of the Company		
– from continuing operations	(46,150)	523
– from discontinued operation	(3,418)	(6,551)
	<u>(49,568)</u>	<u>(6,028)</u>
– from continuing and discontinued operations	<u>(49,568)</u>	<u>(6,028)</u>

(ii) *Weighted average number of ordinary shares in issue*

	Number of shares (in thousand)	
	2018	2017
Weighted average number of ordinary shares in issue at the end of the Period	<u>906,632</u>	<u>868,435</u>

(b) Diluted

For the six months ended 31st December 2018, diluted loss per ordinary share equals to basic loss per ordinary share as there was no potential dilutive ordinary share outstanding during the period.

For the six months ended 31st December 2017, diluted loss per ordinary share was the same as the basic loss per ordinary share because the exercises of the Company's share options outstanding during the Period would have an anti-dilutive effect.

8. DIVIDENDS

	Unaudited For the six months ended 31st December	
	2018	2017
	HK\$'000	HK\$'000
Special dividend declared and paid of HK\$0.3 per share (<i>note(i)</i>)	271,990	–

Note:

- i) On 17th September 2018, it was proposed by the Board and approved by the shareholders at the special general meeting that: (i) the amount standing to the credit of the share premium account of the Company be reduced by HK\$893,345,000; (ii) the credit arising from the share premium reduction be transferred to the contributed surplus account of the Company; and (iii) the Board be authorised to make a distribution of a special dividend of HK\$0.3 per share up to HK\$271,989,682.80 of the amount standing to the credit of the contributed surplus account of the Company, pro rata to the shareholders of the Company (“**the Distribution**”).

The Distribution has become unconditional on 4th October 2018 and was paid on 22th October 2018.

9. LOANS RECEIVABLE

Loans receivable from third party customers

	Unaudited As at 31st December 2018 HK\$'000	Unaudited As at 1st July 2018 HK\$'000	Audited As at 30th June 2018 HK\$'000
Loans to third party customers	85,009	58,045	58,045
Less: loss allowance	(5,772)	(3,763)	–
	79,237	54,282	58,045
As at 31st December 2018, 1st July 2018 and 30th June 2018, the maturity profile of the loans receivable, based on the maturity date is as follows:			
– Non-current	887	1,381	1,447
– Current	78,350	52,901	56,598
	79,237	54,282	58,045

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

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31st December	1st July	30th June
	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired			
– Unsecured loans	38,509	40,145	40,145
– Secured loans	30,000	17,900	17,900
Less than 1 month past due			
– Secured loans	16,500	–	–
	85,009	58,045	58,045
Less: loss allowance	(5,772)	(3,763)	–
	79,237	54,282	58,045

Except for unsecured loans receivable of HK\$911,000 (as at 30th June 2018: HK\$946,640) which are denominated in Renminbi, interest-free and repayable with fixed terms agreed with a third party, all remaining loans receivable are due from third party customers, which arose from the money lending business in Hong Kong, and are denominated in Hong Kong dollars, interest bearing and repayable with fixed terms agreed with the customers.

The secured loans receivables of HK\$16,500,000 (as at 30th June 2018: HK\$16,500,000) and HK\$30,000,000 (as at 30th June 2018: HK\$Nil) are secured by unconditional personal guarantees and second mortgage on a property located in Hong Kong respectively. The remaining secured loans receivable as at 30th June 2018 was secured by share mortgage.

The maximum exposure to credit risk at each balance sheet date 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 8.5% to 18% per annum (as at 30th June 2018: 3% to 20% per annum).

Interest income of approximately HK\$4,694,000 (for the six months ended 31st December 2017: approximately HK\$3,685,000) has been recognised in "revenue" in the unaudited condensed consolidated statement of comprehensive income during the Period.

10. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2018 HK\$'000	Unaudited As at 1st July 2018 HK\$'000	Audited As at 30th June 2018 HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:			
– Clearing house, brokers and cash clients	20	160	160
Less: Impairment loss	—	—	—
Net	20	160	160
– Margin clients	18,000	18,000	18,000
Less: Impairment loss	(18,000)	(18,000)	(18,000)
Net	—	—	—
	20	160	160
Accounts receivable arising from other businesses:			
Accounts receivable – others	23,573	36,290	36,290
Less: Impairment loss	(5,981)	(6,303)	(5,515)
Net	17,592	29,987	30,775
Accounts receivable – net	17,612	30,147	30,935

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

Notes:

(a) Accounts receivable arising from clearing house, brokers and cash clients

As at 31st December 2018, the ageing analysis of the accounts receivable from clearing house, brokers and cash clients which are past due but not impaired as of the end of the reporting period was as follow:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2018	2018
	HK\$'000	HK\$'000
Neither past due nor impaired	–	147
Less than 1 month past due	–	1
More than 1 month past due	<u>20</u>	<u>12</u>
	<u>20</u>	<u>160</u>

The normal settlement terms of accounts receivable from clearing house, brokers and cash clients, which arise from the securities brokerage and margin financing business, are within two days after trade date. Accounts receivable from cash clients are repayable on demand subsequent to the settlement date.

(b) Accounts receivable arising from margin clients

Accounts receivable from margin clients, which arise from the securities brokerage and margin financing business, are repayable on demand subsequent to the settlement date.

No ageing analysis of the accounts receivable from margin clients is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of the business in margin financing.

