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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 30TH JUNE 2020**

RESULTS

The board of directors (the “**Directors**”) of Universe Entertainment and Culture Group Company Limited (the “**Company**”) (the “**Board**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30th June 2020, together with comparative figures for the year ended 30th June 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS:			
Revenue			
Sales of goods – video distribution, optical products and watches products		52,229	38,090
Income on film distribution and exhibition, licensing and sub-licensing of film rights		153,653	5,343
Income from other businesses		20,885	18,236
Total revenue	4	226,767	61,669

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Cost of revenue			
Cost of inventories sold		(41,025)	(27,254)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(71,175)	(10,185)
Cost from other businesses		(11,027)	(8,850)
Total cost of revenue		(123,227)	(46,289)
Selling expenses		(16,943)	(12,572)
Administrative expenses		(80,987)	(73,989)
Impairment loss of interest in an associate		–	(1,065)
Impairment loss of film related deposits		(11,356)	(67)
Impairment loss of film rights and films in progress		(4,653)	(165)
Impairment loss of property, plant and equipment		(1,090)	–
Impairment loss of right-of-use assets		(2,069)	–
Impairment loss of other intangible assets		(1,165)	–
Change in expected credit loss		(23,175)	(26,823)
Amortisation of other intangible assets		(397)	(148)
Other income		2,878	9,810
Other gains/(losses) – net		14,523	(4,207)
(Losses)/gains:			
Fair value change of trading securities		(5,391)	(5,288)
Fair value change of other financial assets carried at fair value through profit or loss		(3,581)	(19,437)
Fair value change of contingent consideration receivable		–	(3,796)
Fair value change on investment properties		–	2,100
Finance income		2,987	2,392
Finance costs		(542)	–
Share of losses of associates		(1,085)	(725)
Loss before taxation		(28,506)	(118,600)
Income tax credit	5	141	123
Loss for the year from continuing operations		(28,365)	(118,477)

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
DISCONTINUED OPERATION:			
Profit/(loss) for the year from discontinued operation	<i>11</i>	<u>795</u>	<u>(3,098)</u>
Loss for the year		<u>(27,570)</u>	<u>(121,575)</u>
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		<u>1,528</u>	<u>171</u>
Other comprehensive income for the year, net of tax		<u>1,528</u>	<u>171</u>
Total comprehensive loss for the year		<u>(26,042)</u>	<u>(121,404)</u>
Profit/(loss) attributable to owners of the Company:			
– from continuing operations		(27,858)	(118,102)
– from discontinued operation		<u>795</u>	<u>(3,098)</u>
Loss for the year attributable to owners of the Company		<u>(27,063)</u>	<u>(121,200)</u>
Loss attributable to non-controlling interests:			
– from continuing operations		(507)	(375)
– from discontinued operation		<u>–</u>	<u>–</u>
Loss for the year attributable to non-controlling interests		<u>(507)</u>	<u>(375)</u>

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(25,535)	(121,029)
Non-controlling interests		<u>(507)</u>	<u>(375)</u>
		<u>(26,042)</u>	<u>(121,404)</u>
Total comprehensive income/(loss) attributable to owners of the Company arises from:			
Continuing operations		(26,330)	(117,931)
Discontinued operation		<u>795</u>	<u>(3,098)</u>
		<u>(25,535)</u>	<u>(121,029)</u>
Loss per share attributable to owners of the Company for the year (expressed in HK\$):			
From continuing and discontinued operations			
– basic	6	<u>(0.0299)</u>	<u>(0.134)</u>
– diluted	6	<u>(0.0299)</u>	<u>(0.134)</u>
From continuing operations			
– basic	6	<u>(0.0307)</u>	<u>(0.131)</u>
– diluted	6	<u>(0.0307)</u>	<u>(0.131)</u>

CONSOLIDATED BALANCE SHEET

		As at 30th June 2020 <i>HK\$'000</i>	As at 30th June 2019 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		17,271	4,649
Investment properties		31,460	31,460
Other intangible assets		2,239	2,387
Film rights and films in progress		221,760	235,304
Interests in associates		–	1,085
Loan to an associate		–	4,288
Film related deposits		68,346	74,426
Deposits paid		407	1,596
Deferred tax assets		271	341
Other financial assets		10,008	9,574
		<u>351,762</u>	<u>365,110</u>
Current assets			
Inventories		10,963	9,217
Accounts receivable	8	73,105	11,161
Loans receivable		7,216	61,630
Amount due from an associate		53	–
Deposits paid, prepayments and other receivables		21,020	87,501
Trading securities		3,300	8,691
Contingent consideration receivable		–	–
Tax recoverable		–	2,242
Tax certificate		–	45
Bank balances and cash			
– trust accounts		780	869
Time deposits with maturity over three months at acquisition		108,640	–
Cash and cash equivalents		106,949	178,228
Total current assets		<u>332,026</u>	<u>359,584</u>
Total assets		<u>683,788</u>	<u>724,694</u>

		As at 30th June 2020 <i>HK\$'000</i>	As at 30th June 2019 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,066	9,066
Share premium		35,013	35,013
Other reserves		547,995	546,467
Accumulated losses		<u>(236,378)</u>	<u>(209,315)</u>
		355,696	381,231
Non-controlling interests		<u>(804)</u>	<u>(297)</u>
Total equity		<u>354,892</u>	<u>380,934</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,612	–
Deferred tax liabilities		<u>84</u>	<u>90</u>
		<u>5,696</u>	<u>90</u>
Current liabilities			
Accounts payable	9	19,301	10,821
Amount due to an associate		–	2,725
Other payables and accrued charges		158,870	74,610
Contingent consideration payable		20,400	20,400
Contract liabilities		97,397	193,454
Deposits received		11,409	34,923
Obligations under a finance lease		–	7
Lease liabilities		9,863	–
Taxation payable		<u>5,960</u>	<u>6,730</u>
Total current liabilities		<u>323,200</u>	<u>343,670</u>
Total liabilities		<u>328,896</u>	<u>343,760</u>
Total equity and liabilities		<u>683,788</u>	<u>724,694</u>
Net current assets		<u>8,826</u>	<u>15,914</u>
Total assets less current liabilities		<u>360,588</u>	<u>381,024</u>

NOTES:

1. GENERAL INFORMATION

Universe Entertainment and Culture Group Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, money lending, leasing of investment properties, entertainment business, securities investment, trading, wholesaling and retailing of optical products and watches products, and provisions of type-setting, translation, printing, design, distribution of financial print products and other related services.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Company is 18th Floor, Wyler Centre Phase II, 192–200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 29th September 2020.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**INTs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration receivable, other investments in equity securities, derivative financial instruments, contingent consideration payable and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. ACCOUNTING POLICY

Application of new or revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16, Leases

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

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

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

a. New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st July 2019. For contracts entered into before 1st July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

At the date of transition to HKFRS 16 (i.e. 1st July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.97%.

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

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30th June 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30th June 2019 as an alternative to performing an impairment review.

