

Interim Report  
中期報告  
2013/14

Valuable  
investment



UNIVERSE

寰宇

UNIVERSE INTERNATIONAL HOLDINGS LIMITED  
寰宇國際控股有限公司

Incorporated in Bermuda with limited liability | 於百慕達註冊成立之有限公司

Stock Code 股份代號: 1046



## CORPORATE INFORMATION

### Executive Directors

Mr Lam Shiu Ming, Daneil (*Chairman*)

Mr Hung Cho Sing

(appointed on 16th October 2013)

Mr Yeung Kim Piu

Mr Lam Kit Sun

(appointed on 30th August 2013)

### Independent Non-executive Directors

Mr Lam Wing Tai

(appointed on 16th October 2013)

Mr Lam Chi Keung

(appointed on 4th December 2013)

Mr Choi Wing Koon

(appointed on 4th December 2013)

Mr Ng Kwok Tung

(retired on 2nd December 2013)

Dr Leung Shiu Ki, Albert

(resigned on 4th December 2013)

Mr Ma Chun Fung, Horace

(resigned on 4th December 2013)

### Company Secretary

Mr Lam Kit Sun

(appointed on 2nd August 2013)

Mr Chan Hau Chuen

(resigned on 2nd August 2013)

### Authorized Representatives

Mr Lam Shiu Ming, Daneil

Mr Lam Kit Sun

(appointed on 2nd August 2013)

Mr Chan Hau Chuen

(resigned on 2nd August 2013)

### Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Wing Hang Bank, Limited

Chong Hong Bank Limited

### Auditor

PricewaterhouseCoopers

*Certified Public Accountants*

### Legal Advisers

So Keung Yip & Sin

1009-1012, 10th Floor

Nan Fung Tower

173 Des Voeux Road,

Central Hong Kong

Angela Ho & Associates

1109, Tower 1

Lippo Centre,

89 Queensway

Hong Kong

### Share Registrar

Tricor Abacus Limited

Level 54, Hopewell Centre

183 Queen's Road East,

Hong Kong

## Audit Committee

- Mr Lam Wing Tai (*Chairman*)  
(appointed on 16th October 2013)
- Mr Lam Chi Keung  
(appointed on 4th December 2013)
- Mr Choi Wing Koon  
(appointed on 4th December 2013)
- Mr Ng Kwok Tung  
(retired on 2th December 2013)
- Dr Leung Shiu Ki, Albert  
(resigned on 4th December 2013)
- Mr Ma Chun Fung, Horace  
(resigned on 4th December 2013)

## Remuneration Committee

- Mr Choi Wing Koon (*Chairman*)  
(appointed on 4th December 2013)
- Mr Lam Shiu Ming, Daneil
- Mr Lam Wing Tai  
(appointed on 16th October 2013)
- Mr Lam Chi Keung  
(appointed on 4th December 2013)
- Mr Ng Kwok Tung  
(retired on 2nd December 2013)
- Dr Leung Shiu Ki, Albert  
(resigned on 4th December 2013)
- Mr Ma Chun Fung, Horace  
(resigned on 4th December 2013)

## Nomination Committee

- Mr Lam Chi Keung (*Chairman*)  
(appointed on 4th December 2013)
- Mr Lam Shiu Ming, Daneil
- Mr Lam Wing Tai  
(appointed on 16th October 2013)
- Mr Choi Wing Koon  
(appointed on 4th December 2013)
- Mr Ng Kwok Tung  
(retired on 2nd December 2013)
- Dr Leung Shiu Ki, Albert  
(resigned on 4th December 2013)
- Mr Ma Chun Fung, Horace  
(resigned on 4th December 2013)

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Head Office and Principal Place of Business

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

## Websites

[www.uih.com.hk](http://www.uih.com.hk)

## Stock Code

1046



The board of directors (the “Director(s)”) (the “Board”) of Universe International Holdings Limited (the “Company”) announces the unaudited condensed consolidated balance sheet as at 31st December 2013 and the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31st December 2013 (the “Period”) as follows:

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 31st December 2013 HK\$'000	Audited As at 30th June 2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land	6	–	3,113
Property, plant and equipment	6	1,816	14,677
Investment properties	6	24,896	49,896
Other intangible assets	6	1,858	1,858
Film rights and films in progress	6	50,459	171,268
Interest in a jointly controlled entity	7	1,039	1,145
Loans and receivables	7	7,816	7,710
Film deposits		37,293	37,650
Deferred income tax assets		528	741
Available-for-sale financial assets	8	309	–
		<b>126,014</b>	288,058
<b>Current assets</b>			
Inventories		3,103	3,284
Accounts receivable	9	39,600	24,758
Deposits paid, prepayments and other receivables		18,622	28,273
Financial assets at fair value through profit or loss	10	117,980	–
Loans receivable	11	10,000	–
Cash and cash equivalents		87,810	50,430
		<b>277,115</b>	106,745
Non-current assets held for sale	13	43,569	1,654
		<b>320,684</b>	108,399
<b>Total assets</b>		<b>446,698</b>	396,457

	Note	Unaudited As at 31st December 2013 HK\$'000	Audited As at 30th June 2013 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	14	34,321	34,235
Share premium		135,680	135,293
Other reserves	16	96,004	14,229
Retained earnings		63,340	57,396
<b>Total equity</b>		<b>329,345</b>	241,153
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases	17	62	–
Deferred income tax liabilities		18,470	246
		<b>18,532</b>	246
<b>Current liabilities</b>			
Accounts payable	19	5,324	4,164
Other payables and accrued charges		67,444	15,981
Deposits received		24,064	133,825
Amount due to the ultimate holding company		1	1
Obligations under finance leases	17	17	4
Taxation payable		1,083	1,083
		<b>97,933</b>	155,058
Non-current liabilities held for sale	13	888	–
		<b>98,821</b>	155,058
<b>Total liabilities</b>		<b>117,353</b>	155,304
<b>Total equity and liabilities</b>		<b>446,698</b>	396,457
<b>Net current assets/(liabilities)</b>		<b>221,863</b>	(46,659)
<b>Total assets less current liabilities</b>		<b>347,877</b>	241,399

The notes on pages 9 to 42 form an integral part of these unaudited condensed consolidated interim financial information.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
	Note	2013 HK\$'000	2012 HK\$'000
Revenue	5	152,729	35,126
Cost of revenue	21	(146,813)	(22,248)
Selling expenses	21	(2,002)	(1,319)
Administrative expenses	21	(18,190)	(13,563)
Other income		4,149	213
Other (losses)/gains – net		(51)	64
Gain on disposal of non-current assets held for sale		126	–
Increase in fair value of investment properties		2,180	–
Unrealised fair value gain on investment securities		111,435	–
Fair value loss in issuance of unlisted warrants	20	(81,206)	–
Other operating income/(expenses)	21	1,549	(566)
Finance income		274	308
Share of loss of a jointly controlled entity	7	(106)	–
<b>Profit/(Loss) before income tax</b>		<b>24,074</b>	<b>(1,985)</b>
Income tax (expense)/credit	22	(18,130)	267
<b>Profit/(Loss) and total comprehensive income/(loss) for the period attributable to the equity holders of the Company</b>		<b>5,944</b>	<b>(1,718)</b>
<b>Earnings/(Loss) per share attributable to the equity holders of the Company during the period (expressed in HK cent)</b>			
– basic	23	0.35	(0.10)
– diluted	23	0.34	(0.10)

The notes on pages 9 to 42 form an integral part of these unaudited condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company				Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st July 2013	34,235	135,293	14,229	57,396	241,153
<hr style="border-top: 1px dashed black;"/>					
<b>Comprehensive income</b>					
Profit for the Period	-	-	-	5,944	5,944
<b>Total comprehensive income for the Period</b>	-	-	-	5,944	5,944
Employee share option scheme					
– exercise of share options	86	387	(186)	-	287
Issue of unlisted warrants	-	-	81,961	-	81,961
<b>Total contributions by and distribution to owners of the Company, recognised directly in equity</b>	86	387	81,775	-	82,248
<b>Balance at 31st December 2013</b>	<b>34,321</b>	<b>135,680</b>	<b>96,004</b>	<b>63,340</b>	<b>329,345</b>