(c) Accounts receivable arising from other businesses

As at 31st December 2018, the ageing analysis of the accounts receivable arising from other businesses, based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2018	2018
	HK\$'000	HK\$'000
1 to 90 days	2,238	3,331
91 days to 180 days	10,912	4,372
Over 180 days	4,442	23,072
	17,592	30,775

Sales of videogram products are with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms. Sales to retail customers are made in cash or via major credit cards. 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.

11. ACCOUNTS PAYABLE

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2018	2018
	HK\$'000	HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	116	5,171
– margin clients	524	694
	640	5,865
Accounts payable arising from other business	2,783	2,653
	3,423	8,518

The settlement terms of accounts payable to cash client, arising from securities brokerage and margin financing business are within two days after the trade date. Accounts payable to cash clients are repayable on demand subsequent to settlement date. Accounts payable to margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable in the amount of HK\$882,008 as at 31st December 2018 (as at 30th June 2018: HK\$7,157,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

As at 31st December 2018, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2018	2018
	HK\$'000	HK\$'000
1 to 90 days	724	712
91 days to 180 days	24	27
Over 180 days	2,035	1,914
	2,783	2,653

12. GAIN ON DISPOSAL OF FILM LIBRARY

On 9th January 2017, Universe Films Distribution Company Limited (“UFD”), a subsidiary, and an independent third party purchaser entered into a sale and purchase agreement (“**Film Library Disposal Agreement**”) to dispose of 202 feature films (“**Film Library**”) conditionally at a consideration of approximately RMB178,895,000. As at 30th June 2017, UFD has received part of the consideration of approximately HK\$108,806,000, after deducting withholding tax, which was included in other payables and accrued charges. During the year ended 30th June 2018, UFD has received the remaining portion of the consideration of approximately HK\$76,927,000. The cost of the Film Library has been almost fully amortised in previous years and the carrying value of the Film Library is approximately HK\$3,683,000 as at 21st September 2017 (date of disposal). Upon the disposal, after taking into account of all relevant expenses and exchange differences, the Group realised an one-off gain of approximately HK\$182,050,000 from the disposal. This transaction was completed on 21st September 2017. Gain on disposal of the Film Library was recognised in the statement of comprehensive income.

13. 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 claimed 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, claimed 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 to the Group for the Period.

- (b) On 1st September 2008, Koninklijke Philips Electronics N.V. (“**KPE**”) claimed 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 claimed 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.

On 6th 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**”), an indirect wholly-owned subsidiary of the Company, 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 claimed 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.

- (e) On 16th July 2018, Lucky Famous Limited (“**Lucky Famous**”) commenced Court of First Instance Action claimed against Fragrant River Entertainment Culture (Holdings) Limited (“**Fragrant River**”), an indirect wholly-owned subsidiary of the Company, and the Company for, inter alia, the sum of HK\$20.4 million as the adjustment to the consideration (the “**Adjustment Amount**”) alleged to be payable under an agreement dated 13th June 2016 (the “**Disposal Agreement**”) pursuant to which Lucky Famous purchased from Fragrant River 51% of the issued share capital of AP Group Investment Holdings Limited. Fragrant River and the Company filed a defence on 26th October 2018.

In the opinion of legal counsel, it is premature to predict the outcome of the said claims made against Fragrant River and the Company. Without admitting any liability to Lucky Famous under the Disposal Agreement, the Adjustment Amount of HK\$20.4 million was recognised as contingent consideration payable in the consolidated financial statements for the year ended 30th June 2018.

Save as disclosed above, as at 31st December 2018, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

14. DISCONTINUED OPERATIONS

During the year ended 30th June 2018, the Group ceased its business in securities brokerage and margin financing due to deterioration of operating results and financial performance during that year. The analysis of the results of discontinued operations is as follows:

	Unaudited	
	For the six months ended	
	31st December	
	2018	2017
	HK\$'000	HK\$'000
Revenue	1	7,688
Cost of revenue	<u>–</u>	<u>(217)</u>
Gross profit	1	7,471
Other income	11	109
Other (losses)/gains–net	(9)	33
Administrative expenses	(3,475)	(14,125)
Change in expected credit loss	34	–
Impairment loss of accounts receivable (net)	<u>–</u>	<u>(39)</u>
Loss before taxation from discontinued operations	(3,438)	(6,551)
Income tax credit	<u>20</u>	<u>–</u>
Loss for the year from discontinued operation	<u>(3,418)</u>	<u>(6,551)</u>
Attributable to:		
Owners of the Company	<u>(3,418)</u>	<u>(6,551)</u>
	<u>(3,418)</u>	<u>(6,551)</u>

SPECIAL DIVIDEND

Pursuant to the joint announcement of the Company and Pioneer Entertainment Group Limited (“**Pioneer Entertainment**”) dated 31st July 2018, the Company’s circular dated 24th August 2018, the Company’s announcement dated 17th September 2018 and the joint announcement of the Company and Pioneer Entertainment dated 4th October 2018, a special dividend (the “**Special Dividend**”) of HK\$0.3 per share (2017: Nil) of the Company was paid on 22nd October 2018 to the Company’s shareholders on the Company’s share register or branch share register on 11th October 2018.

