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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 2019**

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 2019 (the “**Period**”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

		Unaudited	
		For the six months ended	
		31st December	
		2019	2018
	<i>Note</i>	HK\$'000	HK\$'000
			<i>(Note)</i>
CONTINUING OPERATIONS			
Revenue			
Sales of goods – video distribution, optical products and watches products		24,915	17,352
Income on film distribution and exhibition, licensing and sub-licensing of film rights		191,934	3,710
Income from other businesses		7,404	7,209
Total revenue	4	224,253	28,271

		Unaudited	
		For the six months ended	
		31st December	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
			<i>(Note)</i>
Cost of revenue			
Cost of inventories sold		(16,234)	(10,269)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(106,712)	(3,595)
Cost from other businesses		(3,257)	(345)
Total cost of revenue		(126,203)	(14,209)
Selling expenses		(6,133)	(5,446)
Administrative expenses		(43,517)	(35,034)
Change in expected credit loss		(15,444)	(1,828)
Amortisation of other intangible assets		(73)	(74)
Other gains/(losses) – net		7,445	(3,228)
Other income		484	5,321
Gains/(losses):			
Fair value change on trading securities		–	(2,777)
Fair value change on other financial assets at fair value through profit or loss		2,600	(17,347)
Finance income		472	1,546
Finance costs		(273)	–
Share of losses of associates		(1,085)	(499)
Profit/(loss) before tax	5	42,526	(45,304)
Income tax credit/(expense)	6	105	(935)
Profit/(loss) for the Period from continuing operations		42,631	(46,239)
DISCONTINUED OPERATION			
Profit/(loss) for the Period from discontinued operation	13	935	(3,418)

	Unaudited	
	For the six months ended	
	31st December	
	2019	2018
	HK\$'000	HK\$'000
		(Note)
Profit/(loss) for the Period	43,566	(49,657)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>162</u>	<u>65</u>
Other comprehensive income for the Period, net of tax	<u>162</u>	<u>65</u>
Total comprehensive income/(loss) for the Period	<u>43,728</u>	<u>(49,592)</u>
Profit/(loss) attributable to owners of the Company:		
– from continuing operations	42,966	(46,150)
– from discontinued operation	<u>935</u>	<u>(3,418)</u>
Profit/(loss) for the Period attributable to owners of the Company	<u>43,901</u>	<u>(49,568)</u>
Loss attributable to non-controlling interest:		
– from continuing operations	(335)	(89)
– from discontinued operation	<u>–</u>	<u>–</u>
Loss for the Period attributable to non-controlling interests	<u>(335)</u>	<u>(89)</u>
Total comprehensive income/(loss) for the Period attributable to:		
Owners of the Company	44,063	(49,503)
Non-controlling interests	<u>(335)</u>	<u>(89)</u>
	<u>43,728</u>	<u>(49,592)</u>

Unaudited
For the six months ended
31st December

	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note)</i>

Total comprehensive income/(loss) attributable to owners of the Company arises from:

Continuing operations	43,128	(46,085)
Discontinued operation	<u>935</u>	<u>(3,418)</u>
	<u>44,063</u>	<u>(49,503)</u>

Earnings/(loss) 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>4.84</u>	<u>(5.47)</u>
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From continuing operations

– basic and diluted	7	<u>4.74</u>	<u>(5.09)</u>
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Note:

The Group has initially applied HKFRS 16 at 1st July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2019 <i>Notes</i> <i>HK\$'000</i>	Audited As at 30th June 2019 <i>HK\$'000</i> (Note)
ASSETS			
Non-current assets			
Property, plant and equipment		5,574	4,649
Right-of-use asset		20,521	–
Investment properties		31,460	31,460
Other intangible assets		2,314	2,387
Film rights and films in progress		231,950	235,304
Interests in associates		–	1,085
Loans receivable	9	1,461	–
Loan to an associate		–	4,288
Film related deposits		64,106	74,426
Deposits paid		1,971	1,596
Deferred tax assets		281	341
Other financial assets		13,516	9,574
		<u>373,154</u>	<u>365,110</u>
Current assets			
Inventories		11,885	9,217
Accounts receivable	10	85,266	11,161
Loans receivable	9	43,822	61,630
Amount due from an associate		239	–
Deposits paid, prepayments and other receivables		39,582	87,501
Trading securities		8,691	8,691
Contingent consideration receivable		–	–
Tax recoverable		2,242	2,242
Tax certificate		–	45
Bank balances and cash – trust accounts		782	869
Cash and cash equivalents		184,394	178,228
Total current assets		<u>376,903</u>	<u>359,584</u>
Total assets		<u>750,057</u>	<u>724,694</u>