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

	<i>HK\$'000</i>
Operating lease commitments at 30th June 2019	22,058
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 30th June 2020	(1,997)
– leases of low-value assets	(10)
	20,051
Less: total future interest expenses	(659)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1st July 2019	19,392
Add: finance lease liabilities recognised as at 30th June 2019	7
Total lease liabilities recognised at 1st July 2019	<u>19,399</u>

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

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

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

	Carrying amount at 30th June 2019 HK\$'000	Capitalisation of operating lease contracts HK\$'000	Carrying amount at 1st July 2019 HK\$'000
Line items in the consolidated balance sheet impacted by the adoption of HKFRS 16:			
Property, plant and equipment	4,649	19,392	24,041
Total non-current assets	365,110	19,392	384,502
Obligations under a finance lease	7	(7)	–
Lease liabilities (current)	–	9,414	9,414
Current liabilities	343,670	9,407	353,077
Net current assets	15,914	(9,407)	6,507
Total assets less current liabilities	381,024	9,985	391,009
Lease liabilities (non-current)	–	9,985	9,985
Total non-current liabilities	90	9,985	10,075

c. Impact on the financial result and segment results of the Group

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

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and segment results for the year ended 30th June 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019/20 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019/20 with the actual 2018/19 corresponding amounts which were prepared under HKAS 17.

	2020			2019	
			Deduct: Estimated amounts related to operating leases as if under HKAS 17	Hypothetical amounts for 2020 as if under HKAS 17	Compared to amounts reported for 2019 under HKAS 17
Amounts reported under HKFRS 16 (A) HK\$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK\$'000			(D=A+B+C) HK\$'000	
Financial result for the year ended 30th June 2020 impacted by the adoption of HKFRS 16:					
Administrative expenses	(80,987)	11,128	(11,624)	(81,483)	(73,989)
Selling expenses	(16,943)	411	(328)	(16,860)	(12,572)
Finance costs	(542)	542	–	–	–
Loss before taxation from continuing operations	(28,506)	12,081	(11,952)	(28,377)	(118,600)
Loss for the year from continuing operations	(28,365)	12,081	(11,952)	(28,236)	(118,477)
Loss for the year	(27,570)	12,081	(11,952)	(27,441)	(121,575)
Reportable segment profit/(loss) for the year ended 30th June 2020 (note 4(a)) impacted by the adoption of HKFRS 16:					
– Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights	17,355	3,781	(3,813)	17,323	(52,387)
– Trading, wholesaling and retailing of optical products and watches products	(12,101)	5,694	(5,629)	(12,036)	(10,679)
– Entertainment business	(857)	36	(22)	(843)	(632)
– Financial printing	(11,134)	2,499	(2,418)	(11,053)	(8,503)

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30th June 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 30th June 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	a date to be determined
Amendments to HKFRS 3, <i>Definition of a business</i>	1st January 2020
Amendments to HKAS 8, <i>Definition of material</i>	1st January 2020
Amendments to HKFRS 16, <i>Covid-19-Related Rent Concessions</i>	1st June 2020

The Group is in process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

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

During the year ended 30th June 2018, the Group ceased its business in securities brokerage and margin financing which are classified as discontinued operation for the years ended 30th June 2019 and 2020.

The Group has presented the following reportable segments.

Continuing operations

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

Discontinued operation

- Securities brokerage and margin financing (ceased during the year ended 30th June 2018)

(a) Segment revenue, results, assets and liabilities

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from continuing operations. The profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except fair value change of contingent consideration receivable, impairment loss of interest in an associate, fair value change of other financial assets, amortisation of deferred day one gain in respect of derivative instruments, finance income, unallocated finance costs, share of loss of associates and unallocated corporate expenses.

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

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 30th June 2020 and 2019 is set out below:

	2020											
	Continuing operations								Discontinued operation			
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products and watches HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment business HK\$'000	Financial printing HK\$'000	Elimination HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Total for discontinued operations HK\$'000	Total HK\$'000
Segment revenue												
Disaggregate by timing of revenue recognition												
- Point in time	154,864	51,018	-	-	-	2,042	-	-	207,924	33	33	207,957
- Over time	-	-	-	-	-	-	9,814	-	9,814	-	-	9,814
- Revenue out of scope of HKFRS 15	-	-	1,140	-	7,889	-	-	-	9,029	-	-	9,029
External revenue	154,864	51,018	1,140	-	7,889	2,042	9,814	-	226,767	33	33	226,800
Inter-segment sales	-	-	-	-	-	-	371	(371)	-	-	-	-
	<u>154,864</u>	<u>51,018</u>	<u>1,140</u>	<u>-</u>	<u>7,889</u>	<u>2,042</u>	<u>10,185</u>	<u>(371)</u>	<u>226,767</u>	<u>33</u>	<u>33</u>	<u>226,800</u>
Segment results	17,355	(12,101)	928	(5,754)	(13,370)	(857)	(11,134)	(371)	(25,304)	795	795	(24,509)
Fair value change of other financial assets carried at fair value through profit or loss									(3,581)		-	(3,581)
Amortisation of deferred day one gain in respect of derivative financial instruments									5,545		-	5,545
Finance income									2,987		-	2,987
Finance costs									(3)		-	(3)
Share of losses of associates									(1,085)		-	(1,085)
Unallocated corporate expenses									(7,065)		-	(7,065)
Loss before tax									<u>(28,506)</u>		<u>795</u>	<u>(27,711)</u>

	Continuing operations								Discontinued operation	
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products and watches HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment business HK\$'000	Financial printing HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Total HK\$'000
Assets										
Segment assets	371,841	27,636	31,502	3,300	1,348	4,250	6,537	446,414	4,950	451,364
Other financial assets								10,008	-	10,008
Deferred tax assets								271	-	271
Amount due from an associate								53	-	53
Unallocated other intangible assets								1,858	-	1,858
Unallocated loans receivable								5,868	-	5,868
Unallocated time deposits with maturity over 3 months at acquisition								108,640	-	108,640
Unallocated cash and cash equivalents								102,976	-	102,976
Unallocated corporate assets								2,750	-	2,750
Total consolidated assets								678,838	4,950	683,788
Liabilities										
Segment liabilities	253,615	20,659	251	8,512	400	2,208	6,543	292,188	802	292,990
Taxation payable								5,960	-	5,960
Deferred tax liabilities								84	-	84
Contingent consideration payable								20,400	-	20,400
Unallocated corporate liabilities								9,462	-	9,462
Total consolidated liabilities								328,094	802	328,896