INTERIM DIVIDEND

The Board recommends a special interim dividend at the rate of HK\$0.15 per Share for the six months ended 31st December 2018 (2017: Nil), totalling approximately HK\$136 million, to be paid out of the contributed surplus account of the Company (the “**Proposed Special Interim Dividend**”) to the Company’s shareholders whose names appear on the register of members of the Company on 24th April 2019. The payment of the Proposed Special Interim Dividend is conditional upon (1) the passing of an ordinary resolution by the Company’s shareholders at a special general meeting of the Company to be convened (the “**SGM**”) approving the payment of the Proposed Special Interim Dividend out of the contributed surplus of the Company pursuant to the bye-laws of the Company; and (2) the Directors being satisfied that there are no reasonable grounds for believing that the Company will be, immediately following the payment of the Proposed Special Interim Dividend, unable to pay its debts as they fall due in the ordinary course of business or the realisable value of the assets of the Company would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts. The Proposed Special Interim Dividend, if approved, will be paid on 10th May 2019.

Subject to the Company’s shareholders approving the Proposed Special Interim Dividend at the SGM, the register of members of the Company will be closed from 24th April 2019 to 25th April 2019, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for the Proposed Special Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on 23rd April 2019, for registration.

A circular containing further information about the Proposed Special Interim Dividend and the SGM, together with the notice of the SGM and the related proxy form, will be sent to the Company’s shareholders in due course.

As the Proposed Special Interim Dividend is subject to the approval by the Company’s shareholders at the SGM, it may or may not be paid. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

CHANGE OF COMPANY NAME

As announced on 31st July 2018, the Board proposed to change the name of the Company from “Universe International Financial Holdings Limited” to “Universe Entertainment and Culture Group Company Limited” and to adopt “寰宇娛樂文化集團有限公司” as the secondary name in Chinese of the Company to replace its secondary name in Chinese “寰宇國際金融控股有限公司” (the “**Change of Company Name**”). The Change of Company Name provides the Company with a better identification and strengthen the Company’s corporate image, which will benefit the Company’s future business development.

As announced on 16th October 2018, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 26th September 2018 certifying the change of English name of the Company from “Universe International Financial Holdings Limited” to “Universe Entertainment and Culture Group Company Limited”, and the adoption of “寰宇娛樂文化集團有限公司” as the secondary name in Chinese of the Company to replace its secondary name in Chinese “寰宇國際金融控股有限公司”. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 11th October 2018 confirming the registration of the new English name “Universe Entertainment and Culture Group Company Limited” and the new Chinese name “寰宇娛樂文化集團有限公司” in Hong Kong under Part 16 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group recorded a loss of approximately HK\$49.7 million (2017: approximately HK\$6.1 million) for the Period. The increase in loss for the Period is mainly due to the net effect of :

- (i) the decrease of the fair value loss arising from the change in fair value of financial assets at fair value through profit or loss in the securities investments business segment of approximately HK\$101.4 million from of approximately HK\$104.2 million for the six months ended 31st December 2017 to approximately HK\$2.8 million for the Period; and
- (ii) the Group recorded a gain on disposal of the 202 feature films of approximately HK\$182.1 million for the six months ended 31st December 2017 (the “**Disposal of Film Library**”) and also recorded directors and staff bonus of approximately HK\$35.6 million in connection with the Disposal of Film Library for the six months ended 31st December 2017. However, there were no such gain and directors and staff bonus occurred during the Period.

The Group's unaudited consolidated revenue for the Period was approximately HK\$28.3 million, representing a decrease of approximately 43.6% as compared to the revenue of approximately HK\$50.2 million for the same period last year. The decrease in revenue was mainly due to the decrease of the revenue from films distribution and exhibition, licensing and sub-licensing of film rights business segment as further elaborated below.

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

Revenue from this business segment during the Period was approximately HK\$5.0 million, representing a decrease of approximately 81.5% as compared to approximately HK\$27.1 million in the same period last year. It accounted for approximately 17.8% (2017: approximately 53.9%) of the Group's revenue during the Period. The significant decrease in revenue from this business segment was mainly due to the absence of new films released during the Period under review. The Group released 3 new films during the same period last year.

The China market is one of the largest film markets in the world. According to the information released by the Film Division of the State Administration of Press, Publication, Radio, Film and Television, the total box office of China in 2017 reached RMB55.91 billion, representing a year-on-year increase of approximately 13%. In 2018, the total accumulated box office of China hit record high and reached approximately RMB60.98 billion in 2018, up by approximately 9% year-on-year. As box office of China continues to set new record and the Board is optimistic about the growth of the film distribution and exhibition, licensing and sub-licensing of film rights business segment.

In response to the growing demand for high-quality of entertainment experience in China, the Group will continue to invest in original production of quality films and will put more resources into large-scale film productions that enables broader and deeper market penetration. The Group expects to release a number of new films, including a blockbuster film called "White Storm 2 – Drug Lords" (「掃毒2天地對決」), directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華), Louis Koo (古天樂), Michael Miu (苗僑偉), Karena Lam (林嘉欣), Kent Cheng (鄭則士) and Cherrie Ying (應采兒) and a new film called "Atonement" (「阿龍」) wrote, directed and performed with break through by Ronald Cheng (鄭中基) and starring Chrissie Chau (周秀娜) and Philip Keung (姜皓文) in 2019. During the year 2019, the Group will start the shooting another blockbuster film called "Shock Wave 2" (「拆彈專家2」) directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華), Sean Lau (劉青雲) and Ni Ni (倪妮) and expects to release it in 2020. In addition, the Group plans to invest and produce 2 movies, 1 TV drama and around 10 on-line movies in the People's Republic of China (which excludes Hong Kong for the purpose of this announcement (the "PRC")) in 2019.