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

	Attributable to the equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total Equity HK\$'000
Balance at 1st July 2012, as previously reported	34,235	135,293	3,094	61,927	234,549
Change in accounting policy – Adoption of HKAS 12 (Amendment)	–	–	155	146	301
Balance at 1st July 2012, as restated	34,235	135,293	3,249	62,073	234,850
Comprehensive loss					
Loss for the period	–	–	–	(1,718)	(1,718)
Total comprehensive loss for the period	–	–	–	(1,718)	(1,718)
Balance at 31st December 2012	34,235	135,293	3,249	60,355	233,132

The notes on pages 9 to 42 form an integral part of these unaudited condensed consolidated interim financial information.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 31st December	
	Note	2013 HK\$'000	2012 HK\$'000
<b>Net cash generated from operating activities</b>		<b>43,919</b>	71,291
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(79)	(51)
Purchase of investment properties	6	-	(25,527)
Decrease/(increase) in film deposits		357	(3,237)
Purchase of film rights and investment in films in progress	6	(3,398)	(51,717)
Purchase of investment securities		(6,555)	-
Proceeds from non-current assets held for sale		1,780	-
Interest received		325	308
<b>Net cash used in investing activities</b>		<b>(7,570)</b>	(80,224)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of unlisted warrants		755	-
Proceeds from shares issued under share options scheme		287	-
Capital element of finance lease payments		(11)	(6)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,031</b>	(6)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37,380</b>	(8,939)
<b>Cash and cash equivalents at 30th June</b>		<b>50,430</b>	71,076
<b>Cash and cash equivalents at 31st December</b>		<b>87,810</b>	62,137

The notes on pages 9 to 42 form an integral part of these unaudited condensed consolidated interim financial information.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Group is principally engaged in the business of production of films and television series, distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights, leasing of investment properties, securities investment and money lending.

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

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

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the board of directors of the Company (the "Board") on 28th February 2014.

## 2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 31st December 2013 have 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").

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30th June 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30th June 2013.

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2013 as described in those annual financial statements.

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

The following new standards, amendments to standards and interpretations are mandatory and relevant to the Group for the financial year beginning on 1st July 2013.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Financial statement presentation	1st July 2013
HKAS 19 (Amendment)	Employee benefits	1st July 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1st July 2013
HKFRS 10	Consolidated financial statements	1st July 2013
HKFRS 11	Joint arrangements	1st July 2013
HKFRS 12	Disclosures of interests in other entities	1st July 2013
HKFRS 13	Fair value measurement	1st July 2013

The adoption of above new standards, amendments to standards and interpretations have no significant impact on the unaudited condensed consolidated interim financial information.



### 3 ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1st July 2013 and have not been early adopted.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities <sup>1</sup>
HK (IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1st July 2015.

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30th June 2013.

There have been no changes in the risk management policies of the Group since year end or in any risk management policies since the year end.

#### ***Liquidity risk***

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

### 4.2 Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st December 2013 and 30th June 2013.

#### *At 31st December 2013*

<b>Assets</b>	<b>Level 1 HK\$'000</b>	<b>Level 3 HK\$'000</b>	<b>Total HK\$'000</b>
Available-for-sale financial assets			
– Equity securities	–	3,314	3,314
Provision for impairment of available-for-sale financial assets	–	(3,005)	(3,005)
Financial assets at fair value through profit or loss			
– Equity securities	117,980	–	117,980
<b>Total assets</b>	<b>117,980</b>	<b>309</b>	<b>118,289</b>



## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

### 4.2 Fair value estimation (Continued)

**At 30th June 2013**

<b>Assets</b>	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets		
– Equity securities	3,005	3,005
Provision for impairment of available-for-sale financial assets	(3,005)	(3,005)
<b>Total assets</b>	<b>–</b>	<b>–</b>

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers among Level 1, 2 and 3 during the Period.

### 4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Accounts receivable
- Deposits paid, prepayments and other receivables
- Loans receivable
- Cash and cash equivalents
- Accounts payable
- Other payables and accrued charges
- Deposits received
- Obligations under finance leases

## 5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Group that makes strategic decisions. The CODM has determined the operating segments based on these reports, as below:

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

The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as gain on disposal of non-current assets held for sale, increase in fair value of investment properties, fair value loss in issuance of unlisted warrants and unrealised fair value gain on investment securities. Finance income and income tax expense are not included in the result for each operating segment that is reviewed by the CODM. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Total assets, excluding investment properties, financial assets at fair value through profit or loss, loans receivable and other unallocated assets (including leasehold land, property, plant and equipment, film rights and films in progress, film deposits, inventories, accounts receivable, deposits paid, prepayments and non-current assets held for sale), are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

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

There are no sales between geographical segments.



## 5. SEGMENT INFORMATION (Continued)

	Unaudited							Group HK\$'000
	For the six months ended 31st December 2013							
	Sales of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Others HK\$'000	Elimination HK\$'000	
<b>Revenue</b>								
External sales	4,232	144,381	830	-	51	3,235	-	152,729
Inter-segment sales	-	1,247	-	-	-	12	(1,259)	-
	<u>4,232</u>	<u>145,628</u>	<u>830</u>	<u>-</u>	<u>51</u>	<u>3,247</u>	<u>(1,259)</u>	<u>152,729</u>
<b>Results</b>								
Segment results	(959)	(4,520)	390	(948)	(708)	(1,884)	-	(8,629)
Gain on disposal of non-current assets held for sale								126
Increase in fair value of investment properties								2,180
Unrealised fair value gain on investment securities								111,435
Fair value loss in issuance of unlisted warrants								(81,206)
Finance income								274
Share of loss of a jointly controlled entity								(106)
								<u>24,074</u>
Profit before income tax								(18,130)
Income tax expense								
								<u>5,944</u>
<b>Other information</b>								
Capital expenditures	147	1,056	5	-	38	6	-	1,252
Unallocated capital expenditures								2,312
								<u>3,564</u>
<b>Depreciation and amortization of leasehold land</b>								
Unallocated depreciation and amortization of leasehold land	115	46	-	-	2	29	-	192
								<u>399</u>
<b>Total depreciation and amortization of leasehold land</b>								<u>591</u>
Amortization of film rights	2,125	122,082	-	-	-	-	-	124,207



## 5. SEGMENT INFORMATION (Continued)

	Unaudited For the six months ended 31st December 2012							
	Sale of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Others HK\$'000	Elimination HK\$'000	Group HK\$'000
Revenue								
External sales	3,474	27,258	280	-	-	4,114	-	35,126
Inter-segment sales	-	2,030	-	-	-	45	(2,075)	-
	3,474	29,288	280	-	-	4,159	(2,075)	35,126
Results								
Segment results	(2,859)	(8)	211	-	-	363	-	(2,293)
Finance income								308
Loss before income tax								(1,985)
Income tax credit								267
Loss attributable to the equity holders of the Company								(1,718)
Other information								
Capital expenditures	1,802	26	25,527	-	-	2	-	27,357
Unallocated capital expenditures								49,938
Total capital expenditures								77,295
Depreciation and amortization of leasehold land	122	36	-	-	-	18	-	176
Unallocated depreciation and amortization of leasehold land								290
Total depreciation and amortization of leasehold land								466
Amortization of film rights	2,092	13,153	-	-	-	-	-	15,245



## 5. SEGMENT INFORMATION (Continued)

	Unaudited							Group HK\$'000
	As at 31st December 2013							
	Sale of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Others HK\$'000	Elimination HK\$'000	
<b>Assets</b>								
Segment assets	8,316	93,145	52,095	117,980	10,000	13,473	-	295,009
Other intangible assets								1,858
Deferred income tax assets								528
Cash and cash equivalents								87,810
Other unallocated assets								61,493
<b>Total assets</b>								<b>446,698</b>
	Audited							Group HK\$'000
	As at 30th June 2013							
	Sale of goods HK\$'000	Film exhibition, licensing and sub-licensing of film rights HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Others HK\$'000	Elimination HK\$'000	
<b>Assets</b>								
Segment assets	11,215	94,564	49,910	-	-	17,918	-	173,607
Other intangible assets								1,858
Deferred income tax assets								741
Cash and cash equivalents								50,430
Other unallocated assets								169,821
<b>Total assets</b>								<b>396,457</b>