		Unaudited As at 31st December 2019 <i>Note</i> HK\$'000	Audited As at 30th June 2019 <i>(Note)</i> HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,066	9,066
Share premium		35,013	35,013
Other reserves		546,629	546,467
Accumulated losses		<u>(165,414)</u>	<u>(209,315)</u>
		425,294	381,231
Non-controlling interests		<u>(632)</u>	<u>(297)</u>
Total equity		<u>424,662</u>	<u>380,934</u>
LIABILITIES			
Non-current liabilities			
Lease liability		8,783	–
Deferred tax liabilities		<u>89</u>	<u>90</u>
		<u>8,872</u>	<u>90</u>
Current liabilities			
Accounts payable	11	18,421	10,821
Amount due to an associate		–	2,725
Other payables and accrued charges		115,547	74,610
Contingent consideration payable		20,400	20,400
Contract liabilities		127,291	193,454
Deposits received		16,451	34,923
Lease liability		11,982	7
Taxation payable		<u>6,431</u>	<u>6,730</u>
Total current liabilities		<u>316,523</u>	<u>343,670</u>
Total liabilities		<u>325,395</u>	<u>343,760</u>

	Unaudited As at 31st December 2019 <i>HK\$'000</i>	Audited As at 30th June 2019 <i>HK\$'000</i> (Note)
Total equity and liabilities	<u>750,057</u>	<u>724,694</u>
Net current assets	<u>60,380</u>	<u>15,914</u>
Total assets less current liabilities	<u>433,534</u>	<u>381,024</u>

Note:

The Group has initially applied HKFRS 16 at 1st July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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 and watches products, and provision of type-setting, translation, printing, design, distribution of financial print products and other related services (“**Financial Printing Services**”). 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 27th February 2020.

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 2019, 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 2020. 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 2019. 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 new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1st July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st July 2019. For contracts entered into before 1st July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“**leasehold investment properties**”). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 30th June 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the Group's use of the premises, and are typically subject to market rent reviews.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1st July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30th June 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30th June 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 30th June 2019 to the opening balance for lease liabilities recognised as at 1st July 2019:

	At 1st July 2019 <i>HK\$'000</i>
Operating lease commitments at 30th June 2019	22,058
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 30th June 2020	(1,878)
– leases of low-value assets	(10)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	<u>973</u>
	21,143
Less: total future interest expenses	<u>(679)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1st July 2019	20,464
Add: finance lease liabilities recognised as at 30th June 2019	<u>7</u>
Total lease liabilities recognised at 1st July 2019	<u><u>20,471</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30th June 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the balance sheet.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated balance sheet:

	Carrying amount at 30th June 2019 HK\$'000	Capitalisation of operating lease contracts HK\$'000	Carrying amount at 1st July 2019 HK\$'000
Line items in the consolidated balance sheet impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	20,384	20,384
Property, plant and equipment	4,649	(9)	4,640
Total non-current assets	365,110	20,375	385,485
Other payables and assets charge	74,610	(89)	74,521
Lease liabilities (current)	7	9,985	9,992
Current liabilities	343,670	9,896	353,566
Net current assets	15,914	(9,896)	6,018
Total assets less current liabilities	381,024	10,479	391,503
Lease liabilities (non-current)	–	10,479	10,479
Total non-current liabilities	90	10,479	10,569
Net assets	380,934	–	380,934

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 31st December 2019 HK\$'000	At 1st July 2019 HK\$'000
Included in "Right-of-use assets":		
Other properties leased for own use, carried at depreciated cost	20,521	20,375
Plant, machinery and equipment, carried at depreciated cost	–	9
	20,521	20,384
Ownership interests in leasehold interest properties, carried at fair value	31,460	31,460
	<u>51,981</u>	<u>51,844</u>

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 31st December 2019		At 1st July 2019	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<u>11,982</u>	<u>12,431</u>	<u>9,985</u>	<u>10,410</u>
After 1 year but within 2 years	6,615	6,772	7,100	7,294
After 2 years but within 5 years	<u>2,168</u>	<u>2,194</u>	<u>3,379</u>	<u>3,439</u>
	<u>8,783</u>	<u>8,966</u>	<u>10,479</u>	<u>10,733</u>
	<u>20,765</u>	<u>21,397</u>	<u>20,464</u>	<u>21,143</u>
Less: total future interest expenses		<u>(632)</u>		<u>(679)</u>
Present value of lease liabilities		<u>20,765</u>		<u>20,464</u>

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1st July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in an insignificant impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 31st December 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

Unaudited					
For the six months ended 31st December					
2019					2018
Amounts reported under HKFRS 16 (A) HK\$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK\$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note (i)) (C) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK\$'000	Compared to amounts reported for 2018 under HKAS 17 HK\$'000	
Financial result for the six months ended 31st December 2019 impacted by the adoption of HKFRS 16:					
Administrative expenses	(43,517)	5,811	(6,024)	(43,730)	(35,034)
Finance costs	(273)	273	–	–	–
Profit/(loss) before taxation from continuing operations	42,526	6,084	(6,024)	42,586	(45,304)
Profit/(loss) for the period from continuing operations	42,631	6,084	(6,024)	42,691	(46,239)
Profit/(loss) for the period	43,566	6,084	(6,024)	43,626	(49,657)
Reportable segment profit/(loss) for the six months ended 31st December 2019 (note 4) impacted by the adoption of HKFRS 16:					
– Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights	62,665	1,868	(1,826)	62,707	(12,438)
– Trading, wholesaling and retailing of optical products and watches products	(6,889)	3,040	(3,007)	(6,856)	(3,411)
– Financial printing	(3,427)	1,176	(1,191)	(3,442)	(3,635)

Unaudited
For the six months ended 31st December

	2019		2018
	Amounts reported under HKFRS 16 (A) HK\$'000	Estimated amounts related to operating leases as if under HKAS 17 (B) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK\$'000
			Compared to amounts reported under HKAS 17 HK\$'000
Line items in the condensed consolidated cash flow statement for the six months ended 31st December 2019 impacted by the adoption of HKFRS 16:			
Net cash generated from operating activities	34,772	(5,918)	28,854
Capital element of lease rentals paid	(5,652)	5,645	(7)
Interest element of lease rentals paid	(273)	273	–
Net cash used in financing activities	(5,925)	5,918	(7)
			(271,999)

Note (i): The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note (ii): In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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 13.