	Continuing operations								Discontinued operation	
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products and watches HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment business HK\$'000	Financial printing HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Total HK\$'000
Other information										
Additions of property, plant and equipment	78	1,573	26	-	-	2	1,399	3,078	-	3,078
Additions of right-of-use assets	225	6,113	-	-	-	-	1,352	7,690	-	7,690
Additions of unallocated property, plant and equipment								597	-	597
Total additions of property, plant and equipment								11,365	-	11,365
Additions of intangible assets	-	-	-	-	-	-	1,414	1,414	-	1,414
Additions of film rights and films in progress	30,089	-	-	-	-	-	-	30,089	-	30,089
Additions of film related deposits	30,007	-	-	-	-	-	-	30,007	-	30,007
Depreciation	104	2,566	11	-	-	1	310	2,992	-	2,992
Unallocated depreciation	-	-	-	-	-	-	-	35	-	35
Amortisation of film rights	44,149	-	-	-	-	-	-	44,149	-	44,149
Depreciation of right-of-use assets	3,628	5,395	-	-	-	35	2,413	11,471	-	11,471
Unallocated amortisation of right-of-use assets	-	-	-	-	-	-	-	68	-	68
Amortisation of other intangible assets	-	148	-	-	-	-	249	397	-	397
Total depreciation and amortisation								59,112	-	59,112
Impairment loss of property, plant and equipment	-	-	-	-	-	-	1,090	1,090	-	1,090
Impairment loss of other intangible assets	-	-	-	-	-	-	1,165	1,165	-	1,165
Impairment loss of right-of-use assets	-	-	-	-	-	-	2,069	2,069	-	2,069
Impairment loss of film rights and films in progress	4,653	-	-	-	-	-	-	4,653	-	4,653
Impairment loss of film related deposits	11,356	-	-	-	-	-	-	11,356	-	11,356
Change in ECLs										
- Accounts receivable	87	-	-	-	-	23	956	1,066	(1,500)	(434)
- Loans receivable	127	-	-	-	18,653	-	-	18,780	-	18,780
- Other receivables	(647)	-	-	-	386	4	-	(257)	-	(257)
Unallocated change in ECLs								3,586	-	3,586
Total change in ECLs								23,175	(1,500)	21,675
Fair value change of trading securities	-	-	-	5,391	-	-	-	5,391	-	5,391

	Continuing operations								Discontinued operation			
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical products and watches HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Entertainment business HK\$'000	Financial printing HK\$'000	Elimination HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	Total for discontinued operations HK\$'000	Total HK\$'000
Segment revenue												
Disaggregate by timing of revenue recognition												
– Point in time	7,782	35,651	–	–	–	5,793	–	–	49,226	196	196	49,422
– Over time	–	–	–	–	–	–	3,649	–	3,649	–	–	3,649
– Revenue out of scope of HKFRS 15	–	–	1,107	–	7,687	–	–	–	8,794	–	–	8,794
External revenue	7,782	35,651	1,107	–	7,687	5,793	3,649	–	61,669	196	196	61,865
Inter-segment sales	–	–	–	–	–	–	625	(625)	–	–	–	–
	<u>7,782</u>	<u>35,651</u>	<u>1,107</u>	<u>–</u>	<u>7,687</u>	<u>5,793</u>	<u>4,274</u>	<u>(625)</u>	<u>61,669</u>	<u>196</u>	<u>196</u>	<u>61,865</u>
Segment results	(52,387)	(10,679)	2,904	(4,597)	(12,981)	(632)	(8,503)	–	(86,875)	(3,118)	(3,118)	(89,993)
Fair value change of contingent consideration receivable									(3,796)		–	(3,796)
Impairment loss of interest in an associate									(1,065)		–	(1,065)
Fair value change of other financial assets carried at fair value through profit or loss									(19,437)		–	(19,437)
Amortisation of deferred day one gain in respect of derivative financial instruments									1,636		–	1,636
Finance income									2,392		–	2,392
Share of losses of associates									(725)		–	(725)
Unallocated corporate expenses									(10,730)		–	(10,730)
Loss before tax									(118,600)		(3,118)	(121,718)

	Continuing operations							Discontinued operation		
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical products and watches <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	Financial printing <i>HK\$'000</i>	Total for continuing operations <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets										
Segment assets	385,615	23,412	31,488	8,691	59,922	5,497	4,846	519,471	13,736	533,207
Interests in associates								1,085	–	1,085
Other financial assets								9,574	–	9,574
Deferred tax assets								341	–	341
Loan to an associate								4,288	–	4,288
Tax recoverable								–	2,242	2,242
Tax certificate								45	–	45
Unallocated other intangible assets								1,858	–	1,858
Unallocated loan receivables								1,881	–	1,881
Unallocated cash and cash equivalents								169,055	–	169,055
Unallocated corporate assets								1,118	–	1,118
Total consolidated assets								<u>708,716</u>	<u>15,978</u>	<u>724,694</u>
Liabilities										
Segment liabilities	287,519	6,679	229	–	–	7,238	2,184	303,849	818	304,667
Taxation payable								6,730	–	6,730
Deferred tax liabilities								90	–	90
Contingent consideration payable								20,400	–	20,400
Unallocated corporate liabilities								11,873	–	11,873
Total consolidated liabilities								<u>342,942</u>	<u>818</u>	<u>343,760</u>

	Continuing operations								Discontinued operation	
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical products and watches <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	Financial printing <i>HK\$'000</i>	Total for continuing operations <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other information										
Additions of property, plant and equipment	9	3,636	7	-	-	1	144	3,797	-	3,797
Additions of unallocated property, plant and equipment								24	-	24
Total additions of property, plant and equipment								3,821	-	3,821
Additions of films in progress	155,495	-	-	-	-	-	-	155,495	-	155,495
Additions of film related deposits	40,471	-	-	-	-	-	-	40,471	-	40,471
Depreciation	331	1,470	3	-	-	8	647	2,459	51	2,510
Unallocated depreciation								385	-	385
Amortisation of film rights	1,747	-	-	-	-	-	-	1,747	-	1,747
Amortisation of brand name	-	148	-	-	-	-	-	148	-	148
Total depreciation and amortisation								4,739	51	4,790
Write-off of property, plants and equipment	-	4	-	-	-	-	1,607	1,611	-	1,611
Impairment loss of film rights	165	-	-	-	-	-	-	165	-	165
Impairment loss of film related deposits	67	-	-	-	-	-	-	67	-	67
Change in ECLs										
- Account receivable	(716)	(137)	-	-	-	(11)	84	(780)	(3,500)	(4,280)
- Loans receivable	-	-	-	-	18,710	-	-	18,710	-	18,710
- Other receivables	7,620	130	-	-	430	(185)	-	7,995	-	7,995
Unallocated change in ECLs								898	-	898
Total change in ECLs								26,823	(3,500)	23,323
Increase in fair value of investment property	-	-	(2,100)	-	-	-	-	(2,100)	-	(2,100)
Fair value change of trading securities	-	-	-	5,288	-	-	-	5,288	-	5,288

(b) Geographical information

The Company is domiciled in Hong Kong. The Group's operations are mainly located in Hong Kong and the PRC.

The revenue information below is based on the location of the operations.

	2020	
	Revenue	Non-current assets (other than financial instruments and deferred tax assets)
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Hong Kong (place of domicile)	83,456	314,385
Macau	230	–
PRC and other Asian countries (other than Hong Kong and Macau)	142,365	26,691
Others	716	–
	<u>226,767</u>	<u>341,076</u>
DISCONTINUED OPERATION		
Hong Kong (place of domicile)	33	–
Total	<u>226,800</u>	<u>341,076</u>

	2019	
	Revenue	Non-current assets (other than financial instruments and deferred tax assets)
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Hong Kong (place of domicile)	39,702	315,547
Macau	154	–
PRC and other Asian countries (other than Hong Kong and Macau)	21,766	33,764
Others	47	–
	<u>61,669</u>	<u>349,311</u>
DISCONTINUED OPERATION		
Hong Kong (place of domicile)	<u>196</u>	<u>–</u>
Total	<u>61,865</u>	<u>349,311</u>

(c) **Information about major customers**

For the year ended 30th June 2020 one of the customers from video distribution, film distribution and exhibition, licensing and sub-licensing of film rights segment contributing 10% or more of the Group's revenue amounted to approximately HK\$23,460,000 (2019: there is no single customer contributed 10% or more of the Group's revenue.)