## 6. CAPITAL EXPENDITURES

	Unaudited				
	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Other intangible assets HK\$'000	Film rights and films in progress HK\$'000
Six months ended 31st December 2013					
Opening net book amount at 1st July 2013	3,113	14,677	49,896	1,858	171,268
Additions	-	165	-	-	3,398
Disposals	-	(56)	-	-	-
Revaluation	-	-	2,180	-	-
Amount written back	-	56	-	-	-
Transferred to assets classified as held for sale	(3,072)	(12,476)	(27,180)	-	-
Depreciation and amortization (Note 21)	(41)	(550)	-	-	(124,207)
Closing net book amount at 31st December 2013	-	1,816	24,896	1,858	50,459

	Unaudited				
	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Other intangible assets HK\$'000	Film rights and films in progress HK\$'000
Six months ended 31st December 2012					
Opening net book amount at 1st July 2012	3,195	16,570	9,100	1,858	120,756
Additions	-	51	25,527	-	51,717
Disposals	-	(7)	-	-	-
Depreciation and amortization (Note 21)	(41)	(425)	-	-	(15,245)
Closing net book amount at 31st December 2012	3,154	16,189	34,627	1,858	157,228



## 6. CAPITAL EXPENDITURES *(Continued)*

All investment properties were revalued at 30th June 2013 by an independent, professionally qualified valuer, Roma Appraisals Limited, a member of the Hong Kong Institute of Surveyors engaged by the Group. Valuations were based on current prices in an active market. The directors estimated the fair value as at 31st December 2013 approximates the fair value as at 30th June 2013.

Fair value hierarchy	Fair value measurement at 31st December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements			
<b>Investment properties</b>	–	–	24,896

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Level 1, Level 2 and 3 during the Period.

## 6. CAPITAL EXPENDITURES *(Continued)*

Investment properties which have fair value measurement using significant unobservable inputs (Level 3).

	HK\$'000
Opening balance	49,896
Revaluation gain recognised in unaudited condensed consolidated statement of comprehensive income	2,180
Transferred to assets classified as held for sale	(27,180)
Closing balance	24,896

Level 3 fair values of investment properties have been derived using the sales comparison approach assuming sale of the property interests in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The main Level 3 input used by the Group is as follows:

– **Comparable sales transactions available in the relevant market**

Arm's-length sales transactions of properties with similar states, ages, locations and floor areas to the Group's investment properties are used by Roma Appraisals Limited. The higher the value of these comparable sales transactions, the higher the fair values of the investment properties of the Group.

There were no change in valuation techniques during their Period.



## 7. INTEREST IN A JOINTLY CONTROLLED ENTITY

On 15th April 2013, Digital Programme Production Limited (“DPP”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with three independent parties to form a jointly controlled entity, Sun Billion Property Limited (“SBPL”).

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
<b>Interest in a jointly controlled entity</b>		
Beginning of the Period/year	1,145	–
Acquisition of a jointly controlled entity	–	58
Share of (loss)/profit of a jointly controlled entity	(106)	1,087
End of the period/year	<b>1,039</b>	1,145

As at 31st December 2013, particulars of the jointly controlled entity are as follows:

Name	Place of incorporation	Nominal value of registered capital	Percentage of interest in ownership/voting power/profit sharing held by the Group	Principal activity
Sun Billion Property Limited	Macau	Macau Pataca (“MOP”) MOP150,000	40%	Note

Note: The principal activity of SBPL is the operation of the investment of land and property in Macau.

## 7. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The financial information of the jointly controlled entity is extracted as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Assets	22,148	22,138
Liabilities	(19,550)	(19,275)
Net assets	<b>2,598</b>	2,863
Revenue	–	2,791
Expenses	(265)	(74)
(Loss)/Profit for the year	<b>(265)</b>	2,717

There were no contingent liabilities relating to the Group's interest in the jointly controlled entity and no significant contingent liabilities of the jointly controlled entity as at 31st December 2013.

In addition, DPP agreed to provide SBPL an unsecured interest-free loan of HK\$8,800,000 which is denominated in HK dollar and repayable in 5 years. The loan of HK\$7,816,000 (As at 30th June 2013: HK\$7,710,000) is recognized as "Loans and receivables" in the consolidated balance sheet as at 31st December 2013 and is measured at amortized cost using the effective interest method.

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
<b>Loans and receivables</b>		
Beginning of the Period/year		
Shareholder's loan to a jointly controlled entity	7,710	8,800
Discounted interests expenses for 5 years	–	(1,116)
Accretion income for the Period	106	26
End of the period/year	<b>7,816</b>	7,710



## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
Beginning of the Period/year	<b>3,005</b>	3,005
Additions	<b>309</b>	–
Provision for impairment of available-for-sale financial assets	<b>(3,005)</b>	(3,005)
End of the period/year	<b>309</b>	–
Unlisted investment		
Equity securities in Hong Kong, at fair value	<b>309</b>	–

## 9. ACCOUNTS RECEIVABLE

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
Accounts receivable	<b>39,600</b>	24,900
Less: Provision for impairment of accounts receivable	<b>–</b>	(142)
Accounts receivable – net	<b>39,600</b>	24,758

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



## 9. ACCOUNTS RECEIVABLE *(Continued)*

As at 31st December 2013, the ageing analysis of the accounts receivable based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>39,130</b>	10,175
91 days to 180 days	<b>14</b>	4,761
Over 180 days	<b>456</b>	9,822
	<b>39,600</b>	24,758

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

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

The Group does not hold any collateral as security (As at 30th June 2013: a bank's guarantee of HK\$60,000 was provided to the Group by a customer).

No provision was recognized by the Group for the impairment of its accounts receivable during the Period (2012: Nil). During the Period, no provision was written off from the allowance account (2012: Nil).



## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Listed securities		
– Equity securities – HK	<b>117,980</b>	–
Market value of listed securities	<b>117,980</b>	–

Financial assets at fair value through profit and loss are presented within 'operating activities' as part of changes in working capital in the unaudited condensed consolidated statement of cash flows.

Changes in fair value of financial assets at fair value through profit and loss are recorded in the unaudited condensed consolidated statement of comprehensive income.

The fair value of all equity securities is based on their closing prices at 31st December 2013 in an active market.

## 11. LOANS RECEIVABLE

As at 31 December 2013, the Group granted a loan to a borrower with principal terms as follows:

Loan amount:	HK\$10,000,000
Tenor:	Six months
Interest rate:	8.5% per annum
Guarantor:	Holding company of the borrower

The loans receivable were neither impaired nor overdue as 31st December 2013.

## 12. INTERESTS IN JOINT OPERATIONS

The Group has entered into certain joint operation arrangements to produce and distribute four television series (30th June 2013: four) and five films (30th June 2013: five) respectively. The Group has participating interests from 29% to 82% in these joint operations. As at 31st December 2013, the aggregate amounts of assets, liabilities and profit after income tax recognized in the unaudited condensed consolidated interim financial information relating to the Group's interests in these joint operation arrangements were as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
<b>Assets</b>		
Television series rights and television series in progress	<b>16,931</b>	49,311
Film rights and films in progress	<b>26,398</b>	113,257
Accounts receivable and other receivable	<b>35,964</b>	24,906
	<b>79,293</b>	187,474
<b>Liabilities</b>		
Accounts payable and other payable	<b>56,889</b>	697
Deposits received	<b>10,403</b>	124,516
	<b>67,292</b>	125,213

	<b>Unaudited For the six months ended 31st December</b>	
	<b>2013 HK\$'000</b>	2012 HK\$'000
<b>Revenue</b>	<b>140,535</b>	9,670
<b>Expenses</b>	<b>(139,319)</b>	(9,149)
<b>Profit after income tax</b>	<b>1,216</b>	521



### 13. NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

#### For the period ended 31st December 2013

Pursuant to the Company's announcement on 10th December 2013, the Universe Films (Holdings) Limited, a direct wholly-owned subsidiary of the Company ("JT Vendor"), entered into the agreement ("JT Agreement") with Mr. Lam Shiu Ming, Daneil, the Chairman and an executive Director of the Company (the "Purchaser") pursuant to which the JT Vendor agreed to sell, and Purchaser agreed to purchase, the entire issued share capital in Joy Talent Investment Limited ("JT"), an indirect wholly-owned subsidiary of the Company for the consideration of HK\$6,277,000.