Continuing operations

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

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.

2019												
Continuing operations									Discontinued operation			
Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights	Trading, wholesaling, and retailing of optical products and watches	Leasing of investment properties	Securities investments	Money lending	Entertainment businesses	Financial printing	Elimination	Total for continuing operations	Securities brokerage and margin financing	Total for discontinued operation	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 31st December 2019 (Unaudited):												
Segment revenue												
Disaggregate by timing of revenue recognition												
- Point in time	192,804	24,045	-	-	-	95	-	216,944	1	1	216,945	
- Overtime	-	-	-	-	-	-	2,681	2,681	-	-	2,681	
- Revenue out of scope of HKFRS 15	-	-	570	-	4,058	-	-	4,628	-	-	4,628	
External revenue	192,804	24,045	570	-	4,058	95	2,681	224,253	1	1	224,254	
Inter-segment sales	-	-	-	-	-	-	293	(293)	-	-	-	
	<u>192,804</u>	<u>24,045</u>	<u>570</u>	<u>-</u>	<u>4,058</u>	<u>95</u>	<u>2,974</u>	<u>224,253</u>	<u>1</u>	<u>1</u>	<u>224,254</u>	
Segment results	62,665	(6,889)	447	(78)	(8,556)	(618)	(3,427)	43,544	935	935	44,479	
Amortisation of deferred day one gain in respect of derivative financial instrument								2,788		-	2,788	
Fair value change of other financial assets carried of fair value through profit or loss								2,600		-	2,600	
Finance income								472		-	472	
Share of losses of associates								(1,085)		-	(1,085)	
Unallocated corporate expenses								(5,793)		-	(5,793)	
Loss before tax								<u>42,526</u>		<u>935</u>	<u>43,461</u>	
As at 31st December 2019 (Unaudited):												
Reportable segment assets	410,996	34,845	31,493	8,691	43,861	5,650	8,822	544,358	7,549	7,549	551,907	
Reportable segment liabilities	<u>251,901</u>	<u>19,324</u>	<u>342</u>	<u>-</u>	<u>-</u>	<u>10,803</u>	<u>4,587</u>	<u>286,957</u>	<u>779</u>	<u>779</u>	<u>287,736</u>	

	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 and watches products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment businesses HK\$'000	Financial printing 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												
Disaggregate by timing of revenue recognition												
- Point in time	5,039	16,023	-	-	-	1,699	-	-	22,761	1	1	22,762
- Overtime	-	-	-	-	-	-	272	-	272	-	-	272
- Revenue out of scope of HKFRS 15	-	-	544	-	4,694	-	-	-	5,238	-	-	5,238
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									(10,453)		-	(10,453)
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>

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 amortisation of deferred day one gain in respect of derivative financial instrument, fair value change on other financial assets at fair value through profit or loss, finance income, share of losses of associates and unallocated corporate expenses.

Segment assets exclude unallocated other intangible assets, interests in associates, other financial assets, unallocated loan receivable, 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. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	Unaudited For the six months ended 31st December					
	2019			2018		
	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	35,997	–	35,997	267	–	267
Amortisation of other intangible assets	73	–	73	74	–	74
Depreciation of property, plant and equipment	1,347	–	1,347	1,470	35	1,505
Depreciation of right-of-use assets	5,820	–	5,820	–	–	–
Employee benefits expenses including directors' emoluments	30,703	–	30,703	20,485	1,111	21,596
Cost of inventories sold	16,234	–	16,234	10,269	–	10,269

6. INCOME TAX CREDIT/(EXPENSE)

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

	Unaudited For the six months ended 31st December					
	2019			2018		
	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	164	–	164	(982)	20	(962)
Deferred tax relating to the origination and reversal of temporary differences	(59)	–	(59)	47	–	47
Income tax credit/(expense)	105	–	105	(935)	20	(915)

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per ordinary share is calculated by dividing the profit/(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 2019 and 2018.

(i) Profit/(loss) for the Period attributable to the owners of the Company

	Unaudited	
	For the six months ended	
	31st December	
	2019	2018
	HK\$'000	HK\$'000
Profit/(loss) for the Period attributable to the owners of the Company		
– from continuing operations	42,966	(46,150)
– from discontinued operation	935	(3,418)
	<u>43,901</u>	<u>(49,568)</u>
– from continuing and discontinued operations	<u>43,901</u>	<u>(49,568)</u>

(ii) Weighted average number of ordinary shares in issue

	Number of shares	
	(in thousand)	
	2019	2018
Weighted average number of ordinary shares in issue at the end of the Period	<u>906,632</u>	<u>906,632</u>

(b) Diluted

For the six months ended 31st December 2018 and 2019, diluted loss per ordinary share equals to basic loss per ordinary share as there was no potential dilutive ordinary share outstanding during the period.