Segmental loss from this business segment during the Period was approximately HK\$12.4 million, (2017: segmental profit: approximately HK\$141.5 million). The significantly increase in segmental loss is mainly due to the decrease of the revenue during the Period and the Group recorded a gain on disposal of the 202 feature films of approximately HK\$182.1 million (the **“Disposal of Film Library”**) and also recorded directors and staff bonus of approximately HK\$35.6 million in connection with the Disposal of Film Library in the same period last year. However, there were no such disposal and directors and staff bonus occurred during the Period.

Trade, wholesale and retail of optical, watches products

Revenue from this business segment during the Period was approximately HK\$16.0 million, representing a decrease of approximately 6.4% as compared to approximately HK\$17.1 million in the same period last year. Revenue from this business segment included the revenue of approximately HK\$5.1 million (2017: approximately HK\$3.3 million) from the trading, wholesaling and retailing of optical products under a management and license agreement with the right to use the trade name of “**茂昌眼鏡 Hong Kong Optical**” in certain premises (**“Optical Business”**) in Hong Kong and the revenue of approximately HK\$10.9 million (2017: approximately HK\$13.8 million) from the trading, wholesaling and retailing of watches products in the PRC (**“Watches Business”**). It accounted for approximately 56.7% (2017: approximately 34.0%) of the Group’s revenue during the Period.

The revenue of the Optical Business was improving during the Period. The number of optical retail shops operated by the Group increased from 2 as at 30th June 2018 to 5 as at 31st December 2018. The Group will continue to open new optical shops in Hong Kong and the PRC to increase the clientele and market share of the Optical Business.

The Watches Business was continuously affected by the keen competition from online sales of watches products and the persistent slowdown in economic growth in the PRC. The Group closed down 2 non-performing watches retail shops and opened 3 new watches retail shops during the Period. As at 31st December 2018, the Group operated 11 watches retails shops in the PRC. The Group will continue to adjust the locations and products branding of the watches retails shops and close down non-performing watches retail shops to improve the shop productivity and cost efficiencies of the Watches Business.

Segmental loss from this business segment during the Period was approximately HK\$3.4 million, representing a decrease of approximately 35.8% as compared to approximately HK\$5.3 million in the same period last year. The decrease in segmental loss is mainly due to the effective cost control measures and the improvement of the profitability of retail shops.

Apart from the Optical Business, the Group also owned a 28% (2017: 28%) equity interest of Hong Kong Optical Company Limited (“**HK Optical**”) which is principally engaged in trading, wholesaling and retailing of optical products and owns the trade name of “茂昌眼鏡 Hong Kong Optical” in Hong Kong. According to the unaudited management account of HK Optical for the six months ended 31st December 2018, the unaudited revenue of HK Optical during the Period was approximately HK\$28.1 million, representing an increase of approximately 18.6% as compared to approximately HK\$23.7 million in the same period last year. HK Optical recorded an unaudited profit of approximately HK\$2.1 million for the Period (2017: loss of approximately HK\$2.3 million).

Securities investments

As at 31st December 2018, the carrying value of the securities investments (recorded as trading securities in the consolidated balance sheet) was approximately HK\$24.2 million (as at 30th June 2018: approximately HK\$49.4 million).

Below is the list of the material trading securities held by the Group as at 31st December 2018:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 31st December 2018 (approximately %)	Market/ Fair value as at 31st December 2018 (Note 1) (approximately HK\$'000)	Percentage to the Group's total assets as at 31st December 2018 (approximately %)	Percentage to the Group's net assets as at 31st December 2018 (approximately %)	Percentage to the Group's total trading securities as at 31st December 2018 (approximately %)	Unrealised gain/(loss) on change in fair value for the Period (approximately HK\$'000)	Dividend income for the Period (approximately HK\$'000)
HSBC Holdings plc	2	England	200,000	less than 1	12,960	1.7	2.2	53.5	(1,966.5)	313.5
First Credit Finance Group Limited	3	Bermuda	150,000,000	4.1	9,451	1.2	1.6	39.0	–	–
					<u>22,411</u>	<u>2.9</u>	<u>3.8</u>	<u>92.5</u>	<u>(1,966.5)</u>	<u>313.5</u>

Notes:

- The percentage is calculated with reference to the then latest monthly return as at 31st December 2018 of the investee company publicly available on the website of the Stock Exchange (where applicable).
- HSBC Holdings plc (“**HSBC**”) is the banking and financial services company. The shares of HSBC (stock code: 0005) are listed on the Main Board. As disclosed in the latest annual report of HSBC, HSBC recorded an audited consolidated profit for the year of approximately US\$15,025 million for the year ended 31st December 2018.

As disclosed in the latest annual report of HSBC for the year ended 31st December 2018, HSBC's revenue performance in January was ahead of their plan for the month and actual credit performance remained robust, albeit with some softening of credit performance in the United Kingdom ("UK"). HSBC continue to prepare for the UK's departure from the European Union ("EU") in order to provide continuity for their customers in the UK and mainland Europe. Their well-established universal bank in France gives them a major advantage in this regard. Their immediate priority is to help their customers manage the present uncertainty. Despite more challenging market conditions at the end of the year and a weaker global economic outlook, HSBC are committed to the targets they announced in June. HSBC remain alert to the downside risks of the current economic environment, especially those relating to the UK economy, global trade tensions and the future path of interest rates. HSBC will be proactive in managing costs and investment to meet the risks to revenue growth where necessary, but HSBC will not take short-term decisions that harm the long-term interests of the business. HSBC plan to achieve positive adjusted jaws in 2019 and remain focused on achieving a return on tangible equity of over 11% by 2020, while maintaining a stable dividend.