The principal assets of JT consist of an office unit at No. 1501, 15th Floor, Block 24, Jianwai SOHO, No. 39 Dongsanhuan Zhonglu Road Chaoyang District, Beijing, the People's Republic of China ("PRC") with a gross floor area of 3,029 square foot in a large scale residential/office/commercial composite development, known as Jianwai SOHO in Beijing, PRC.

On the same date of 10th December 2013, Universe Films (Holdings) Limited, a direct wholly-owned subsidiary of the Company and Universe Laser & Video Co. Limited, an indirect wholly-owned subsidiary of the Company (collectively the "UPI Vendors") entered into the agreement ("UPI Agreement") with the Purchaser pursuant to which the UPI Vendors agreed to sell, and Purchaser agreed to purchase, the entire issued share capital in the Universe Property Investment Limited (the "UPI") for the consideration of HK\$73,862,000.

The principal assets of UPI consist of the following properties:

- (1) an industrial unit on the 18th Floor of a 28-storey industrial building over a 2-storey lorry/car parking podium plus a 2-level basement (with a saleable area of approximately 13,983 square foot) (the "Wyler Centre Properties");
- (2) 5 carparking spaces on the 2nd Floor of a 28-storey industrial building over a 2-storey lorry/car parking podium plus a 2-level basement (the "Wyler Centre Carpark");
- (3) an industrial unit on the 18th Floor of a 28-storey industrial building over a 2-storey lorry/car parking podium plus a 2-level basement (with a saleable area of approximately 5,087 square foot);
- (4) a detached house situated in a large-scale low-rise residential development known as Fairview Park. The property has a gross floor area of about 1,297 square foot; and
- (5) a unit on the 16th Floor of a 26-storey industrial building including 2-storey car park podium known as Golden Dragon Industrial Centre. The property has a saleable floor area of about 1,000 square foot.

### 13. NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

Prior to the UPI Agreement, the Group had been using the Wyler Centre Properties and Wyler Centre Carpark for warehouse, ancillary office and carparking uses. Since the completion of UPI Agreement which took place on 25th February 2014, the Group has been continuing to use the Wyler Centre Properties and Wyler Centre Carpark for the same purposes and has through Universe Digital Entertainment Limited, an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement with UPI with a monthly rental value of HK\$244,000.

The JT Agreement and UPI Agreement were both completed on 25th February 2014.

The assets and liabilities related to JT and UPI have been presented as held for sale as at 31st December 2013 following agreements for sale and purchase were entered to dispose of the two subsidiaries.

JT and UPI assets and liabilities were re-measured at the lower of carrying amount and fair value less cost to sell at the date of held-for-sale classification.

#### **For the year ended 30th June 2013**

On 11th June 2013, Universe Films Distribution Company Limited ("UFD"), an indirect wholly-owned subsidiary of the Company has entered into a sales and purchase agreement with a connected party whereby UFD agreed to dispose the following properties (the "Properties") and since then, the Properties have been presented as non-current assets held for sale as at 30th June 2013 in the consolidated balance sheet of the Group in accordance with HKFRS 5.

The assignment was signed and the transaction was completed on 11th July 2013.

The details of the Properties are as follows:

<b>Properties</b>	<b>Completion date</b>
Section A and Section B of Lot Number 1510 and Lot Number 1515 All in Demarcation District 328, Lantau Island Hong Kong	11th July 2013

The carrying amount of the non-current assets held for sale as at 30th June 2013 was approximately HK\$1,654,000.

The Properties were revalued at 10th June 2013 and 30th June 2013, respectively by an independent, professionally qualified valuer, Roma Appraisals Limited, a member of the Hong Kong Institute of Surveyors engaged by the Group.



### 13. NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

The major classes of assets and liabilities held for sale are as follows:

	As at 31st December 2013 HK\$'000	As at 30th June 2013 HK\$'000
Assets classified as held for sale:		
Leasehold land	3,072	–
Property, plant and equipment	12,476	–
Investment properties	27,180	1,654
Deferred tax assets	439	–
Other current assets	40	–
Cash and bank balances	362	–
<b>Total assets classified as held for sale</b>	<b>43,569</b>	<b>1,654</b>
Liabilities classified as held for sale:		
Other current liabilities	755	–
Deferred tax liabilities	133	–
Amounts due to the group's company	*6,429	–
<b>Total liabilities classified as held for sale before elimination of inter-group's balance</b>	<b>7,317</b>	<b>–</b>
Elimination of inter-group's balance on consolidation	<b>(6,429)</b>	<b>–</b>
<b>Total liabilities classified as held for sale</b>	<b>888</b>	<b>–</b>

- \* Upon completion of the JT Agreement, the Purchaser agreed to settle the amounts due to the group's company of approximately HK\$6,429,000 owed by JT to JT's vendor on behalf of JT.

## 14. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares HK\$'000
<b>At 1st July 2013</b>	<b>1,711,770,370</b>	<b>34,235</b>
<b>Issue and allotment of new shares pursuant to the exercise of the options granted under the share option scheme of the Company adopted on 26 November 2003 (Note)</b>	<b>4,279,425</b>	<b>86</b>
<b>At 31st December 2013</b>	<b>1,716,049,795</b>	<b>34,321</b>

The total authorized number of ordinary shares of HK\$0.02 each in the Company ("Share") is 5,000 million Shares (As at 30th June 2013: 5,000 million Shares) with a par value of HK\$0.02 per Share (As at 30th June 2013: HK\$0.02 per Share). All Shares issued are fully paid.

Note: Options exercised under share option scheme during the Period resulted in 4,279,425 Shares being issued (2012: Nil), with exercise proceeds of HK\$286,721 (2012: Nil). The price at the time of exercise was HK\$0.067.

## 15. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the annual general meeting held on 26th November 2003, the Company conditionally approved and adopted a share option scheme (the "2003 Share Option Scheme") in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pursuant to an ordinary resolution passed in the annual general meeting held on 29th November 2011 (the "2011 AGM"), the Company approved the refreshment of the scheme mandate limit, which is 171,177,037, representing 10% of the total number of the issued Shares as at the date of the 2011 AGM, under the 2003 Share Option Scheme.



## 15. SHARE OPTIONS *(Continued)*

On 27th June 2012, the Company granted 34,235,403 share options to the certain Directors and employees of the Company at the subscription price of HK\$0.067 per share option which were vested immediately and exercisable for a three-year period between 27th June 2012 and 26th June 2015 (both days inclusive). Each share option gives the holder the right to subscribe for one Share. None of the share options has been cancelled and 4,279,425 share options have been exercised for the period from 27th June 2012 to 31st December 2013.

The fair value of the share options granted during the year ended 30th June 2012 at the measurement dated 27th June 2012 of HK\$1,489,685 was determined under the Black-Scholes Option Pricing Model and based on the following assumptions:

Risk-free interest rate	0.242%
Expected life of the share options	3 years
Expected volatility	116.31%

The Black-Scholes Option Pricing Model requires input of highly subjective assumptions, including the risk-free interest rate and the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The 2003 Share Option Scheme expired on 26th November 2013. According to the provisions of the 2003 Share Option Scheme, share options granted during the term of the 2003 Share Option Scheme and remain unexercised immediately prior to the end thereof shall continue to be exercisable in accordance with their terms of grant notwithstanding the expiry of the 2003 Share Option Scheme.

In view of the expiration of the 2003 Share Option Scheme and in order to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Group, the Company adopted a new share option scheme (the "2013 Share Option Scheme") pursuant to a resolution passed in the annual general meeting held on 2nd December 2013 in compliance with the Listing Rules.



## 15. SHARE OPTIONS *(Continued)*

The 2013 Share Option Scheme will be valid for 10 years from the date of its adoption which took place on 2nd December 2013. Under the 2013 Share Option Scheme, the total number of share options available for issue as at 31st December 2013 was 171,604,979, the full exercise of which in subscribing for Shares would represent 10% of the total number of the issued capital of the Company as at 31st December 2013. None of the share options has been granted, exercised or cancelled under the 2013 Share Option Scheme for the period from 2nd December 2013 (adoption date of the scheme) to 31st December 2013.