8. DIVIDENDS

	Unaudited For the six months ended 31st December	
	2019	2018
	HK\$'000	HK\$'000
Special dividend declared and paid of HK\$0.3 per share (<i>note(i)</i>)	<u>–</u>	<u>271,990</u>

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 22nd October 2018.

9. LOANS RECEIVABLE

Loans receivable from third parties

	Unaudited As at 31st December 2019 HK\$'000	Audited As at 30th June 2019 HK\$'000
Loans to third parties	47,311	66,908
Less: loss allowance	<u>(2,028)</u>	<u>(5,278)</u>
	45,283	61,630
The maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	1,461	–
– Current	<u>43,822</u>	<u>61,630</u>
	<u>45,283</u>	<u>61,630</u>

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

	Unaudited As at 31st December 2019 HK\$'000	Audited As at 30th June 2019 HK\$'000
Unsecured loans		
Not past due	4,849	23,710
Less than 30 days past due	–	5,198
31-60 days past due	–	8,000
Over 180 days past due	8,000	–
Secured loans		
Not past due	4,462	–
60-91 days past due	–	30,000
Over 180 days past due	30,000	–
	47,311	66,908
Less: loss allowance	(2,028)	(5,278)
	45,283	61,630

Except for secured loans receivables of HK\$4,462,000 which are denominated in Renminbi, interest bearing and repayable with fixed terms agreed (as at 30th June 2019: unsecured loans receivables at (i) HK\$909,840 which are denominated in Renminbi, interest-free and repayable with fixed terms agreed and (ii) HK\$1,000,000 which is denominated in Hong Kong Dollars, interest bearing and repayable with fixed terms agreed), 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\$30,000,000 (as at 30th June 2019: HK\$30,000,000) and HK\$4,462,000 (as at 30th June 2019: nil) are secured by second mortgage on a property located in Hong Kong and investment in a film-in-progress respectively.

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 2019: 3% to 18% per annum).

Interest income of approximately HK\$4,058,000 (for the six months ended 31st December 2018: approximately HK\$4,694,000) 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 2019 HK\$'000	Audited As at 30th June 2019 HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:		
– Clearing house, brokers and cash clients	16	20
Less: Impairment loss	–	–
Net	16	20
– Margin clients	–	1,500
Less: Impairment loss	–	(1,500)
Net	–	–
	16	20
Accounts receivable arising from other businesses:		
Accounts receivable – others	90,422	16,313
Less: Impairment loss	(5,172)	(5,172)
Net	85,250	11,141
Accounts receivable – net	85,266	11,161

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 2019, 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
	2019	2019
	HK\$'000	HK\$'000
Neither past due nor impaired	–	–
Less than 1 month past due	–	–
More than 1 month past due	<u>16</u>	<u>20</u>
	<u>16</u>	<u>20</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 2019, 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
	2019	2019
	HK\$'000	HK\$'000
1 to 90 days	3,108	8,693
91 days to 180 days	80,126	262
Over 180 days	<u>2,016</u>	<u>2,186</u>
	<u>85,250</u>	<u>11,141</u>

Sales of videogram products are with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms. Sales from trading and wholesaling of optical products and watches products, and provisions of financial printing services are with credit terms of 0–90 days. 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 As at 31st December 2019 HK\$'000	Audited As at 30th June 2019 HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	32	113
– margin clients	<u>506</u>	<u>516</u>
	538	629
Accounts payable arising from other business	<u>17,883</u>	<u>10,192</u>
	<u>18,421</u>	<u>10,821</u>

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\$782,000 as at 31st December 2019 (as at 30th June 2019: HK\$869,000) 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 2019, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	Unaudited As at 31st December 2019 HK\$'000	Audited As at 30th June 2019 HK\$'000
1 to 90 days	15,828	8,080
91 days to 180 days	27	48
Over 180 days	<u>2,028</u>	<u>2,064</u>
	<u>17,883</u>	<u>10,192</u>

12. PENDING LITIGATIONS

- (a) A court action was commenced in the Court of First Instance of the Hong Kong Special Administrative Region on 17th April 2002 by The Star Overseas Limited (“**Star**”), an independent third party, against Universe Entertainment Limited (“**UEL**”), an indirect wholly-owned subsidiary of the Company.

By the above action, Star alleges that a sum of US\$935,872 (equivalent to HK\$7,299,799) was payable by UEL to Star as its share of the revenue of the movie entitled “Shaolin Soccer” (the “**Movie**”).

Pursuant to an Order (the “**Order**”) made by the High Court on 21st February 2003, UEL was ordered and had paid to Star a sum of HK\$5,495,700, being part of the licence fee of the Movie received by UEL from Miramax Films (being the licensee of the Movie) and which was also part of the sum claimed by Star. Pursuant to the Order, UEL is also liable to pay Star interest in the sum of HK\$350,905 and some of the costs of the application leading to the making of the Order, all of which have been settled. As the Order has not disposed of all the claims of US\$935,872 (equivalent to HK\$7,299,799) by Star, UEL is entitled to continue to defend the claim by Star for recovering the remaining balance in the sum of approximately HK\$1,804,099 (HK\$7,299,799 less HK\$5,495,700).