5. INCOME TAX CREDIT

Income tax in the consolidated statement of comprehensive income

	2020			2019		
	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	Total <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Current tax						
Hong Kong Profits Tax						
(Over)/under provision in						
prior year	(205)	–	(205)	294	(20)	274
Deferred tax						
Origination and reversal of						
temporary differences	<u>64</u>	<u>–</u>	<u>64</u>	<u>(417)</u>	<u>–</u>	<u>(417)</u>
Income tax credit	<u>(141)</u>	<u>–</u>	<u>(141)</u>	<u>(123)</u>	<u>(20)</u>	<u>(143)</u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

No provision for PRC Enterprise Income Tax (the “EIT”) has been made in the consolidated financial statements for the years ended 30th June 2020 and 2019 as the Group has no assessable profits under EIT for both years.

No provision for profits tax in Bermuda and the British Virgin Islands has been made as the Group has no income or profit assessable for tax in these jurisdictions for the years ended 30th June 2020 and 2019, respectively.

6. LOSS PER SHARE

(a) Basic

Basic profit/(loss) per ordinary share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2020	2019
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)		
– from continuing operations	(27,858)	(118,102)
– from discontinued operation	<u>795</u>	<u>(3,098)</u>
	<u>(27,063)</u>	<u>(121,200)</u>
Weighted average number of ordinary shares in issue	<u>906,632,276</u>	<u>906,632,276</u>
Basic profit/(loss) per ordinary share (<i>HK\$</i>)		
– from continuing and discontinued operations	(0.0299)	(0.134)
– from continuing operations	(0.0307)	(0.131)
– from discontinued operation	<u>0.0008</u>	<u>(0.003)</u>

Weighted average number of ordinary shares (Basic)

	2020	2019
Issued ordinary shares at 1st July 2019 and 30th June 2020	<u>906,632,276</u>	<u>906,632,276</u>

(b) Diluted

The diluted profit/(loss) per share is the same as the basic profit/(loss) per share for the year ended 30th June 2020 (2019: same) as there is no potential dilutive share issued during the year.

7. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable during the year

	2020 <i>HK\$ per ordinary share</i>	2019 <i>HK\$ per ordinary share</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
First Special Dividend declared and paid (<i>note (i)</i>)	–	0.30	–	271,990
Second Special Dividend declared and paid (<i>note (ii)</i>)	–	0.15	–	135,995
	<u>–</u>	<u>0.45</u>	<u>–</u>	<u>407,985</u>

Notes:

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

The Distribution became unconditional on 4th October 2018 and was made on 22nd October 2018.

- ii) On 15th April 2019, it was further proposed by the Board and approved by the shareholders at the special general meeting that a special dividend of HK\$0.15 per share (“**Second Special Dividend**”) be paid out of the contributed surplus account of the Company. The dividend was paid on 10th May 2019.

- (b) The Board did not recommend the payment of a final dividend for the year ended 30th June 2020 (2019: HK\$Nil).

8. ACCOUNTS RECEIVABLE

	As at 30th June 2020 <i>HK\$'000</i>	As at 30th June 2019 <i>HK\$'000</i>
Accounts receivable arising from securities brokerage and margin financing business:		
– Brokers and cash clients (<i>Note a</i>)	<u>16</u>	<u>20</u>
– Margin clients	–	1,500
Less: Impairment loss	<u>–</u>	<u>(1,500)</u>
Net (<i>Note b</i>)	<u>–</u>	<u>–</u>
	<u>16</u>	<u>20</u>
Accounts receivable arising from other businesses:		
Accounts receivable – others	74,155	16,313
Less: Impairment loss	<u>(1,066)</u>	<u>(5,172)</u>
Net (<i>Note c</i>)	<u>73,089</u>	<u>11,141</u>
Accounts receivable – net	<u><u>73,105</u></u>	<u><u>11,161</u></u>

The carrying amounts of accounts receivable approximate their fair values.

Notes:

(a) Accounts receivable arising from brokers and cash clients

The ageing analysis of the accounts receivable from brokers and cash clients which are past due but not impaired as of the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
Neither past due nor impaired	–	–
Less than 1 month past due	–	–
More than 1 month past due	<u>16</u>	<u>20</u>
	<u>16</u>	<u>20</u>

The normal settlement terms of accounts receivable from brokers and cash clients, which arise from the securities brokerage and margin financing business, are within two days after trade date.

Accounts receivable from cash clients relate to a wide range of customers. These receivables are secured by their portfolio of securities. As at 30th June 2020, the total market value of their portfolios of securities was approximately HK\$3,000 (2019: approximately HK\$4,000). Included in the Group's accounts receivable are cash clients with a total carrying amount of approximately HK\$16,000 (2019: approximately HK\$20,000) which are past due at the end of the reporting period but for which the Group has not provided for impairment as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable. No accounts receivable due from past due cash clients which are not fully secured by the listed securities of the respective cash clients, are considered impaired as at 30th June 2020 and 30th June 2019. Accounts receivable due from cash clients bear interest at commercial rates when they become past due.

(b) Accounts receivable arising from margin clients

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

Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. Additional funds or collaterals are required if the outstanding amount exceeds the discounted value of securities deposited. The listed securities of the margin clients can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. As at 30th June 2020 and 30th June 2019, no collateral was pledged for accounts receivable from margin clients. Account receivable due from margin client bear interest at commercial rate.

Accounts receivable due from margin clients of HK\$Nil (2019: approximately HK\$1,500,000) which are not fully secured by the listed securities of the respective margin clients are considered impaired as at 30th June 2020. Impairment loss of approximately HK\$1,500,000 (2019: approximately HK\$3,500,000) and HK\$Nil (2019: approximately HK\$13,000,000) was recovered and written off respectively during the year ended 30th June 2020.

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

(c) Accounts receivable arising from other businesses

The following is an ageing analysis of accounts receivable arising from other businesses, presented based on the invoice dates/date of revenue recognition:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 90 days	17,576	8,693
91 days to 180 days	297	262
Over 180 days	<u>55,216</u>	<u>2,186</u>
	<u>73,089</u>	<u>11,141</u>

Sales of videogram products are with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms. Sales from trading and wholesaling of optical products and watches products, and provisions of financial printing services are with credit terms of 0–90 days. Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

Included in accounts receivable arising from other businesses is a receivable for video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, with a carrying amount of approximately RMB49,365,000 (equivalent to approximately HK\$54,079,000) as at 30th June 2020. Arbitration is undergoing between the Group and the customer for this accounts receivable. The directors of the Group obtained legal opinion and assessed that there is no recoverability problem for this accounts receivable and there are no material adverse effect on the business operation and financial position of the Group as at 30th June 2020.

9. ACCOUNTS PAYABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	31	113
– margin clients	<u>506</u>	<u>516</u>
	<u>537</u>	<u>629</u>
Accounts payable arising from other businesses	<u>18,764</u>	<u>10,192</u>
	<u>19,301</u>	<u>10,821</u>

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

Accounts payable amounting to approximately HK\$780,000 as at 30th June 2020 (2019: approximately HK\$869,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the ordinary course of conducting the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

As at 30th June 2020 and 2019, the ageing analysis of the accounts payable arising from other businesses based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 90 days	16,562	8,080
91 days to 180 days	211	48
Over 180 days	1,991	2,064
	<u>18,764</u>	<u>10,192</u>

All of the accounts payable arising from other business are expected to be settled or recognised as income within one year or are repayable on demand.