Please refer to the Company's circular dated 31st October 2013 for the principal terms and details of the 2013 Share Option Scheme.

## 16. OTHER RESERVES

	Reserve arising on consolidation HK\$'000	Revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Total HK\$'000
At 1st July 2013	821	11,918	1,490	-	14,229
Employee share option scheme: - exercise of share options	-	-	(186)	-	(186)
Issue of unlisted warrants (Note 20)				81,961	81,961
At 31st December 2013	821	11,918	1,304	81,961	96,004

	Reserve arising on consolidation HK\$'000	Revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Total HK\$'000
At 1st July 2012, as previously reported	821	783	1,490	-	3,094
Change in accounting policy - Adoption of HKAS 12 (Amendment)	-	155	-	-	155
At 1st July 2012, as restated and 31st December 2012	821	938	1,490	-	3,249



## 17. OBLIGATIONS UNDER FINANCE LEASES

As at 31st December 2013, the Group's obligations under finance leases were repayable as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Within one year	<b>17</b>	4
Within two to five years	<b>62</b>	–
<b>Total</b>	<b>79</b>	4
Future finance charges on obligations under finance leases	–	–
Present value of obligations under finance leases	<b>79</b>	4
The present value of obligations under finance leases was as follows:		
Within one year	<b>17</b>	4
Within two to five years	<b>62</b>	–
	<b>79</b>	4

## 18. EMPLOYEE BENEFITS EXPENSES

On 1st December 2000, a mandatory provident fund scheme (the “MPF Scheme”) was set up for employees, including executive Directors. Under the MPF Scheme, the Group’s contributions are at 5% of employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,250 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$7,100. The mandatory provident fund contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>31st December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Wages and salaries	<b>11,557</b>	8,274
Provision for unutilized annual leave	<b>77</b>	73
Write-back of provision for long service payment	<b>(4)</b>	(5)
Staff welfare	<b>659</b>	714
Pension costs – defined contribution plan	<b>250</b>	199
<b>Total including directors’ emoluments</b>	<b>12,539</b>	9,255

## 19. ACCOUNTS PAYABLE

As at 31st December 2013, the ageing analysis of the accounts payable based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>2,599</b>	1,511
91 days to 180 days	<b>246</b>	167
Over 180 days	<b>2,479</b>	2,486
	<b>5,324</b>	4,164



## 20. FAIR VALUE LOSS IN ISSUANCE OF UNLISTED WARRANTS

On 16th September 2013, the Company entered into a conditional placing agreement to issue 342,000,000 unlisted warrants (the "Warrant(s)") at an issue price of HK\$0.0025 per Warrant. The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK\$85.5 million for new Shares at an initial subscription price of HK\$0.25 per Warrant, subject to adjustment, for a period of 2 years commencing from the date of issue of the Warrants. Such agreement constituted a derivative. The condition precedent of the placing agreement had been fulfilled, and accordingly the Company issued the Warrants on 25th October 2013, resulting in a fair value loss of approximately HK\$81,206,000 being recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The fair value of Warrants of approximately HK\$81,961,000 are recognised as equity instruments and have not been exercised as at 31st December 2013.

The Group has applied the binomial option pricing model to measure the fair value of the Warrants.

## 21. EXPENSES BY NATURE

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

	Unaudited For the six months ended 31st December	
	2013 HK\$'000	2012 HK\$'000
Amortization of film rights (Note 6)	124,207	15,245
Amortization of leasehold land (Note 6)	41	41
Depreciation of owned assets (Note 6)	427	419
Depreciation of leased assets (Note 6)	123	6
Write-off of inventories	–	566
Written back of film deposits previously written off	(1,549)	–
Employee benefits expenses (Note 18)	12,539	9,255
Cost of inventories sold	1,664	1,418

## 22. INCOME TAX (EXPENSE)/CREDIT

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

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

	<b>Unaudited</b>	
	<b>For the six months ended 31st December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax – current	–	239
Deferred income tax relating to the origination and reversal of temporary differences	<b>257</b>	28
Deferred income tax relating to unrealised fair value gain on investment securities	<b>(18,387)</b>	–
	<b>(18,130)</b>	267



## 23. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per Share attributable to equity owners of the Company during the Period is based on the following data:

	<b>Unaudited</b> <b>For the six months ended</b> <b>31 December</b>	
	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
Earnings/(Loss) for the purpose of basic and diluted earnings/(loss) per Share	<b>5,944</b>	(1,718)

	<b>Number of Shares</b> <b>(in thousand)</b>	
	<b>2013</b>	<b>2012</b>
Weighted average number of ordinary Shares for the purpose of basic earnings/(loss) per Share	<b>1,713,601</b>	1,711,770
Effect of dilutive potential Shares from the share options	<b>24,558</b>	–
Effect of dilutive potential Shares from the unlisted warrants	<b>12,121</b>	
Weighted average number of ordinary Shares for the purpose of diluted earnings/(loss) per Share	<b>1,750,280</b>	1,711,770

## 24. PENDING LITIGATIONS

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

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

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

On 30th April 2002, UEL issued a Writ of Summons against Star for the latter’s wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover all losses and damages suffered by UEL as a result of the wrongful exploitation.

On 9th September 2002, Universe Laser & Video Co. Limited (“ULV”), an indirect wholly-owned subsidiary of the Company issued a Writ of Summons against Star for the latter’s infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all loss and damages suffered by ULV as a result of the said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the said claim against UEL will have no material financial impact on the Group for the Period.



## 24. PENDING LITIGATIONS *(Continued)*

- (b) On 1st September 2008, Koninklijke Philips Electronics N.V. ("KPE") issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Video Compact Disc owned by KPE.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim made against the Company, ULV and Mr. Lam Shiu Ming, Daneil. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made in the unaudited condensed consolidated interim financial information.

- (c) On 8th January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Digital Video Disc owned by KPE.

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

No additional provision has been made in the 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.

Save as disclosed above, as at 31st December 2013, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.



## 25. COMMITMENTS

### (a) Operating leases commitments

As at 31st December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Land and buildings		
Not later than one year	<b>1,053</b>	960
Later than one year and not later than five years	<b>92</b>	400
	<b>1,145</b>	1,360

### (b) Other commitments

As at 31st December 2013, the Group had commitments contracted but not provided for in the unaudited condensed consolidated interim financial information as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Purchase of film rights and production of films	<b>39,694</b>	45,556

*Note:* As at 31st December 2013, the Group does not have any commitment in respect of jointly controlled assets (As at 30th June 2013: approximately HK\$3,687,000).



## 26. FUTURE OPERATING LEASES ARRANGEMENTS

As at 31st December 2013, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	<b>Unaudited As at 31st December 2013 HK\$'000</b>	Audited As at 30th June 2013 HK\$'000
Not later than one year	<b>1,040</b>	1,184
Later than one year and not later than five years	<b>192</b>	696
	<b>1,232</b>	1,880

## 27. RELATED PARTY TRANSACTIONS

Details of key management compensation

	<b>Unaudited For the six months ended 31st December 2013 HK\$'000</b>	2012 HK\$'000
Salaries and other short-term employee benefits	<b>7,641</b>	5,231
Employer's contribution to retirement scheme	<b>36</b>	30
	<b>7,677</b>	5,261

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

## 28. EVENTS AFTER THE BALANCE SHEET DATE

- (a) The JT Agreement and UPI Agreement were completed on 25th February 2014. The assets and liabilities related to JT and UPI have been classified as held for sale at the carrying value of approximately HK\$43,569,000 and approximately HK\$888,000 respectively as at 31st December 2013.

Prior to the UPI Agreement, the Group had been using the Wyler Centre Properties and Wyler Centre Carpark, which are owned by UPI, for warehouse, ancillary office and carparking uses. Upon the completion of UPI Agreement which took place on 25th February 2014, the Group continues to use the Wyler Centre Properties and Wyler Centre Carpark for the same purposes and has through Universe Digital Entertainment Limited, a wholly-owned subsidiary of the Company, entered into tenancy agreement with UPI on 25th February 2014 for 3 years commenced on 25th February 2014 with a monthly rental of HK\$244,000.