On 30th April 2002, UEL 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. Lucky Famous applied to amend the writ and statement of claim to join Chan Sze Long and Lim Wah Elsa as defendants in the Lucky Famous Actions for certain claims against them. The Court allowed the application of Lucky Famous on 24th September 2019.

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 period ended 31st December 2019.

Save as disclosed above, as at 31st December 2019, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

13. DISCONTINUED OPERATION

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 operation is as follows:

	Unaudited	
	For the six months ended	
	31st December	
	2019	2018
	HK\$'000	HK\$'000
Revenue	1	1
Cost of revenue	–	–
Gross profit	1	1
Other income	35	11
Other losses	(26)	(9)
Administrative expenses	(575)	(3,475)
Change in expected credit loss	1,500	34
Profit/(loss) before taxation from discontinued operation	935	(3,438)
Income tax credit	–	20
Profit/(loss) for the period from discontinued operation	935	(3,418)
Attributable to:		
Owners of the Company	935	(3,418)
	935	(3,418)

SPECIAL DIVIDEND

No special dividend was declared and paid by the Company for the Period.

For the six months ended 31st December 2018, 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 of HK\$0.3 per share 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

No interim dividend was declared and paid by the Company for the Period.

For the six months ended 31st December 2018, a special interim dividend of HK\$0.15 per share of the Company was paid on 10th May 2019 to the Company’s shareholders on the Company’s share register or branch shares register on 24th April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit of approximately HK\$43.6 million for the Period against a net loss of approximately HK\$49.7 million for the six months period ended 31st December 2018. The Group’s revenue increased significantly from approximately HK\$28.3 million to approximately HK\$224.3 million during the Period. The increase in profit and revenue during the Period are mainly due to the satisfactory performance of the new blockbuster film called “White Storm 2 – Drug Lords” (“掃毒2天地對決”) released by the Group during the Period.

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

Revenue from this business segment during the Period was approximately HK\$192.8 million, representing an increase of approximately 38.6 times as compared to approximately HK\$5.0 million in the same period last year. It accounted for approximately 86.0% (2018: approximately 17.8%) of the Group’s revenue during the Period.

The Group recorded a segmental profit of approximately HK\$62.7 million from this business segment for the Period against a segmental loss of approximately HK\$12.4 million for the six months period ended 31st December 2018.

The significantly increase of the revenue and profit from this business segment is mainly due to the satisfactory performance of the new film during the Period. In particular, the Group released a new 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) in July 2019 and recorded a remarkable box office of approximately RMB1.3 billion in the PRC. However, no new films was released by the Group for the six months period ended 31st December 2018.

The Group continues to invest in original production of quality films in Hong Kong and China. The Group expects to release a new 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 another new film called “Atonement” (“阿龍” wrote, directed and performed with breakthrough by Ronald Cheng (鄭中基) and starring Chrissie Chau (周秀娜) and Philip Keung (姜皓文) in 2020. In addition, the Group plans to invest and produce 2 movies and around 8 on-line movies in the People’s Republic of China (which excludes Hong Kong for the purpose of this announcement (the “**PRC**”)) in 2020.

However, China’s film market is expected to be hit with massive losses in the first half of 2020 as the bulk of the country’s theaters have shut down in the wake of the new coronavirus outbreak. We will closely monitor the situation and adjust our plan and strategy from time to time to cope with the coming challenging environment.

Trade, wholesale and retail of optical, watches products

Revenue from this business segment during the Period was approximately HK\$24.0 million, representing an increase of approximately 50.0% as compared to approximately HK\$16.0 million in the same period last year. Revenue from this business segment included the revenue of approximately HK\$17.7 million (2018: approximately HK\$5.1 million) mainly 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 (“**HK Optical Business**”) in Hong Kong and the revenue of approximately HK\$6.3 million (2018: approximately HK\$10.9 million) from the trading, wholesaling and retailing of watches and optical products in the PRC (“**PRC Watches & Optical Business**”). It accounted for approximately 10.7% (2018: approximately 56.7%) of the Group’s revenue during the Period.

The revenue of the HK Optical Business was increasing during the Period. The number of optical retail shops operated by the Group in Hong Kong increased from 5 as at 31st December 2018 to 11 as at 31st December 2019 with the aim to increase the market shares in Hong Kong.

The revenue of the PRC Watches & Optical Business decreased during the Period as compared to the same period last year. The Group continued closing down the non-performing watches retail shops during the Period. The number of the watch retail shops operated by the Group decreased from 11 as at 31st December 2018 to 5 as at 31st December 2019. On the other hand, we operated 2 (2018: Nil) optical retail shops under our own trade name of “寰宇茂昌” in Shenzhen and Beijing, to start our optical business in the PRC.