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

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

On 9th September 2002, Universe Laser & Video Co. Limited (“**ULV**”), an indirect wholly-owned subsidiary of the Company, claimed against Star for the latter’s infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all losses 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 made against UEL will have no material financial impact to the Group for the year ended 30th June 2020.

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

In the opinion of legal counsel, it is premature to predict the outcome of the said claim made against the Company, ULV and Mr. Lam Shiu Ming, Daneil. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made in the consolidated financial statements for the year ended 30th June 2020.

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

On 6th June 2012, the action was discontinued against the Company and Mr. Lam Shiu Ming, Daneil. The claim made against ULV has been agreed with KPE and settled by ULV and appropriate legal costs provision was recognised accordingly in the consolidated financial statements for the year ended 30th June 2012.

No additional provision has been made in the consolidated financial statements for the year ended 30th June 2020. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

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

The Defendants filed their defence and counterclaimed on 29th September 2014. By such counterclaim, the Defendants claiming against UAM inter alia for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM is liable to account to the Defendants and an order for payment of all sums found to be due by UAM to the Defendants. The parties have finalized their pleadings and completed discovery and exchange of witness statements as well as other matters for setting down this action for trial. Pursuant to the application of the parties, the trial of this action has been fixed by the court to take place on 27th September 2021 with 10 days reserved.

Given the complexities of the factual and legal issues to be resolved, in the opinion of legal counsel, it is premature to assess the likely outcome of this Action.

The Board considers that the amounts of counterclaim by the Defendants against UAM is insignificant to the Group as a whole.

- (e) On 16th July 2018, Lucky Famous Limited (“**Lucky Famous**”) commenced Court of First Instance Action claimed against Fragrant River Entertainment Culture (Holdings) Limited (“**Fragrant River**”), a wholly-owned subsidiary of the Company, and the Company (“**Lucky Famous Action**”) for inter alia the sum of HK\$20.4 million as the adjustment to the consideration (the “**Adjustment Amount**”) alleged to be payable under an agreement dated 13th June 2016 (the “**Disposal Agreement**”) pursuant to which Lucky Famous purchased from Fragrant River 51% of the issued share capital of AP Group Investment Holdings Limited. Lucky Famous applied to amend the writ and statement of claim to join Chan Sze Long and Lim Wah Elsa as defendants in the Lucky Famous Actions for certain claims against them. The Court allowed the application of Lucky Famous on 24th September 2019.

Up to the date of this announcement, the parties are still negotiating for a settlement of the matter. In any event, as the exchange of evidence has not been completed, in the opinion of legal advisor, it is not practicable to assess the likely outcome of this Action. Without admitting any liability to Lucky Famous under the Disposal Agreement, the Adjustment Amount of HK\$20.4 million was recognised as at contingent consideration payable in the consolidated financial statements for the year ended 30th June 2020.

- (f) On 11th March 2020, China Jianxin Credit Services Limited (“**China Jianxin**”), a wholly owned subsidiary of the Company commenced the Court of First Instance Action of the High Court of Hong Kong against China Wah Yan Healthcare Limited (“**China Wah Yan**”) for among other things, (a) the outstanding balance of HK\$16,175,304.11, being the outstanding principal and the interest accrued up to 11th March 2020 thereon under a loan agreement entered into between China Jianxin and China Wah Yan on 30th April 2019; (b) interest on the said outstanding principal of HK\$15,800,000.00 at the rate of 8.5% per annum from 12th March 2020 until full payment; (c) costs of the Action; and (d) further and other reliefs (the “**Original Action**”).

China Wah Yan filed their defence and counterclaim on 15th September 2020. According to such defence and counterclaim, China Wah Yan and Sky Clear Bright Group Limited (“**Sky Bright**”), the wholly owned subsidiary of the China Wah Yan counterclaim against China Jianxin, Precise Reach Group Limited, a wholly owned subsidiary of the Company, and Mr. Lam Shiu Ming, Daneil, the director and chairman of the Company for the damages to be assessed, interest, costs and further or other reliefs in relation to the alleged misrepresentation and the alleged set-off by China Wah Yan and Sky Bright in extinction or in diminution of the claim of the Original Action.

Up to the date of this announcement, as the exchange of evidence has not been completed, in the opinion of legal advisor, it is not practicable to assess the likely outcome of this Action.

Save as disclosed above, as at 30th June 2020, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

11. DISCONTINUED OPERATION

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

	2020 HK\$'000	2019 HK\$'000
Revenue	33	196
Cost of revenue	<u>–</u>	<u>–</u>
Gross profit	33	196
Other income	4	16
Other net losses	(27)	(92)
Administrative expenses	(715)	(6,738)
Change in expected credit loss	<u>1,500</u>	<u>3,500</u>
Profit/(loss) before taxation from discontinued operation	795	(3,118)
Income tax credit	<u>–</u>	<u>20</u>
Profit/(loss) for the year from discontinued operation	<u>795</u>	<u>(3,098)</u>
Attributable to:		
Owners of the Company	<u>795</u>	<u>(3,098)</u>
	<u>795</u>	<u>(3,098)</u>

BUSINESS AND OPERATIONAL REVIEW

Overall Group results

The Group recorded a net loss of approximately HK\$27.6 million for the year ended 30th June 2020 (the “**Year**”), representing a decrease of approximately 77.3% as compared to the net loss of approximately HK\$121.6 million for the same period last year, which was mainly due to the net effect of:

- (i) the contributions from a new blockbuster called “White Storm 2 – Drug Lords” (“掃毒2天地對決”) released by the Group with a remarkable box office of approximately RMB1.3 billion in the People’s Republic of China (the “**PRC**”) in second half of 2019; and
- (ii) the revenue and result of the Group was negatively affected by the sustained outbreak of coronavirus disease (“**COVID-19**”) in the first half of 2020. In particular, the theaters of the PRC have shut down in the wake of the outbreak of COVID-19 pandemic since late January 2020, the original schedule of releasing new films of the Group has been delayed and hence affected the Group’s revenues and result in 2020.

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

Revenue from this business segment during the Year was approximately HK\$154.9 million, representing an increase of approximately 18.9 times as compared to approximately HK\$7.8 million in the same period last year. It accounted for approximately 68.3% (2019: approximately 12.6%) of the Group’s revenue during the Year.

The Group recorded a segmental profit of approximately HK\$17.4 million from this business segment for the Year against a segmental loss of approximately HK\$52.4 million for the same period last year.

The significant increase of the revenue and profit from this business segment is mainly due to the satisfactory performance of the new film during the Year. In particular, the Group released a new blockbuster called “White Storm 2 – Drug Lords” (“掃毒2天地對決”), directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華), Louis Koo (古天樂), Michael Miu (苗僑偉) and Karena Lam (林嘉欣) in July 2019 and recorded a remarkable box office of approximately RMB1.3 billion in the People’s Republic of China (which excludes Hong Kong for the purpose of this report (the “**PRC**”)). There was no new film released by the Group in the same period last year.