- (b) Pursuant to the Company's announcement dated 7th January 2014, Weluck Development Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company contracted to purchase and the Rich Place Investment Limited, a company incorporated in the British Virgin Islands with limited liability contracted to sell the 171,500,000 shares (the "Sale Share(s)") of China Railsmedia Corporation Limited (the "China Railsmedia"), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (Stock code: 745), representing approximately 4.17% of the issued share capital of the China Railsmedia at the cash consideration of HK\$60,025,000 on 7th January 2014. The purchase price is HK\$0.35 per Sale Share. This transaction was completed on 10th January 2014.



## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2013 (2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Group results

The Group's unaudited consolidated revenue for the Period increased by approximately 334.7% over the same period last year to approximately HK\$152.7 million which was mainly due to the income from the two new large scale films "Out of Inferno 3D" (「逃出生天3D」) and "The White Storm" (「掃毒」) released during the Period under review. The Group recorded a net profit of approximately HK\$5.9 million for the Period against a net loss of approximately HK\$1.7 million for the six months period ended 31st December 2012, which was mainly due to the fair value gains of approximately HK\$111.4 million arising from the investment securities, notwithstanding the Group also (i) recorded a decrease in gross profit contribution of approximately HK\$7.1 million from licensing of newly released films due to the increase in advertising expenses and production costs as higher gross profit was recorded for the same period last year from licensing of more non-newly released films and television series which their cost had been fully amortized in the previous years and (ii) incurred the fair value loss of approximately HK\$81.2 million in issuance of the unlisted warrants by the Group during the Period.

### Video distribution

During the Period under review, the local video distribution business accounted for approximately 2.8% (2012: approximately 9.9%) of the Group's consolidated revenue. Turnover from this business segment posted an increment of approximately 21.8% to approximately HK\$4.2 million compared to the same period last year as more number of new titles being released during the Period under review.

As a result of the above, the performance of this business segment was improved. During the Period under review, the Group recorded a segmental gross profit of approximately HK\$443,000 (2012: gross loss of approximately HK\$36,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Film exhibition, licensing and sub-licensing of film rights

Revenue from this business segment during the Period was approximately HK\$144.4 million, representing an increase of approximately 429.7% as compared to approximately HK\$27.3 million in the same period last year. It accounted for approximately 94.6% (2012: approximately 77.6%) of the Group's total turnover during the Period.

The significant increase in revenue from this business segment was mainly due to the income from the two new large scale films "Out of Inferno 3D" (「逃出生天3D」) and "The White Storm" (「掃毒」) released during the Period under review. There was no such new large scale film released in the same period last year.

However, the gross profit contribution from this segment decreased by approximately 83.5% to approximately HK\$1.4 million during the Period as compared to approximately HK\$8.5 million in the same period last year. The decrease in gross profit contribution was due to the increase in advertising expenses and production costs of the newly released films during the Period. Higher gross profit was recorded for the same period last year from licensing of more non-newly released films and television series which their cost had been fully amortized in the previous years.

### Leasing of investment properties

During the Period under review, this business segment recorded a growth of approximately 2.96 times in revenue to approximately HK\$830,000 from approximately HK\$280,000. The increase in rental income during the Period is due to the Group has transferred one property from land and buildings to investment property during the year ended 30th June 2013 and successfully leased it out to earn rental income during the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Securities Investment

The Group has started investing in the stock market that mainly consists of Hong Kong listed companies since October 2013. With the management team possessing over 10 years of investment experience in Hong Kong listed companies, the Group will also consider to seek professional advice from third parties as and when required. There are no definitive criteria or factors behind the selection of securities for investment by the Group and the management of the Group will consider individual securities on a case by case basis by analyzing their risks and expected returns. As at 31st December 2013, the Group had invested approximately HK\$6.6 million (cost of investment) in Hong Kong listed securities and reaped the fair value gains arising from investment securities of approximately HK\$111.4 million during the Period.

### Money lending business

Universe Asia Finance Limited (“UAF”), an indirect wholly-owned subsidiary of the Company, obtained the money lending licence in Hong Kong on 26th November 2013 and started its money lending business in December 2013. With customers obtained mainly by personal referrals, UAF targets those high-net-worth individuals and companies each with a total assets value of at least HK\$1 million. Due to fierce competition in the money lending business, UAF will grant secured or unsecured loans to borrowers in accordance with the situation of each borrower on a case by case basis and, if necessary, will take legal action against borrowers in the event of default. UAF will consider the income/profit and assets of the borrower as a whole in granting any unsecured loan to control the credit risk. As at 31st December 2013, UAF granted a sum of HK\$10 million as unsecured loan to a subsidiary of a listed company (the “Listed Company”) whose shares are listed on the Growth Enterprise Market of the Stock Exchange (“GEM”). The Listed Company provided a corporate guarantee to UAF in respect of this loan and there was no default event happened as at the date of this report. Although the management of the Group does not have previous experience in managing a money lending business, the Group will engage professional lawyers and consultants to provide advice to the Group as and when required.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In terms of geographical contribution, overseas markets accounted for approximately 78.2% (2012: approximately 38%) of the Group's total revenue during the Period under review. Revenue from the Mainland China increased by approximately HK\$97.7 million to approximately HK\$108 million, accounting for approximately 70.7% (2012: approximately 29.2%) of the Group's total revenue. The increase in revenue from overseas markets was mainly due to the increase in the licensing income from the two new large scale films "Out of Inferno 3D" (「逃出生天3D」) and "The White Storm" (「掃毒」) in Mainland China during the Period.

### Other income

Other income for the Period increased by approximately 19.5 times to approximately HK\$4.1 million as compared to approximately HK\$0.2 million in the same period last year. The increase was mainly due to the receipt of sponsorship for the Company's films of approximately HK\$4.1 million (2012: Nil) during the Period.

### Selling expenses

Selling expenses for the Period increased by approximately 51.8% to approximately HK\$2.0 million as compared to approximately HK\$1.3 million in the same period last year. The increase in selling expenses was mainly due to the increase in the number of the newly released films during the Period.

### Administrative expenses

Administrative expenses for the Period increased by approximately 34.1% to approximately HK\$18.2 million as compared to approximately HK\$13.6 million in the same period last year. The increase in administrative expenses was mainly due to the increase in the employee benefits expenses of approximately HK\$3.3 million during the Period.

### Income tax (expenses)/credit

The Group recorded income tax expenses of approximately HK\$18.1 million during the Period, which was mainly attributable to the deferred income tax relating to the unrealized fair value gain on investment securities during the Period. For the six months period ended 31st December 2012, the Group recorded an income tax credit of approximately HK\$0.3 million as the Group recorded a loss before tax of approximately HK\$2.0 million.



## NEW/POTENTIAL INVESTMENTS

Pursuant to the Company's announcement dated 5th December 2013, the Group and Computech Holdings Limited ("Computech"), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (Stock Code: 8081) entered into a joint venture agreement ("JV Agreement"), in relation to the establishment of the joint venture Company ("JV Company") on 5th December 2013. The JV Company shall be incorporated in Hong Kong or overseas as agreed by both parties and the shares of which will be owned as to 50% by Computech and 50% by the Group. It is proposed that upon the incorporation of the JV Company, the JV Company will be principally engaged in the development and sale of computer and mobile phone games.

The JV Company shall be established within three months after the following conditions are being satisfied:

- (1) The Company and Computech having completed and been satisfied with the results of the due diligence review conducted against each other in relation to the JV Agreement, financial, organisational structure, laws, operation and other matters in accordance with the JV Agreement; and
- (2) Computech having completed the acquisition of certain equity interests in a company to be incorporated in the British Virgin Island, details of which are disclosed in the announcement of Computech dated 22nd November 2013.

If the conditions precedent shall not have been fulfilled in full on or before 31st August 2014, the JV Agreement shall be terminated. As at the date of this report, the above conditions have not been fulfilled yet.

The share capital of the JV Company shall be contributed by Computech and the Group in proportion to their respective shareholdings in the JV Company within three months after the fulfilment of the above conditions. All capital contributions shall be contributed in cash.

Investment in the JV Company may be increased based on the development of the JV Company and the maximum investment in the JV Company shall be HK\$40,000,000, which shall be contributed as to 50% by Computech and 50% by the Group.