3. First Credit Finance Group Limited ("**First Credit**") and its subsidiaries are principally engaged in money lending business and securities trading business. The shares of First Credit (stock code: 8215) are listed on the GEM. As disclosed in the latest annual report of First Credit, First Credit recorded an audited consolidated profit of approximately HK\$52.9 million for the year ended 31st December 2017.

In connection with the re-focusing of the Group's business operations as announced on 25th May 2016, the Company decided to change the purpose of holding First Credit from short-term trading to long-term investments. For the purpose of complying with the applicable accounting standards, the securities investments of First Credit are included in financial assets at fair value through profit or loss as current assets in the consolidated balance sheet for the accounting purpose despite the purpose of holding is a long-term investment.

On 24th November 2017, First Credit announced that the Securities and Futures Commission ("**SFC**") had exercised its powers under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) to direct the Stock Exchange to suspend all dealings in the shares of First Credit with effect from 9:00 a.m. on 24th November 2017. Based on the valuation performed by the directors of the Company, the fair value of the shares of First Credit was approximately HK\$0.063 per shares as at 31st December 2018.

As disclosed in the latest quarter report of First Credit for the nine months period ended 30th September 2018, Looking forward, with the ultimate aim to maximize value for shareholders and enhance its position in the competitive industry, First Credit would continue to strive for maintaining revenue growth and credit quality on the basis of its experience in money lending business. In consideration of the potential development of the securities market, First Credit would consider exploring the possibility of other securities related business apart from the provision of securities brokerage services. Meanwhile, First Credit would closely monitor its capital base and ensure sufficient funding is maintained through various means to capture and support different potential opportunities.

The Group recorded a fair value loss arising from the change in fair value of trading securities of approximately HK\$2.8 million for the Period (2017: approximately HK\$104.2 million).

The overall segment loss of the securities investment segment was approximately HK\$1.3 million (2017: approximately HK\$105.0 million) during the Period.

The decrease in overall segment loss is mainly due to the Group scaled down the size of the investment portfolio during the Period in respond to the volatile financial and investment markets caused by US-China trade war, rising interest rates, less-easy monetary policy in the second half of 2018.

Other financial assets

Below is the list of the material other financial assets at fair value held by the Group as at 31st December 2018:

Name of investee company	Note	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 31st December 2018	Market/ Fair value as at 31st December 2018	Percentage to the Group's total assets as at 31st December 2018	Percentage to the Group's net assets as at 31st December 2018	Percentage to the Group's total other financial assets at fair value as at 31st December 2018	Change in fair value recognised for the Period	Dividend income for the Period
				(approximately %)	(approximately HK\$'000)	(approximately %)	(approximately %)	(approximately %)	(approximately HK\$'000)	(approximately HK\$'000)
Cassia Investment Limited Partnership II	I	Cayman Islands	N/A	N/A	13,296	1.7	2.3	95.8	16,879	886.4

Note:

1. Cassia Investment Limited Partnership II (“**Cassia II**”) is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law of the Cayman Islands offering limited partnership interests for the purpose of obtaining capital appreciation through making private equity investments mainly in the consumer sector across Greater China and South East Asia, as well as in non-Asian enterprises that have a strong exposure to Asian consumers market. Cassia II intends to target companies that it believes will benefit from the growing disposable income of the Asian middle class and can capture the behavioural consumer trends that follow such growing household wealth and structured equity transactions primarily in Greater China, Thailand, Indonesia, Vietnam and the Philippines. During the Period, the Group received capital distribution of approximately HK\$34.7 million from Cassia II and recorded a loss from fair value change on other financial assets of approximately HK\$16.9 million in respect of its investment of Cassia II.

Total fair value loss arising from the change in fair value of other financial assets of approximately HK\$17.3 million was recognised during the Period (2017: impairment loss of available-for-sale financial assets of approximately HK\$12.6 million), which was mainly due to the loss from fair value change on other financial assets of approximately HK\$16.9 million in respect of its investment of Cassia II.

The value of the trading securities and the other financial assets at fair value of the Group were affected by the volatile investment market during the Period.

Looking forward, the global financial market is expected to be volatile caused by US-China trade war, rising interest rates, less-easy monetary policy. The Group will closely monitor the market/ fair value and trading volume of these financial assets at fair value through profit or loss and the available-for-sale investments held by the Group as well as its fundamentals and will adjust our position to respond to market changes in order to optimise our return.

Leasing of investment properties

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK\$0.5 million (2017: approximately HK\$0.5 million) during the Period.

The segment profit of this business segment was approximately HK\$413,000 (2017: approximately HK\$454,000) during the Period.

Money lending business

As at 31st December 2018, the Group had loans receivable of approximately HK\$78.4 million arising from money lending business, (as at 30th June 2018: approximately HK\$57.1 million) and recognised interest income of approximately HK\$4.7 million (2017: approximately HK\$3.7 million). It accounted for approximately 16.6% (2017: approximately 6.4%) of the Group's revenue during the Period.

The segment profit of this business segment was approximately HK\$1.8 million (2017: approximately HK\$2.7 million) during the Period. The decrease in segment profit is mainly due to the increase in the provision of the expected credit loss during the Period.