Segmental loss from this business segment during the Period was approximately HK\$6.9 million, representing an increase of approximately 102.9% as compared to approximately HK\$3.4 million in the same period last year. The increase in segmental loss is mainly due to (i) the marked deterioration in the retail sector in Hong Kong as a result of the mass protests and civil unrest in Hong Kong since June 2019; and (ii) the on-going Sino-US trade slowed down the growth of the China's economy and the consumer market in both Hong Kong and PRC during the Period.

Apart from the HK Optical Business, the Group also owned a 34.5% (2018: 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 2019, the unaudited revenue of HK Optical during the Period was approximately HK\$14.0 million, representing a decrease of approximately 50.2% as compared to approximately HK\$28.1 million in the same period last year. HK Optical recorded an unaudited loss of approximately HK\$2.4 million for the Period (2018: profit of approximately HK\$2.1 million).

The Optical and Watch Business of the Group will be taking over a time of unprecedented challenges in coming year. The watches and optical consumer market of Hong Kong and China will be continued negatively affected by the on-going Sino-US trade and the continued social unrest in Hong Kong as well as the fast wide spreading new coronavirus in Hong Kong and the PRC in the first half of 2020. Therefore, the downside trend of the Group's Optical and Watch Business will continue and deteriorate in the first half of 2020. In the long term, we are still optimistic about our optical and watch business in Hong Kong and the PRC amidst the continuously growth of China's economy and the development of the Greater Bay Area, including the Express Railway Link and the Hong Kong-Zhuhai-Macau Bridge as well as the supportive policies of the Central Government, which will benefit the China and Hong Kong retail industry in the long run.

Securities investments

Below is the list of the material trading securities held by the Group as at 31st December 2019:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage to total issued share capital of the investee company	Fair value	Percentage to the Group's total assets	Percentage to the Group's net assets	Percentage to the Group's total trading securities	Unrealised gain/(loss) on change in fair value for the Period	Dividend income for the Period from such investment
				as at 31st December 2019	as at 31st December 2019	as at 31st December 2019	as at 31st December 2019	as at 31st December 2019	as at 31st December 2019	as at 31st December 2019
				(Note 1)						
				(approximately %)	(approximately HK\$'000)	(approximately %)	(approximately %)	(approximately %)	(approximately HK\$'000)	(approximately HK\$'000)
First Credit Finance Group Limited	2	Bermuda	150,000,000	4.1	6,900	0.9	1.6	79.4	-	-

Notes:

- The percentage is calculated with reference to the then latest monthly return as at 31st December 2019 of the investee company publicly available on the website of the Stock Exchange (where applicable).
- 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 GEM. As disclosed in the latest annual report of First Credit, the revenue of the First Credit was approximately HK\$92.8 million for the year ended 31st December 2018 (2017: approximately HK\$116.2 million), representing a decrease of approximately 20.2% compared to the same period in last year. First Credit recorded a profit for the year of approximately HK\$25.9 million for the year ended 31st December 2018 (2017: approximately HK\$52.9 million), representing a decrease of approximately 51.0% compared to the same period in last year.

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 were included in trading securities 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 of Hong Kong (“**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 best estimate of the Directors, the fair value of the shares of First Credit was approximately HK\$0.046 per share (As at 30th June 2019: approximately HK\$0.046 per share) as at 31st December 2019.

As disclosed in the latest quarter report of First Credit for the nine-month period ended 30th September 2019. First Credit recorded a loss attributable to owners of the First Credit of approximately HK\$49.90 million when compared to a profit attributable to owners of the First Credit of approximately HK\$23.17 million for the nine months ended 30th September 2018. The turnaround from profit to loss was mainly attributable to the significant increase in impairment loss on loans receivable for the review period. First Credit is proactively exploring further potential investment opportunities, including but not limited to investments in bonds, debt instruments, listed equity securities or project-based investments, subject to the prevailing market condition and taking into account the interest of the First Credit and its shareholders as a whole. Looking forward, with the ultimate aim to maximise value for shareholders and enhance its position in the competitive industry, First Credit will continue to strive for maintaining revenue growth and credit quality on the basis of its experience in money lending business. Meanwhile, First Credit will closely monitor its capital base from time to time to ensure sufficient funding is maintained through various means for capturing and supporting different potential opportunities.

The overall segment loss of the securities investment segment was approximately HK\$78,000 (2018: approximately HK\$1.3 million) during the Period.

The decrease in overall segment loss is mainly due to the scale down of the investment activities of the Group amid the uncertainty market circumstance during the Period.

Other financial assets

Below is the list of the material other financial assets at fair value held by the Group as at 31st December 2019:

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 2019	Fair value as at 31st December 2019	Percentage to the Group's total assets as at 31st December 2019	Percentage to the Group's net assets as at 31st December 2019	Percentage to the Group's total other financial assets as at 31st December 2019	Change in fair value for the Period	Return of invested capital	Dividend income for the Period
				(approximately %)	(approximately HK\$'000)	(approximately %)	(approximately %)	(approximately %)	(approximately HK\$'000)	(approximately HK\$'000)	(approximately HK\$'000)
Cassia Investment Limited Partnership II	1	Cayman Islands	N/A	N/A	8,353.2	1.1	2.0	61.8	2,600.7	1,446.2	-
Promising Social Media Private Equity Fund	2	Cayman Islands	1,982,215	21.08	317.0	less than 0.1	0.1	2.3	-	-	-
Derivative financial instruments	2	N/A	N/A	N/A	4,846.0	0.6	1.1	35.9	2,788.0	-	-
					<u>13,516.2</u>	<u>1.8</u>	<u>3.2</u>	<u>100.0</u>	<u>5,388.7</u>	<u>1,446.2</u>	<u>-</u>