However, the revenue and result of this segment was negatively affected by the sustained outbreak of coronavirus disease (“**COVID-19**”) in the first half of 2020. In particular, the theaters of the PRC have shut down in the wake of the outbreak of COVID-19 pandemic since late January 2020, the original schedule of releasing new films of the Group has been delayed and hence affected the Group’s revenues and result in 2020. Taking into account the combined effect of the COVID-19 pandemic and the expected slow recovery from current market conditions, the Group recorded an increase of the impairment loss of films rights, films in progress and film related deposits of approximately HK\$16.0 million (2019: approximately HK\$232,000) during the Year.

The recoverable amount of film rights, films in progress and film related deposits as at 30th June 2020 was assessed with reference to a value-in-use calculation at the end of the reporting period, which was derived from discounting the projected cash flow using a discount rate of 11% (2019 : 14%).

Starting from mid-July 2020, the cinemas in PRC have resumed operation. The cinemas mainly showed old movies or small-scale productions in the first phase of reopening in July and August 2020. Nonetheless, a number of blockbusters has already been released from late August 2020 and the total attendance of the cinemas in PRC was increasing in the last few months. This is good sight for the gradual recovery of China’s film market from the COVID-19 pandemic in the second half of 2020.

Going forward, the Group continues to invest in original production of quality films in Hong Kong and China in response to the recovery of the film market. In this respect, the Group not only invested another 4 films, including a film called “Flashover” (“驚天救援”) directed by Oxide Pang (彭順) and starring Du Jiang (“杜江”), Wang Qianyuan (“王千源”) and Tong Liya (“佟麗婭”), and 6 online movies during the Year, but also expects to release a new blockbuster called “Shock Wave 2” (“拆彈專家2”) directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華), Sean Lau (劉青雲) and Ni Ni (倪妮) during the year ending 30th June 2021. In addition, the Group also plans to commence the shooting of another blockbuster called “White Storm 3” (“掃毒3”) directed by Herman Yau (邱禮濤) and starring Louis Koo (古天樂), Aaron Kwok (郭富城) and Sean Lau (劉青雲) during the year ending 30th June 2021. The Group will continue to closely monitor the challenging operating environment and review its business plan and strategy from time to time with a view to suitably adjust them taking all relevant factors into consideration.

Trade, wholesale and retail of optical and watches products

Revenue from this business segment during the Year was approximately HK\$51.0 million, representing an increase of approximately 43.3% as compared to approximately HK\$35.6 million in the same period last year. Revenue from this business segment included the revenue of approximately HK\$41.1 million (2019: approximately HK\$16.8 million) mainly from the trading, wholesaling and retailing of optical products in Hong Kong (“**HK Optical Business**”) and the revenue of approximately HK\$9.9 million (2019: approximately HK\$18.8 million) from the trading, wholesaling and retailing of watches and optical products in the PRC (“**PRC Watches & Optical Business**”). It accounted for approximately 22.5% (2019: approximately 57.8%) of the Group’s revenue during the Year. Segmental loss from this business during the Year was approximately HK\$12.1 million, representing an increase of approximately 13.1% as compared to approximately HK\$10.7 million in the same period last year.

The Optical and Watch Business of the Group has been taking over a time of unprecedented challenges during the Year. The watches and optical consumer market of Hong Kong and China was negatively affected by the on-going Sino-US trade and the social unrest in Hong Kong in second half of 2019. Thereafter, the COVID-19 epidemic outbreak and the control measures imposed by PRC and Hong Kong government from late January 2020 onwards had a significant negative impact over our operations in both Hong Kong and the PRC in the first half of 2020.

To mitigate the negative financial impact under the unprecedented challenging operational environment, we have imposed a lot of cost saving measures during the Year including negotiation with landlords for temporary rental relief and reduction of the shop’s operation hours to cope with the decrease in business activities as a result of social distancing measures imposed by the government. Staff costs were reduced through no pay leave arrangements and the clearance of the annual leave of the staff. However, the savings from our cost control works could not completely offset the negative impact of COVID-19 pandemic during the Year. As a result, the segmental loss of the Group’s Optical and Watch Business increased during the Year as compared to the same period in last year.

The Group will continue to adopt cost control measures, closely monitoring the market situation and timely adjusting the business strategies in view of the development of the COVID-19 pandemic.

Trading Securities

As at 30th June 2020, the Group’s trading securities amounted to approximately HK\$3.3 million (2019: approximately HK\$8.7 million) which accounted for approximately 0.5% (2019: approximately 1.2%) of the Group’s audited consolidated total assets as at 30th June 2020.

The Group's portfolio of trading securities comprised 3 (2019: 3) equity securities listed in Hong Kong and engaged in money lending, solar energy and healthcare industries.

The Group recorded a fair value loss arising from the change in fair value of trading securities of approximately HK\$5.4 million (2019: approximately HK\$5.3 million) for the Year. Such loss was mainly attributable to the poor performance of certain investments during the Year. As a result, the overall segment loss of the securities investment segment was approximately HK\$5.8 million (2019: approximately HK\$4.6 million) during the Year.

The global financial market remains extremely volatile and it is difficult to accurately assess the full economic impact of the COVID-19 epidemic at this moment. The Group will continue to review and adjust its investment portfolios and invest in equity securities listed in Hong Kong with the aim to reduce the risk and achieve a stable return to the Group under the current market circumstance.

Other financial assets

Below is a table setting out the list of the material other financial assets held by the Group as at 30th June 2020:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 30th June 2020 (approximately %)	Fair value as at 30th June 2020 (approximately HK\$'000)	Percentage to the Group's total assets as at 30th June 2020 (approximately %)	Percentage to the Group's net assets as at 30th June 2020 (approximately %)	Percentage to the Group's total other financial assets as at 30th June 2020 (approximately %)	Change in fair value for the Year (approximately HK\$'000)	Return of invested capital (approximately HK\$'000)	Dividend income for the Year (approximately HK\$'000)
Cassia Investment Limited Partnership II	1	Cayman Islands	N/A	N/A	1,348.8	0.2	0.4	13.5	(4,319.4)	1,530.2	-
Promising Social Media Private Equity Fund	2	Cayman Islands	1,982,215	21.08	322.0	less than 0.1	0.1	3.2	5.0	-	-
Derivative financial instruments	2	N/A	N/A	N/A	8,336.8	1.2	2.3	83.3	733.0	-	-
					<u>10,007.6</u>	<u>1.5</u>	<u>2.8</u>	<u>100.0</u>	<u>(3,581.4)</u>	<u>1,530.2</u>	<u>-</u>

Notes:

1. Cassia Investment Limited Partnership II (“**Cassia II**”) is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law of Cayman Islands offering limited partnership interests for the purpose of obtaining capital appreciation through making private equity investments mainly in the consumer sector across Greater China and South East Asia, as well as in non-Asian enterprises that have a strong exposure to Asian consumers market. Cassia II intends to target companies that it believes will benefit from the growing disposable income of the Asian middle class and can capture the behavioural consumer trends that follow such growing household wealth and structured equity transactions primarily in Greater China, Thailand, Indonesia, Vietnam and the Philippines. Up to 30th June 2020, the Group has subscribed for the limited partnership interest of Cassia II of approximately US\$7.9 million (approximately HK\$61.2 million) (2019: same).
2. Promising Social Media Private Equity Fund (the “**PSM Fund**”) is a close-ended investment fund incorporated in the Cayman Islands on 5th February 2014 under the laws of the Cayman Islands as an exempted company with limited liability. The PSM Fund is not a regulated mutual fund for the purposes of the Mutual Funds Law (Revised) of the Cayman Islands. The principal investment objective of the PSM Fund is to maximize capital growth through investing businesses which are engaged in or derive a significant proportion of their income from the field of social media. The PSM Fund commenced operation on 29th April 2015. Weluck Development Limited (“**Weluck**”), a wholly owned subsidiary of the Company first invested in the PSM Fund in April 2015 and subscribed a total of 1,982,215 class A shares of the PSM Fund (the “**PSM Shares**”) with a total investment cost of approximately HK\$19.5 million. The manager of the Fund (the “**Fund Manager**”) had been delegated authority to manage the Fund.