Due to the unstable financial and investment market and the highly competitive business environment, the Group will scale down our money lending business in coming years.

Entertainment business

This segment primarily relates to the artiste and model management and organisation of concerts. Revenue from this business segment during the Period remained stable at approximately HK\$1.7 million (2017: approximately HK\$1.9 million). Segmental profit of approximately of HK\$25,000 was recorded during the Period (2017: approximately HK\$420,000). The decrease in profit from this segment was due to the slightly decrease in turnover during the Period.

Discontinued operation – Securities brokerage and margin financing

The Company engaged in securities brokerage and margin financing business through its wholly owned subsidiary China Jianxin Financial Services Limited (“**China Jianxin**”). China Jianxin is a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the principal activities of which are provision of brokerage services and securities margin financing to clients (the “**Securities Brokerage Business**”) during the year ended 30th June 2018.

In late June 2017, there was a sharp decline in the share price of certain stocks held by China Jianxin as collateral security for its margin clients, with the percentage decline in share price of such stocks ranging from 35% to approximately 89% (the “**June Incident**”). As a result of the June Incident, a number of China Jianxin’s accounts receivable arising from securities brokerage and margin financing business became under collateralised and its excess liquid capital also decreased. China Jianxin thus made margin calls with its margin loan clients. Following the June Incident and the deterioration of China Jianxin’s margin loans during and after the June Incident and the related significant drop in its liquid capital, China Jianxin received a letter from the SFC, wherein the SFC, among other things, had identified certain deficiencies of China Jianxin’s margin loan operations and its failure to comply with certain requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC (“**Code of Conduct**”). In such connection, the SFC had instructed China Jianxin to refrain from providing further margin lending or other form of financial accommodation to clients until it had fully complied with the applicable Code of Conduct requirements. The SFC had also instructed China Jianxin to prevent further deterioration of its financial position, including maintaining sufficient cash reserves to maintain its business operations for a reasonable amount of time, ceasing to apply imprudent margin lending practices, and tightening and formalising its margin lending policy. China Jianxin had undertaken to the SFC to implement the measures required by the SFC to address the identified deficiencies and risk concerns satisfactorily within a reasonable period of time, failure of which would result in the SFC taking further action including the imposition of conditions on China Jianxin’s licence.

Nevertheless, given the current restrictions imposed by the SFC on China Jianxin, and the consequential loss of clientele, significant drop in its business and revenue and the continuing increase in the loss of the Securities Brokerage Business, the Group ceased the Securities Brokerage Business on 30th June 2018.

The Group recorded the loss before tax from the discontinued Securities and Brokerage Business of approximately HK\$3.4 million (2017: approximately HK\$6.6 million) during the Period.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 51% (2017: approximately 58%) of the Group's revenue during the Period.

Selling expenses

Selling expenses for the Period decreased by approximately 14.3% to approximately HK\$5.4 million as compared to approximately HK\$6.3 million in the same period last year. The decrease in selling expenses was mainly due to the cost saving from the cost control measures.

Administrative expenses

Administrative expenses for the Period decreased by approximately 54.8% to approximately HK\$35.0 million as compared to approximately HK\$77.4 million in the same period last year. The decrease in administrative expenses was mainly due to the absence of the payment of the directors and staff bonus of approximately HK\$35.6 million in connection with the Disposal of the Film Library and the absence of the sharebased compensation expenses of approximately HK\$10.5 million in relation to the grant of share options under the Share Option Scheme (as defined below) recorded in the same period last year.

Update on the adjustment to the consideration of AP Group Investment Holdings Limited

On 12th October 2015, Fragrant River Entertainment Culture (Holdings) Limited ("**Fragrant River**"), a wholly owned subsidiary of the Company entered into a sale and purchase agreement ("**AP Acquisition Agreement**") with two independent third party vendors, namely Very Easy Limited ("**Very Easy**") and City Link Consultancy Limited ("**City Link**"), and their respective ultimate beneficial owners, namely Chan Sze Long ("**Chan**") and Lim Wah Elsa ("**Lim**"), as guarantors to acquire 51% equity interest of AP Group Investment Holdings Limited ("**AP Group**") at a consideration of HK\$20,400,000 (subject to downward adjustment in respect of the guaranteed profit as described in the AP Acquisition Agreement) (the "**AP Acquisition**"). AP Group and its subsidiaries were principally engaged in the provision of education and training programs in relation to self-improvement and self-enhancement in Hong Kong and the PRC. The AP Acquisition was completed on 14th December 2015.

On 13th June 2016, (i) Fragrant River as the vendor and the Company as the guarantor of Fragrant River; and (ii) Lucky Famous, an independent third party entered into a disposal agreement (the "**AP Disposal Agreement**") pursuant to which Fragrant River sold to Lucky Famous the 51% of the equity interest of AP Group at the consideration of HK\$20,400,000 (the "**Consideration**") subject to downward adjustments as described below (the "**AP Disposal**"). The amount of the Consideration was the same as the consideration for the AP Acquisition. Completion of the AP Disposal took place on 1st July 2016.

Under the AP Disposal Agreement, in the event that the audited consolidated profit after tax of the AP Group attributable to owners of the AP Group for the period from 1st January 2016 to 31st December 2017 (“**FY 2016 & 2017**”) (which would only include income or gain generated by activities in the ordinary and usual course of business of AP Group and its subsidiaries) (the “**FY 2016 & 2017 Net Profit**”) is less than HK\$16,000,000, the Group should pay to Lucky Famous (or to its order) the Adjustment Amount (as defined below) in cash within fourteen (14) days after the audited consolidated financial statements of AP Group for the period of FY 2016 & 2017 (“**FY 2016 & 2017 Audited Accounts**”) are available.