## NEW/POTENTIAL INVESTMENTS *(Continued)*

Beside the aforesaid investment in the JV Company, the Group has also entered into two cooperation framework agreements in the second half of 2013 as follows:

- (i) pursuant to the Company's announcement dated 30 October 2013, the Group entered into a cooperative framework agreement ("Framework Agreement") with 貴州多彩貴州城建設經營有限公司 ("Guizhou Colorful") (in English, for identification purpose only, Guizhou Colorful Guizhou Town Construction Management Co., Ltd.), a limited liability company established in the PRC on 30th October 2013, in relation to the proposed cooperation in a development project ("Colorful Guizhou Town Project") of Colorful Guizhou Town (多彩貴州城), a commercial, leisure and tourism site to be constructed in Guiyang City, PRC. During the construction and operation phase of Colorful Guizhou Town, the Group will provide design, planning and management and personnel training services to Guizhou Colorful, and will consider investment in and construction of high-end theatres in Colorful Guizhou Town.

The Group does not have a timetable for entering into the formal cooperative agreement with Guizhou Colorful. However, it is provided in the Framework Agreement that if the parties to the Framework Agreement shall not have entered into a formal cooperative agreement regarding their proposed cooperation by 30th June 2014, the Framework Agreement shall lapse. There is no exclusivity period within which the parties to the Framework Agreement may engage in negotiations before the entering into such formal cooperative agreement.

- (ii) pursuant to the Company's announcement dated 18th December 2013, Fragrant River Entertainment Investment Limited ("Fragrant River Entertainment"), a wholly-owned subsidiary of the Company entered into a cooperation framework agreement (the "FingerAd Framework Agreement") with FingerAd Media Company Limited ("FingerAd"), a wholly-owned subsidiary of China Railsmedia Corporation Limited ("China Railsmedia"), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 745) on 18th December 2013.



## **NEW/POTENTIAL INVESTMENTS** *(Continued)*

The Group does not have a timetable for entering into the formal cooperative agreement with FingerAd. Fragrant River Entertainment and FingerAd will enter into a formal cooperative agreement to set out definitive terms of cooperation such as the rights and obligations, investment capital, cost allocation and profit distribution within 2 months after (aa) Fragrant River Entertainment and FingerAd being satisfied with the preliminary due diligence results on the subject matters of the FingerAd Framework Agreement; and (bb) the execution of the formal agreement(s) between (A) FingerAd or China Railsmedia or its subsidiaries; and (B) i-Marker Culture & Media Investments Limited (“i-Marker”) pursuant to a memorandum of understanding entered into between i-Marker and FingerAd. If the above conditions are not satisfied prior to 30th May 2014, the FingerAd Framework Agreement will be terminated. There is no exclusivity period within which the parties to the FingerAd Framework Agreement may engage in negotiations before the entering into such formal cooperative agreement.

Pursuant to the FingerAd Framework Agreement, Fragrant River Entertainment and FingerAd intend to cooperate in the following areas:

1. Fragrant River Entertainment shall recommend FingerAd to world class Hollywood and international film and television production companies as strategic partners;
2. Fragrant River Entertainment and FingerAd shall jointly formulate import film plans and strategies;
3. Fragrant River Entertainment shall procure distribution and sales channels for the foreign films and television contents imported by FingerAd; and
4. Fragrant River Entertainment and FingerAd shall jointly invest in the set up of cinema circuits in the PRC.

The above cooperation framework agreements only set out the preliminary cooperation intentions and are subject to the entering into formal cooperative agreements by the respective parties setting out definitive terms of cooperation, including but not limited to, the investment amounts, profit sharing arrangements, costs allocations and obligations of each of the respective parties.

## NEW/POTENTIAL INVESTMENTS *(Continued)*

Further announcement(s) in relation to the above JV agreement and the cooperation framework agreements will be made by the Company as and when appropriate in compliance with the Listing Rules.

## OUTLOOK

Film market in Mainland China shows a good progress in its development. According to the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局), the total accumulated box office in Mainland China hit record high and reached approximately RMB21.77 billion for the year ended 31st December 2013, representing an increase of approximately 27.5% as compared to the same period in 2012.

Not only film market in Mainland China continues to grow, but online game market in Mainland China also sees huge growth potential. Mainland China has the largest number of mobile phone users, coupled with the increasing use of smartphones, leading to the rapid growth in demand for mobile games. According to the latest report published on 8 January 2014 by iResearch Consulting Group (the “iResearch”), an internet research institution, the online game market in Mainland China is expected to reach approximately RMB89.16 billion in 2013, of which mobile game was the major growth driver and accounted for an estimate of approximately 16.7% of the total online game market. iResearch also forecasted that the scale of online game market in Mainland China will record approximately RMB224.57 billion by 2017 and approximately 31.4% will be coming from mobile game. Furthermore, in view of the U.S.’s six major film production enterprises setting up video game department to directly get involved in the video game development, the Group believes that the cooperation between film industry and video game industry has become the major trend. As a result, in order to tap into online game market in Mainland China, the Group and Computech entered into the JV Agreement, in relation to the establishment of the JV Company to develop and sell of computer and mobile phone games as disclosed in page 47 under the paragraph “New/Potential Investments” and the Company’s announcement dated 5th December 2013.



## **OUTLOOK** *(Continued)*

In order to cope with the rapid expansion in the entertainment industry in Mainland China, the Group will continue to seek other new investment opportunities in entertainment, games, gaming and other culture-related businesses in the entertainment industry and other businesses which are related to the Group's current core business to further diversify its business stream in the entertainment industry in Hong Kong and Mainland China.

## **FINANCIAL RESOURCES/LIQUIDITY**

As at 31st December 2013, the Group had cash balances of approximately HK\$87.8 million (As at 30th June 2013: approximately HK\$50.4 million). The increase in cash balances was mainly due to decreased spending on purchase of investment properties and purchase of film rights and investment in films in progress.

As at 31st December 2013, the Group had total assets of approximately HK\$446.7 million, representing an increase of approximately HK\$50.2 million over that of 30th June 2013.

The Group's gearing ratio as at 31st December 2013 fell to almost zero (As at 30th June 2013: same), which was calculated on the basis of the Group's long term borrowings including obligations under finance leases of approximately HK\$79,000 (fully repayable in five years) and on the total equity of the Company of approximately HK\$329.3 million.

There was no financial cost incurred for the Period (2012: Nil).

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

As at 31st December 2013, current ratio (defined as total current assets divided by total current liabilities) was approximately 3.24 (As at 30th June 2013: approximately 0.7).

## CAPITAL STRUCTURE

As at 31st December 2013, the Group had shareholders' capital of approximately HK\$34,321,000 (30th June 2013: approximately HK\$34,235,000). The shareholders' capital of the Company is constituted of 1,716,049,795 Shares.

The Company issued and allotted 4,279,425 new Shares during the Period pursuant to the exercise of the options granted under the share option scheme of the Company adopted on 26th November 2003.

As announced on 16th September 2013, the Company and Astrum Capital Management Limited (the "Placing Agent") entered into a conditional placing agreement (the "Placing Agreement"), pursuant to which the Company appointed the Placing Agent as its agent to procure places to subscribe for the warrants (the "Warrant(s)"), on a best efforts basis, at an issue price of HK\$0.0025 per Warrant. The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK\$85.5 million for the new Shares at an initial subscription price of HK\$0.25 per Warrant (the "Initial Subscription Price"), subject to adjustments, for a period of 2 years commencing from the date of issue of the Warrants. Based on the Initial Subscription Price of HK\$0.25 per new Share to be allotted and issued upon exercise of the subscription right attaching to the Warrants, a maximum of 342,000,000 new Shares (the "Warrant Shares") will be allotted and issued by the Company. The condition precedent of the Placing Agreement had been fulfilled and completion of the Placing Agreement took place on 25th October 2013 whereby Warrants entitling the holders thereof to subscribe in cash up to an aggregate amount of HK\$85,500,000 for the Warrant Shares at an initial subscription price of HK\$0.250 per Warrant Share (subject to adjustments) had been placed to not less than six places at an issue price of HK\$0.0025 per unit of Warrant. As at the date of this report, none of the Warrants were exercised to subscribe the new Shares.