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

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

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

Looking forward, the financial and investment markets are continually affected by the COVID-19 epidemic. The Group will take a cautious approach in managing the investment portfolio with the aim to reduce the risk and achieve a stable return to the Group.

Money lending business

The Group engaged in money lending business in Hong Kong during the Year. As at 30th June 2020, the Group had loans receivable of approximately HK\$1.5 million (2019: approximately HK\$65.0 million), under the money lending business and recognized interest income (excluded inter-segment sales) of approximately HK\$7.9 million (2019: approximately HK\$7.7 million). It accounted for approximately 3.5% (2019: approximately 12.5%) of the Group's revenue during the Year. Loans receivable are interest bearing at rates ranging from 8.5% to 10% per annum (2019: 3% to 18% per annum). The segment loss of this business segment was approximately HK\$13.4 million during the Year (2019: approximately HK\$13.0 million).

The segmental loss was mainly attributable to the change in expected credit loss for loans receivable of approximately HK\$18.7 million for the Year (2019: approximately HK\$18.7 million). The change in expected credit loss allowance for loans receivable is principally due to an increase in loans receivable which have past due during the Year.

Due to the unstable financial and investment market and the highly competitive business environment, the Group will take a cautious approach to grant new loans in the coming year.

Leasing of investment properties

The rental income from leasing of investment properties remained stable during the Year. The Group recorded rental income of approximately HK\$1.1 million (2019: approximately HK\$1.1 million) during the Year from its properties at Woodland House 1-5, Woodlands Villa, 121 Tong Fuk Village, Tong Fuk, Lantau Island, New Territories, Hong Kong. It accounted for approximately 0.5% (2019: approximately 1.8%) of the Group's revenue during the Year.

The segment profit of this business segment was approximately HK\$0.9 million (2019: approximately HK\$2.9 million) during the Year. The decrease in segment profit is due to the decrease in fair value gain of investment properties by approximately HK\$2.1 million during the Year. There were no additions or disposals of the investment properties during the Year.

Entertainment business

This segment primarily relates to artiste and model management and organisation of concerts. Revenue from this business segment during the Year was approximately HK\$2.0 million (2019: approximately HK\$5.8 million). It accounted for approximately 0.9% (2019: approximately 9.4%) of the Group's revenue during the Year. Due to the mass protests and social unrest in Hong Kong in second half of 2019 and the outbreak of COVID-19 epidemic in first half of 2020, the Group only invested in one (2019: two) concerts during the Year and therefore the turnover decreased significantly during the Year as compared to the same period last year. Segmental loss of approximately of HK\$0.9 million was recorded during the Year (2019: approximately HK\$0.6 million). The increase in loss from this segment was due to the decrease in revenue during the Year.

Financial Printing

The Group engaged in the business of financial printing services to provide the services of type-setting, translation, printing, design, distribution of financial print products and other related services to the financial sectors in Hong Kong through Formex Financial Press Limited, a wholly-owned subsidiary of the Company.

During the Year, the Group recorded turnover and segmental loss of approximately HK\$9.8 million (2019: approximately HK\$3.6 million) and approximately HK\$11.1 million (2019: approximately HK\$8.5 million) respectively in this segment. It accounts for approximately 4.3% (2019: approximately 5.9%) of the Group's revenue during the Year.

Taking into account the increase in number for the listed companies, the increase in demand of financial printing services in Hong Kong, and the rapid growth in revenue of the financial printing business during the Year, we are of the view that the future prospect of financial printing business is positive despite the Group recorded a segmental loss in financial printing business during the Year.

Discontinued operation – Securities Brokerage Business

The Company engaged in securities brokerage and margin financing business through its wholly owned subsidiary China Jianxin Financial Services Limited (“**China Jianxin**”). China Jianxin is a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the principal activities of which are provision of brokerage services and securities margin financing to clients (the “**Securities Brokerage Business**”) during the years ended 30th June 2016, 30th June 2017 and 30th June 2018. The Group ceased the Securities Brokerage Business on 30th June 2018 and the details of the cessation are set out in the Company's announcement dated 17th May 2018.

The Group recorded the profit before tax from the discontinued Securities and Brokerage Business of approximately HK\$0.8 million (2019: loss before tax of approximately HK\$3.1 million) during the Year which is mainly attributable to the recovery of certain bad and doubtful debt during the Year.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 63.2% (2019: approximately 35.4%) of the Group's revenue during the Year.

Selling expenses

Selling expenses for the Year is approximately HK\$16.9 million (2019: approximately HK\$12.6 million). The increase in selling expenses was mainly due to the increase in revenue during the Year.

Administrative expenses

Administrative expenses for the Year increased by approximately 9.5% to approximately HK\$81.0 million as compared to approximately HK\$74.0 million in the same period last year. The increase in administrative expenses was mainly due to the net effect of (i) the payment of the directors and staff bonus of approximately HK\$20.0 million (2019: HK\$Nil) to the management of the films distribution and exhibition during the Year for the remarkable box office of approximately RMB1.3 billion in the PRC of a new blockbuster called “White Storm 2 – Drug Lords” (“掃毒2天地對決”) released in July 2019 and (ii) the decrease of administrative expense of approximately HK\$9.7 million as a result of the cost control measures imposed by the Group in response to the COVID-19 pandemic.

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

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

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

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

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

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

Where:

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

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

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

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

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

On 12th June 2018, the Group received a demand letter (the “**Demand Letter**”) from Lucky Famous whereby it was alleged that the AP Group recorded a net loss of HK\$189,799 based on the alleged FY 2016 & 2017 Audited Accounts dated 11th June 2018. As set out in the Demand Letter, Lucky Famous demanded Fragrant River or the Company to fully pay the amount of HK\$20,400,000 (the “**Alleged Claim**”), being the alleged Adjustment Amount pursuant to the terms and conditions of the AP Disposal Agreement, to Lucky Famous on or before 26th June 2018, and upon default, steps would be taken by Lucky Famous to enforce its rights under the AP Disposal Agreement without further notice.

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

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

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

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

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

The Company is in the course of seeking legal advice in respect of the Lucky Famous Action and any possible action that may be taken against Very Easy, City Link, Chan and/or Lim in respect of the Fragrant River Claim. Up to the date of this announcement, the parties are still negotiating for a settlement of the matter. In any event, as the exchange of evidence has not been completed, in the opinion of legal advisor, it is not practicable to assess the likely outcome of this Action. The Company will keep the Shareholders and potential investors of the Company informed of any further significant developments as and when appropriate.