The adjustment amount under the AP Disposal Agreement (the “**Adjustment Amount**”) will be determined in accordance with the formula set out below:

$$A = \text{HK\$}20,400,000.00 - (\text{NP}/2) \times 5 \times 51\%$$

Where:

“A” means the amount of Adjustment Amount in HK\$; and “NP” means the FY 2016 & 2017 Net Profit. Where the FY 2016 & 2017 Net Profit is a negative figure, “NP” shall be deemed to be zero.

The FY 2016 & 2017 Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards and audited, at the cost of AP Group, by an accounting firm as approved by Lucky Famous, adjusted for any non-recurring items.

Such downward adjustment mechanism for the Consideration under the AP Disposal Agreement depending on the actual performance of the AP Group for the FY 2016 & 2017 is virtually in the same terms as the downward adjustment mechanism of the consideration in respect of the AP Acquisition from Very Easy and City Link under the AP Acquisition Agreement. Details of such acquisition are set out in the Company’s announcement dated 12th October 2015.

In the event there is a shortfall between the FY 2016 & 2017 Net Profit and the target profit of the AP Group for FY 2016 & 2017 of HK\$16,000,000 under the AP Acquisition Agreement, an adjustment amount under such agreement (the “**Contingent Consideration Receivable**”) is payable by Very Easy and City Link, being the vendors under the AP Acquisition, to the Group within 7 days after the FY 2016 & 2017 Audited Accounts for the purpose of the AP Acquisition Agreement are available. The obligations of Very Easy and City Link to pay such adjustment amount to the Group are guaranteed by their respective beneficial owners.

As mentioned above, in the event there is a shortfall between the FY 2016 & 2017 Net Profit and the target profit of the AP Group for FY 2016 & 2017 of HK\$16,000,000 under the AP Disposal Agreement, an adjustment amount under such agreement (the “**Contingent Consideration Payable**”) is payable by the Group to Lucky Famous within 14 days after the FY 2016 & 2017 Audited Accounts for the purpose of the AP Disposal Agreement are available.

On 12th June 2018, the Group received a demand letter (the “**Demand Letter**”) from Lucky Famous whereby it was alleged that the AP Group recorded a net loss of HK\$189,799 based on the alleged FY2016 & FY2017 Audited Accounts dated 11th June 2018. As set out in the Demand Letter, Lucky Famous demanded Fragrant River or the Company to fully pay the amount of HK\$20,400,000 (the “**Alleged Claim**”), being the alleged Adjustment Amount pursuant to the terms and conditions of the AP Disposal Agreement, to Lucky Famous on or before 26th June 2018, and upon default, steps would be taken by Lucky Famous to enforce its rights under the AP Disposal Agreement without further notice.

In response to the Lucky Famous Demand Letter, Fragrant River and the Company have through the letter from their legal advisers dated 22nd June 2018 stated that they would defend the purported claim of Lucky Famous for the payment of the Adjustment Amount under the AP Disposal Agreement as alleged by it.

In light of the Lucky Famous Demand Letter and the alleged net loss of the AP Group for FY 2016 & 2017, and in order to protect the interest of the Group, but without admitting any liability to Lucky Famous under the AP Disposal Agreement, Fragrant River issued corresponding demand letters all dated 22nd June 2018 (collectively, the “**Fragrant River Demand Letters**”) to Very Easy, City Link, Chan and Lim, respectively demanding the payment of an amount of HK\$20,400,000 (the “**Fragrant River Claim**”) to Fragrant River within seven (7) days from the date of the Fragrant River Demand Letters pursuant to the terms and conditions of the AP Acquisition Agreement, and if default, Fragrant River would take further action to protect its interest without further notice.

On 16th July 2018, Lucky Famous as the plaintiff commenced court action (HCA No. 1646 of 2018) at the Court of First Instance of the High Court of Hong Kong against Fragrant River as the 1st defendant and the Company as the 2nd defendant (the “**Lucky Famous Action**”). Lucky Famous claimed against Fragrant River and the Company for (a) the Adjustment Amount of HK\$20,400,000; (b) interests; (c) costs; and (d) further and/or other relief. Fragrant River and the Company filed the defence on 26th October 2018.

Notwithstanding the Fragrant River Demand Letters, no payment under the AP Acquisition Agreement is received from any of Very Easy, City Link, Chan or Lim up to the date of this announcement.

The Company is in the course of seeking legal advice in respect of the Lucky Famous Action and any possible action that may be taken against Very Easy, City Link, Chan and/or Lim in respect of the Fragrant River Claim. The Company will keep the shareholders and potential investors of the Company informed of any further significant developments as and when appropriate.

Without admitting any liability to Lucky Famous under the AP Disposal Agreement and also without prejudice to any right against Very Easy, City Link, Chan and/or Lim under the AP Acquisition Agreement, the Group has recorded the fair value of the Contingent Consideration Receivable and Contingent Consideration Payable, at approximately HK\$3.8 million (as at 30th June 2018: approximately HK\$3.8 million) and approximately HK\$20.4 million (as at 30th June 2018: approximately HK\$20.4 million) respectively as at 31st December 2018 in accordance with the Hong Kong Financial Reporting Standards, which is based on the best estimation of the Directors taking into account the financial statements of AP Group in 2016 and 2017 and the discount rate factors in estimating the fair value.