The Company incurred the fair value loss of approximately HK\$81.2 million in issuance of the Warrants during the Period.



## **CAPITAL STRUCTURE** *(Continued)*

Apart from the ordinary Shares in issue and the Warrants, the capital instruments in issue of the Company include share options as disclosed in page 56 under the paragraph of “Share Option Scheme” to subscribe for the Shares, there was no movement in the issued share capital of the Company during the Period.

Pursuant to the Company’s announcement dated 17th November 2013, (i) the Company and (ii) the 貴州豐瑞投資有限公司 (in English, for identification purpose only, Guizhou Fengrui Investment Co., Ltd., “Fengrui Investment”), a limited liability company established in the PRC and 貴州光大能源發展有限公司 (in English, for identification purpose only, Guizhou Guangda Energy Development Co., Ltd., “Guangda Energy”), a limited liability company established in the PRC, (collectively the “Subscribers”) entered into a conditional subscription agreement dated 14th November 2013 (the “Subscription Agreement”) pursuant to which the Subscribers have agreed to subscribe for the convertible note (the “Convertible Note”) in the aggregate principal amount of HK\$95,000,000 with the conversion rights attached to the Convertible Note at the initial conversion price of HK\$0.50 per Share. The Convertible Note will bear interest on the principle amount outstanding from and including the issue date of the Convertible Note at the rate of 5% per annum. The maturity date of the Convertible Note is the second anniversary of its issue date.

The Subscribers, in aggregate, own 52% equity interest in Guizhou Colorful, in which, Guangda Energy and Fengrui Investment, own 15% and 37% equity interest respectively in Guizhou Colorful.

Assuming the conversion rights attached to the Convertible Note are exercised in full at the initial conversion price of HK\$0.50 per Share, a maximum of 190,000,000 new Shares will be allotted and issued.

The Subscription Agreement was not completed yet as at the date of this report.

## **THE PLEDGE OF GROUP ASSETS**

As at 31st December 2013, the Group did not have any pledged assets (As at 30th June 2013: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2013, the Group had 46 staff (As at 30th June 2013: 46). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits including discretionary bonus, medical insurance scheme and mandatory provident fund.

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

As at 31st December 2013, the interests of each of the Directors and chief executives of the Company in the Shares (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interest which any such Director was taken or deemed to have under such provisions of the SFO) or; (b) entered in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or; (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### (1) Interests in issued Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding
Mr. Lam Shiu Ming, Daneil	Founder of a discretionary trust ( <i>Note</i> )	359,131,705	20.93%

*Note: The trustee of the discretionary trust is Central Core Resources Limited which owns the entire issued share capital of Globalcrest Enterprises Limited which in turn is interested in 359,131,705 Shares.*



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

*(Continued)*

### **(2) Interests in underlying shares**

Certain Directors have been granted share options under the Scheme, details of which are set in the section "Share Option Scheme" in page 56.

All the interests in the Shares and underlying shares of the Company were long positions.

Save as disclosed above, as at 31st December 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were deemed or taken to have under such provisions of the SFO) or; (b) entered in the register kept by the Company pursuant to Section 352 of Part XV of the SFO or; (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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



## SHARE OPTION SCHEME

Pursuant to a resolution passed in the annual general meeting held on 26th November 2003, the Company adopted a share option scheme (the “2003 Share Option Scheme”) in compliance with the Listing Rules.

The Company may grant share options to the participants, including Directors and employees, to subscribe for Shares as incentives and/or rewards for their contributions and support to the Group and any entity in which the Group holds any equity interests. On 27th June 2012, the Company granted 34,235,403 share options, which represented approximately 2% of the issued share capital of the Company as at 31st December 2013, to certain Directors and employees at the subscription price of HK\$0.067 per share option which were vested immediately and exercisable for a three-year period commencing from 27th June 2012 to 26th June 2015 (both days inclusive). Each share option gives the holder the right to subscribe for one ordinary Share. Particulars of the share options under the 2003 Share Option Scheme outstanding during the Period and as at 31st December 2013 were as follows:

Participants	Date of grant	The term during which share options are exercisable	Price per Share on exercise of options HK\$	No of share options outstanding at the beginning of the Period	No of share options granted during the Period	No of share options exercised during the Period	No of share options outstanding at the end of the Period	Market value per Share on grant of share option HK\$
<b>Executive Directors</b>								
Mr. Lam Shiu Ming, Daniel	27/6/2012	27/6/2012–26/6/2015	0.067	17,117,703	-	-	17,117,703	0.064
Mr. Yeung Kim Piu	27/6/2012	27/6/2012–26/6/2015	0.067	4,279,425	-	-	4,279,425	0.064
<b>Chief Operation Officer</b>								
Mr. Lam Siu Keung, Alvin	27/6/2012	27/6/2012–26/6/2015	0.067	8,558,850	-	-	8,558,850	0.064
<b>Eligible employee working under employment contracts</b>								
	27/6/2012	27/6/2012–26/6/2015	0.067	4,279,425	-	(4,279,425)	-	0.064
				34,235,403	-	(4,279,425)	29,955,978	

None of the share options has been granted, exercised or cancelled under the 2003 Share Option Scheme for the period from 1st July 2012 to 31st December 2012.



## **SHARE OPTION SCHEME** *(Continued)*

The 2003 Share Option Scheme expired on 26th November 2013. According to the provisions of the 2003 Share Option Scheme, Options granted during the term of the 2003 Share Option Scheme and remain unexercised immediately prior to the end thereof shall continue to be exercisable in accordance with their terms of grant notwithstanding the expiry of the 2003 Share Option Scheme.

In view of the expiration of the 2003 Share Option Scheme and in order to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to grant the Group, the Company adopted a new share option scheme (the “2013 Share Option Scheme”) pursuant to a resolution passed in the annual general meeting of the Company held on 2nd December 2013 in compliance with the Listing Rules.

The 2013 Share Option Scheme will be valid for 10 years from the date of its adoption. The purpose of the 2013 Share Option Scheme is to enable the Company to grant share options to the participants, as incentives and/or rewards for their contribution to the Group and/or any invested entity (if applicable). Under the 2013 Share Option Scheme, the total number of share options available for issue as at 31st December 2013 was 171,604,979, the full exercise of which in subscribing for Shares would represent 10% of the total number of the issued capital of the Company as at 31st December 2013. None of the share options has been granted, exercised or cancelled under the 2013 Share Option Scheme for the period from 2nd December 2013 (date of adoption of the 2013 Share Option Scheme) to 31st December 2013.

Please refer to the Company’s circular dated 31st October 2013 for the principal terms and details of the 2013 Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December 2013, shareholders (other than Directors or chief executive of the Company disclosed above) who had interests or short positions in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name of shareholders	Number of Share held	Percentage of shareholding
Globalcrest Enterprises Limited ( <i>Note i</i> )	359,131,705	20.93%
Central Core Resources Limited ( <i>Note i</i> )	359,131,705	20.93%
貴州豐瑞投資有限公司 ( <i>Note ii</i> )	135,200,000	7.88%
沈鑫 ( <i>Note ii</i> )	135,200,000	7.88%

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

*Note ii: 沈鑫 owned 99% equity interests in 貴州豐瑞投資有限公司, therefore 沈鑫 is deemed to have interests in such Shares.*

All the interests disclosed above represent long positions in the Shares.

Save as disclosed above, as at 31st December 2013, no other person has any interests or short positions in the shares, underlying shares and debentures of the Company in the register required to be kept by Company under section 336 of Part XV of the SFO.



## MANAGEMENT CONTRACTS

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

## CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2013, complied with the code provisions contained in Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules except for the code provision A.2.1 of the Code for the separation of the roles of Chairman and Chief Executive Officer (“CEO”) as described in the following.

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

## AUDIT COMMITTEE

The Audit Committee was established on 11th October 1999. Its current members include three independent non-executive Directors, namely Mr. Lam Wing Tai (Chairman), Mr. Lam Chi Keung and Mr. Choi Wing Koon.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the Period 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 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 31st December 2013, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code throughout the Period.

By Order of the Board  
**Lam Shiu Ming, Daneil**  
*Chairman*

Hong Kong, 28th February 2014

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UNIVERSE INTERNATIONAL HOLDINGS LIMITED  
寰宇國際控股有限公司