Notes:

1. Cassia Investment Limited Partnership II (“**Cassia II**”) is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law of 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. Up to 31st December 2019, the Group has subscribed for the limited partnership interest of Cassia II of approximately US\$7.9 million (approximately HK\$61.2 million) (2018: same).
2. Promising Social Media Private Equity Fund (the “**PSM Fund**”) is a close-ended investment fund incorporated in the Cayman Islands on 5th February 2014 under the laws of the Cayman Islands as an exempted company with limited liability. The PSM Fund is not a regulated mutual fund for the purposes of the Mutual Funds Law (Revised) of the Cayman Islands. The principal investment objective of the PSM Fund is to maximize capital growth through investing businesses which are engaged in or derive a significant proportion of their income from the field of social media. The PSM Fund commenced operation on 29th April 2015. Weluck Development Limited (“**Weluck**”), a wholly owned subsidiary of the Company first invested in the PSM Fund in April 2015 and subscribed a total of 1,982,215 class A shares of the PSM Fund (the “**PSM Shares**”) with a total investment cost of approximately HK\$19.5 million. The manager of the Fund (the “**Fund Manager**”) had been delegated authority to manage the Fund.

Since the subscription of the PSM Shares by Weluck, the fair value of the PSM Fund significantly decreased because of the under performance of the PSM Fund. As informed by the Fund Manager in December 2018, in view of the real litigation risks and regulatory risks surrounding the Fund Manager’s holding company and the fact that the underlying investment was loss making, the Fund Manager decided to divest the underlying investment held by the PSM Fund at a price significantly below the its investment cost. In addition, a fellow subsidiary of the Fund Manager (the “**Purchaser**” and is an independent third party of the Group) agreed to provide conditional offer (“**Offer**”) to buy-back the PSM Shares held by Weluck at a consideration of approximately HK\$17.8 million by reference to Weluck’s sharing of latest available audited net asset of the PSM Fund as at 31st December 2017.

On 1st March 2019, Weluck accepted the Offer to dispose the PSM Shares at a consideration of approximately HK\$17.8 million (the “**Disposal**”). The Purchaser shall settle the consideration of the Disposal to Weluck in cash by 34 monthly instalments, whereby (i) approximately HK\$1,483,000 shall be paid on or before 29th March 2019 and (ii) approximately HK\$494,000 on or before the last business day of each consecutive month from April 2019 to December 2021. Completion of the Disposal is conditional upon the Purchaser having paid the consideration of the Disposal to Weluck in full in accordance with the schedule described above. The PSM Shares will be transferred to the Purchaser on receipt of the consideration of the Disposal in full by Weluck. In the opinion of the Directors, the arrangement constitute a derivatives contract to dispose the PSM Shares at a fixed consideration in the future and should be recognized as a derivative financial instrument (“**DFI**”). Based on the business valuation report issued by an independent professional valuer which was not connected with the Group, the fair value of the DFI was approximately HK\$15.5 million in March 2019. The fair value of the DFI would be recognised as a gain in the consolidated statement of comprehensive income of the Group and recognized as the other financial assets on the consolidated balance sheet of the Group over the time proportionally from March 2019 to December 2021.

Taking into account (i) the fair value of the DFI of approximately HK\$15.5 million would be recognised as a gain of the Group over the time proportionally from March 2019 to December 2021; (ii) the unsatisfactory performance of the investment of the PSM Fund; and (iii) the constant cash inflow that will be brought by the Disposal, the Directors consider it is appropriate and in the interests of the Company and its shareholders as a whole to accept the Offer made by the Purchaser to effect the Disposal.

Given the unclear economic prospect and the outbreak of the new coronavirus in Hong Kong and PRC, the Group will take a cautious and prudent approach in making new investment in coming year.

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\$0.6 million (2018: approximately HK\$0.5 million) during the Period.

The segment profit of this business segment was approximately HK\$447,000 (2018: approximately HK\$413,000) during the Period.

Money lending business

As at 31st December 2019, the Group had loans receivable of approximately HK\$42.8 million arising from money lending business, (as at 30th June 2019: approximately HK\$65.0 million) and recognised interest income of approximately HK\$4.1 million (2018: approximately HK\$4.7 million). It accounted for approximately 1.8% (2018: approximately 16.6%) of the Group's revenue during the Period.

The segment loss of this business segment was approximately HK\$8.6 million during the Period while the Group recorded a segment profit of approximately HK\$1.8 million for the same period last year. The increase in segmental loss was mainly attributable to an increase in expected credit loss allowance for loans receivable of approximately HK\$12.5 million for the Period. The significantly increase in expected credit loss allowance for loans receivable is principally due to an increase in loans receivable which have past due during the Period.

Due to the unfavourable economic situation and the highly competitive business environment in Hong Kong, the Group will take a cautious approach to grant new loans in the coming year.