OUTLOOK

Looking forward, the Group will continue to produce and invest in quality films and movies to capture the opportunities of China entertainment market and we will continue to explore cooperation and investment opportunities in artiste and model management and organization of concert with an aim to enrich our portfolio and broaden our income stream in the film distribution and exhibition, licensing and sub-licensing of film rights business segment and entertainment business segment.

In view of the improving performance of the Optical Business and HK Optical, the Group will put more resources to open new retails shops with good prospectus in Hong Kong and China to increase the revenue and improve the profitability of this business.

Taking into account the unstable financial and investment market and the highly competitive business environment of money lending in 2018, the Group will take cautious approach in making new investment and will scale down the securities investments and money lending business in coming years.

FINANCIAL RESOURCES/LIQUIDITY

As at 31st December 2018, the Group had cash balances of approximately HK\$331.4 million (as at 30th June 2018: approximately HK\$522.3 million).

As at 31st December 2018, the Group had total assets of approximately HK\$770.1 million (as at 30th June 2018: approximately HK\$1,081.4 million).

The decrease in cash balance and total asset of the Group during the Period was mainly to the payment of Special Dividend of totally approximately HK\$272.0 million on 22nd October 2018.

The Group's gearing ratio as at 31st December 2018 was approximately 0.003% (as at 30th June 2018: approximately 0.003%), which was calculated on the basis of the Group's total debt (including borrowings, obligations under finance lease and bank overdraft) divided by total equity of the Group.

The Group did not incur any financial cost for the Period (for the six months ended 31st December 2017: HK\$1.7 million).

In light of the fact that most of the Group's transactions are denominated in Hong Kong dollars, Renminbi and United States dollars, the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. The Group will continue to take proactive measures and monitor its exposure to the movements of these currencies closely.

As at 31st December 2018, current ratio (defined as total current assets divided by total current liabilities) was approximately 3.0 (as at 30th June 2018: approximately 5.19).

CAPITAL STRUCTURE

As at 31st December 2018, the Group had shareholders' capital of approximately HK\$9.1 million (as at 30th June 2018: approximately HK\$9.1 million). The shareholders' capital of the Company is constituted of 906,632,276 shares.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2018, none of the Group's assets was pledged to secure any liabilities (As at 30th June 2018: None).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2018, the Group had 64 staff (as at 30th June 2018: 110). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits include 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 Company conditionally approved and adopted a share option scheme in compliance with the Listing Rules (the "**Share Option Scheme**"). Details of the Share Option Scheme are as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant share options to selected Participants (as defined below) as incentive and/or rewards for their contributions and support to the Group and any invested entity.

(2) Participants of the Share Option Scheme

The Board may, at its discretion, invite any person belonging to any of the following classes of participants for their contributions and support to the Group and any invested entity (the “**Participants**” and individually, a “**Participant**”) to take up share options to subscribe for shares.

- (a) any full-time employee of the Company, any of its subsidiary or any invested entity, including (without limitation) any executive director of the Company, any of its subsidiary or invested entity;
- (b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiary or any invested entity;
- (c) any supplier of goods or services to any member of the Group or any invested entity;
- (d) any customer of the Group or any invested entity;
- (e) any person or entity that provides research, development or other technical support to the Group or any invested entity;
- (f) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any invested entity; and
- (h) any joint venture partner or counter-party to business operation or business arrangements of the Group.

(3) Maximum number of share options available for issue under the Share Option Scheme

- (a) The maximum number of shares of the Company which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit; and

- (b) The maximum number of shares of the Company which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the dates of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the Company's shareholders has been obtained.

(4) Maximum entitlement of each participant

The total number of shares of the Company issued upon exercise of the share options granted and to be granted to each grantee under the Share Option Scheme and any other schemes for the time being of the Company (including both exercised and outstanding share options) in any 12-month period up to the date of grant to each grantee must not exceed 1% of the aggregate number of shares for the time being in issue.

(5) Remaining life and exercisable period of the share options

There is no general requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular share option. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of 10 years commencing on the date of grant and expiring on the last day of the said 10 year period.

(6) Payment on acceptance of the share options offer

A sum of HK\$1 is payable by the Participant on acceptance of the share option offer.

(7) Basis of determining the subscription price

The subscription price for shares under the Share Option Scheme should be a price notified by the Board to a Participant to whom any offer of the grant of a share option is made and shall be at least the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day; and (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, provided that the subscription price should not be lower than the nominal value of a share.

No share options under the Share Option Scheme was issued and outstanding during the Period.

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2018, 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 Shiu Ming, Daneil 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. Choi Wing Koon (Chairman), Mr. Lam Chi Keung and Mr. Tang Yiu Wing.

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 2018 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 2018. 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 OF LISTED ISSUERS

During the six months ended 31st December 2018, 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 had 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 2018.

On behalf of the Board
**Universe Entertainment and Culture
Group Company Limited**
Lam Shiu Ming, Daneil
Chairman and Executive Director

Hong Kong, 28th February 2019

As at the date of this announcement, the executive Directors are Mr. Lam Shiu Ming, Daneil, and Mr. Lam Kit Sun, the non-executive Director is Mr. Hung Cho Sing, and the independent non-executive Directors are Mr. Choi Wing Koon, Mr. Lam Chi Keung and Mr. Tang Yiu Wing.