Without admitting any liability to Lucky Famous under the AP Disposal Agreement and also without prejudice to any right against Very Easy, City Link, Chan and/or Lim under the AP Acquisition Agreement, the Group has recorded the fair value of the Contingent Consideration Payable at approximately HK\$20.4 million (2019: approximately HK\$20.4 million) as at 30th June 2020 in accordance with the Hong Kong Financial Reporting Standards, which is based on the best estimation of the Directors taking into account the financial statements of AP Group in 2016 and 2017, the discount rate and other factors in estimating the fair value.

OUTLOOK

The outbreak of COVID-19 epidemic in the first half of 2020 has affected all the Group's operations. The Group's revenues and results in the first half of 2020 has accordingly been adversely affected. With the recent signs that the COVID-19 has been easing and the related control measures imposed by governments have been gradually loosening in Hong Kong and PRC, we expect that the Group's operations will gradually recover soon.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 30th June 2020, the Group had cash balances and time deposits with maturity over three months at acquisition of approximately HK\$106.9 million (2019: approximately HK\$178.2 million) and approximately HK\$108.6 million, respectively (2019: HK\$Nil). As at 30th June 2020, the Group had total assets of approximately HK\$683.8 million (2019: approximately HK\$724.7 million).

The Group's gearing ratio as at 30th June 2020 was approximately 4.4% (as at 30th June 2019: approximately 0.002%), which was calculated on the basis of the Group's total debt (including borrowings, obligations under finance lease, lease liability and bank overdraft) divided by total equity of the Group.

The increase in the Group's gearing ratio as at 30th June 2020 as compared to same period last year is due to the recognition of the lease liability of approximately HK\$15.5 million (2019: HK\$Nil) as at 30th June 2020 after the Group initially applied Hong Kong Financial Reporting Standards 16 from 1st July 2019.

The Group incurred financial cost of approximately HK\$542,000, which is attributable to the interest on lease liabilities during the Year (2019: HK\$ Nil).

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

As at 30th June 2020, the Group had Shareholders' capital of approximately HK\$9.1 million (30th June 2019: approximately HK\$9.1 million). The Shareholders' capital of the Company is constituted of 906,632,276 shares (30th June 2019: 906,632,276 shares).

The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year (2019: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

The Group did not have any material acquisition or disposal of assets during the Year.

THE PLEDGE OF GROUP'S ASSETS

As at 30th June 2020, none of the Group's assets was pledged to secure any liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2020, the Group employed 101 staff (2019: 116). Remuneration is reviewed annually and certain staff are entitled to commission. In addition to basic salaries, staff benefits included discretionary bonus, medical insurance scheme and mandatory provident fund.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed in the annual general meeting held on 2nd December 2013, the Company conditionally approved and adopted a share option scheme in compliance with the Listing Rules (the “**Share Option Scheme**”). Details of the Share Option Scheme are as follows:

(1) Purpose of the Share Option Scheme

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

(2) Participants of the Share Option Scheme

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

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

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

- (a) The maximum number of shares of the Company which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit; and
- (b) The maximum number of shares of the Company which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the dates of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the Shareholders has been obtained.

(4) Maximum entitlement of each participant

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

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

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

(6) Payment on acceptance of the share options offer

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

(7) Basis of determining the subscription price

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

No share options under the Share Option Scheme was issued and outstanding during the Year (2019: Nil).

DIVIDEND POLICY

The Board has adopted a dividend policy on 27th September 2019 ("**Dividend Policy**") which shall take effect on 27th September 2019. The Dividend Policy allows the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities.

According to the Dividend Policy, the Board shall consider the following factors, among others, before proposing and declaring dividends:

- (i) the Company's operation and financial performance;
- (ii) the Company's liquidity conditions;
- (iii) the Company's capital requirements and future funding needs;
- (iv) the Company's contractual restrictions;
- (v) the Company's availability of reserves; and
- (vi) the prevailing economic climate.

The declaration of dividends by the Company is also subject to any restrictions under the Bermuda Companies Act 1981, the Listing Rules, Bye-laws and any applicable laws, rules and regulations.

The Dividend Policy will be reviewed from time to time by the Board and may adopt changes as appropriate at the relevant time. There can be no assurance that dividends will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE CODE (“CG CODE”) AND CORPORATE GOVERNANCE REPORT

The Company has, throughout the Year, complied with the code provisions contained in the CG Code except for (i) the code provision A.2.1 of the CG Code for the separation of the roles of Chairman and Chief Executive Officer (“CEO”) and (ii) code provision A2.7 of the CG Code requiring the Chairman to meet with the non-executive Directors as described below.

Code provision A.2.1 of the CG Code sets out that the roles of the Chairman and CEO should be separated 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 Group because it can promote the efficient formulation and implementation of the Group’s strategies.

Code provision of A.2.7 of the CG Code requires the Chairman to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Lam Shiu Ming, Daneil, the Chairman, is also an executive Director, the Company has therefore deviated from this code provision.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group’s risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and assets of the Company. The internal control systems are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable but not absolute assurance.

The Board oversees the Group’s overall risk management and internal control systems on an ongoing basis through identifying and grading risk components, perceiving control impact and facilitating remediation plan. The development of our risk management and internal control systems are largely based on the framework as set down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The risk management framework, coupled with our internal controls, ensures the risks associated with our different business units are effectively monitored, and are in line with the Group’s risk appetite.

The Group adopts both the top-down and bottom-up approach to monitor the principal risks affecting the business as follows:

1. Each division is responsible for identifying and assessing principal risks within its division on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board reviews and approves the effectiveness and adequacy of the Group's risk management and internal control systems on a regular basis.

In respect to the absence of a separate internal audit department in the Group, the Group reviews annually on whether there is a need for such functional department. Given the possibility to engage external professional assistance, the Board opposes to divert resources to establish a separate internal audit department.

During the Year, an external consultant was engaged to conduct a review on the internal control systems, which covers certain procedures on the video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, and makes recommendations for improving and strengthening the internal control systems. In addition, reviews on the Corporate Governance Practice according to Appendix 14 to the Listing Rules and accounting and financial reporting mechanism were conducted. The Board will continue to work with the external consultant to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

Taking the above into consideration, the Audit Committee reviews the effectiveness of the Group's internal controls and reports to the Board on such reviews. For the Year, the Board considered that a review of the effectiveness of the risk management and internal control systems had been conducted and considered that the risk management and internal control systems were effective and adequate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code for dealing in securities of the Company by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the Year.

AUDIT COMMITTEE

The Company established an Audit Committee on 11th October 1999. The written terms of reference (amended on 29th February 2012), which describe the authority and duties of the Audit Committee, were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and in accordance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Choi Wing Koon (as chairman), Mr. Lam Chi Keung and Mr. Tang Yiu Wing. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company respectively.

The Audit Committee meets, at least twice a year, with the external auditor to discuss any area of concern during the audit or review. The Audit Committee is mainly responsible for the appointment, reappointment and removal of the external auditor, review of the Group’s financial information and oversight of the Group’s financial and accounting practices, internal control and risk management. It is also responsible for reviewing the interim and final results of the Group.

The audited consolidated financial statements for the Year have been reviewed by the Audit Committee.

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

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the Year.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uih.com.hk), respectively. The annual report for 2020 of the Company will be dispatched to the shareholders and will be available on the above websites in due course.

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

Hong Kong, 29th September 2020

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