Entertainment business

This segment primarily relates to the artiste and model management and organisation of concerts. Revenue from this business segment during the Period was approximately HK\$95,000, representing a decrease of approximately 94.4% as compared to approximately HK\$1.7 million in the same period last year. Due to the mass protests and social unrest in Hong Kong during the Period, the Group did not invest in any concerts held during the Period and therefore the turnover decreased significantly during the Period as compared to the same period last year. Segmental loss of approximately of HK\$618,000 was recorded during the Period (2018: segmental profit of approximately HK\$25,000). The increase in segmental loss from this segment was due to the decrease in turnover during the Period.

Financial Printing

The Group commenced the business of financial printing services (“**Financial Printing Business**”) to provide the services of type-setting, translation, printing, design, distribution of financial print products and other related services to the financial sectors in Hong Kong through Formex Financial Press Limited, a wholly-owned subsidiary of the Company during the year ended 30th June 2019.

During the Period, the Group recorded turnover and segmental loss of approximately HK\$2.7 million (2018: approximately HK\$272,000) and approximately HK\$3.4 million (2018: approximately HK\$3.6 million) respectively in this segment. It accounts for approximately 1.2% (2018: approximately 1.0%) of the Group’s revenue during the Period.

Taking into account the increase in number for the listed companies, the increase in demand of financial printing services in Hong Kong, and the rapid growth in revenue of the Financial Printing Business during the Period, we are of the view that the future prospect of Financial Printing Business is positive despite the Group recorded a segmental loss in Financial Printing Business 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. The Group ceased the Securities Brokerage Business on 30th June 2018 and the details of the cessation are set out in the Company’s announcement dated 17th May 2018.

The Group recorded the profit before tax from the discontinued Securities and Brokerage Business of approximately HK\$935,000 (2018: loss before tax of approximately HK\$3.4 million) during the Period which is mainly attributable to the recovery of certain bad and doubtful debt during the Period.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 86% (2018: approximately 51%) of the Group's revenue during the Period.

Selling expenses

Selling expenses for the Period increased by approximately 13.0% to approximately HK\$6.1 million as compared to approximately HK\$5.4 million in the same period last year. The increase in selling expenses was mainly due to the increase in turnover of the Group during the Period.

Administrative expenses

Administrative expenses for the Period increased by approximately 24.3% to approximately HK\$43.5 million as compared to approximately HK\$35.0 million in the same period last year. The increase in administrative expenses was mainly due to the grant of staff bonus of HK\$10 million to the management of the films distribution and exhibition for the satisfactory performance of the new blockbuster film called "White Storm 2 – Drug Lords" ("掃毒2天地對決") released by the Group during the Period.

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.

Lucky Famous applied to amend the writ and statement of claim to join Chan and Lim as defendants in the Lucky Famous Actions for certain claims against them. The Court allowed the application of Lucky Famous on 24th September 2019.

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\$Nil (as at 30th June 2019: Nil) and approximately HK\$20.4 million (as at 30th June 2019: approximately HK\$20.4 million) respectively as at 31st December 2019 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

The year-long US-China trade war and social unrest in Hong Kong continues to weaken the retail sector in Hong Kong and the PRC. In addition, the recent outbreak of the new coronavirus will further weaken the economies of Hong Kong and the PRC and disrupt the Group’s business. The Group is cautious on the short-term outlook but is optimistic about the long-term sustainability of its business. The Group will respond to forthcoming market challenges with flexibility and will adjust its our plan and strategy from time to time to cope with the changes in the market environment.

FINANCIAL RESOURCES/LIQUIDITY

As at 31st December 2019, the Group had cash balances of approximately HK\$184.4 million (as at 30th June 2019: approximately HK\$178.2 million).

As at 31st December 2019, the Group had total assets of approximately HK\$750.1 million (as at 30th June 2019: approximately HK\$724.7 million).

The Group's gearing ratio as at 31st December 2019 was approximately 4.9% (as at 30th June 2019: approximately 0.002%), which was calculated on the basis of the Group's total debt (including borrowings, obligations under finance lease, lease liability and bank overdraft) divided by total equity of the Group.

The Group incurred financial cost of approximately HK\$273,000, which is attributable to the interest on lease liabilities during the Period (for the six months ended 31st December 2018: HK\$Nil).

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 2019, current ratio (defined as total current assets divided by total current liabilities) was approximately 1.19 (as at 30th June 2019: approximately 1.05).

CAPITAL STRUCTURE

As at 31st December 2019, the Group had shareholders' capital of approximately HK\$9.1 million (as at 30th June 2019: 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 2019, none of the Group's assets was pledged to secure any liabilities (As at 30th June 2019: None).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2019, the Group had 100 staff (as at 30th June 2019: 116). 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 2019, 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 practises 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 2019 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 2019. 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 2019, 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 2020.

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

Hong Kong, 27th February 2020

As at the date of this announcement, the executive directors of the Company are Mr. Lam Shiu Ming, Daneil and Mr. Lam Kit Sun, and the independent non-executive directors of the Company are Mr. Choi Wing Koon, Mr. Lam Chi Keung and Mr. Tang Yiu Wing.