

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 31ST DECEMBER 2020**

The board of directors (the “**Director(s)**”) (the “**Board**”) of Universe Entertainment and Culture Group Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31st December 2020 (the “**Period**”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

		Unaudited	
		For the six months ended	
		31st December	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue			
Sales of goods – video distribution, optical products and watches products		27,584	24,915
Income on film distribution and exhibition, licensing and sub-licensing of film rights		201,014	191,934
Income from other businesses		8,611	7,404
Total revenue	4	237,209	224,253

		Unaudited	
		For the six months ended	
		31st December	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
Cost of revenue			
	Cost of inventories sold	(19,874)	(16,234)
	Related cost on film distribution and exhibition, licensing and sub-licensing of film rights	(132,490)	(106,712)
	Cost from other businesses	(6,168)	(3,257)
	Total cost of revenue	(158,532)	(126,203)
	Selling expenses	(8,247)	(6,133)
	Administrative expenses	(32,419)	(43,517)
	Impairment loss of right-of-use assets	(3,147)	–
	Change in expected credit loss	(681)	(15,444)
	Amortisation of other intangible assets	(73)	(73)
	Other gains/(losses) – net	10,601	7,445
	Other income	3,617	484
	Gains/(losses):		
	Fair value change on trading securities	(809)	–
	Fair value change on other financial assets at fair value through profit or loss	(271)	2,600
	Finance income	1,047	472
	Finance costs	(228)	(273)
	Share of losses of associates	–	(1,085)
	Profit before tax	48,067	42,526
	Income tax (expense)/credit	(139)	105
	Profit for the Period from continuing operations	47,928	42,631
DISCONTINUED OPERATION			
	(Loss)/profit for the Period from discontinued operation	(82)	935
		13	

	Unaudited	
	For the six months ended	
	31st December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the Period	47,846	43,566
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(1,201)</u>	<u>162</u>
Other comprehensive (loss)/income for the Period, net of tax	<u>(1,201)</u>	<u>162</u>
Total comprehensive income for the Period	<u>46,645</u>	<u>43,728</u>
Profit attributable to owners of the Company:		
– from continuing operations	48,561	42,966
– from discontinued operation	<u>(82)</u>	<u>935</u>
Profit for the Period attributable to owners of the Company	<u>48,479</u>	<u>43,901</u>
Loss attributable to non-controlling interests:		
– from continuing operations	(633)	(335)
– from discontinued operation	<u>–</u>	<u>–</u>
Loss for the Period attributable to non-controlling interests	<u>(633)</u>	<u>(335)</u>
Total comprehensive income/(loss) for the Period attributable to:		
Owners of the Company	47,278	44,063
Non-controlling interests	<u>(633)</u>	<u>(335)</u>
	<u>46,645</u>	<u>43,728</u>

Unaudited
For the six months ended
31st December

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

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

Continuing operations	47,360	43,128
Discontinued operation	<u>(82)</u>	<u>935</u>
	<u>47,278</u>	<u>44,063</u>

Earnings per share attributable to the owners of the Company for the Period
(expressed in HK cents per share)
From continuing and discontinued operations

– basic and diluted	7	<u>5.35</u>		<u>4.84</u>
---------------------	---	--------------------	--	-------------

From continuing operations

– basic and diluted	7	<u>5.36</u>		<u>4.74</u>
---------------------	---	--------------------	--	-------------

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2020 <i>HK\$'000</i>	Audited As at 30th June 2020 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		12,659	17,271
Investment properties		31,460	31,460
Other intangible assets		2,936	2,239
Film rights and films in progress		288,121	221,760
Interests in associates		–	–
Loans receivable	9	186	–
Film related deposits		60,581	68,346
Deposits paid		209	407
Deferred tax assets		500	271
Other financial assets		12,526	10,008
		409,178	351,762
Current assets			
Inventories		9,801	10,963
Accounts receivable	10	169,008	73,105
Loans receivable	9	2,882	7,216
Amount due from an associate		–	53
Deposits paid, prepayments and other receivables		42,134	21,020
Trading securities		7,516	3,300
Contingent consideration receivable		–	–
Bank balances and cash			
– trust accounts		784	780
Time deposits with maturity over three months at acquisition		–	108,640
Cash and cash equivalents		177,822	106,949
Total current assets		409,947	332,026
Total assets		819,125	683,788

		Unaudited	Audited
		As at	As at
		31st December	30th June
		2020	2020
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to			
the owners of the Company			
Share capital		9,066	9,066
Share premium		35,013	35,013
Other reserves		546,794	547,995
Accumulated losses		<u>(187,899)</u>	<u>(236,378)</u>
		402,974	355,696
Non-controlling interests		<u>(1,437)</u>	<u>(804)</u>
Total equity		401,537	354,892
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,163	5,612
Deferred tax liabilities		<u>85</u>	<u>84</u>
		5,248	5,696
Current liabilities			
Accounts payable	11	17,110	19,301
Other payables and accrued charges		16,759	158,870
Contingent consideration payable		20,400	20,400
Contract liabilities		176,902	97,397
Deposits received		171,465	11,409
Lease liabilities		8,174	9,863
Taxation payable		<u>1,530</u>	<u>5,960</u>
Total current liabilities		412,340	323,200
Total liabilities		417,588	328,896

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity and liabilities	<u>819,125</u>	<u>683,788</u>
Net current (liabilities)/assets	<u>(2,393)</u>	<u>8,826</u>
Total assets less current liabilities	<u>406,785</u>	<u>360,588</u>

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, money lending, leasing of investment properties, entertainment business, securities investment, trading, wholesaling and retailing of optical products and watches products, and provision of financial printing 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").

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000"), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Board on 26th February 2021.

2. BASIS OF PREPARATION

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

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

The unaudited condensed interim financial information has been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 30th June 2020, except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 30th June 2021. Details of these changes in accounting policies are set out in note 3.

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

The unaudited condensed consolidated interim financial information contains selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30th June 2020. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this unaudited condensed consolidated interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1st July 2020.

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 operations for the subsequent financial period. Further details of the cessation of the business in securities brokerage and margin financing are set out in the note 13 to the unaudited condensed consolidated financial information.

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

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

Segment assets exclude unallocated other intangible assets, interests in associates, other financial assets, unallocated loan receivable, unallocated cash and cash equivalents, deferred tax assets, 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 is set out below.

	2020											
	Continuing operations								Discontinued operation			
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights	Trading, wholesaling, and retailing of optical products and watches	Leasing of investment properties	Securities investments	Money lending	Entertainment businesses	Financial printing services	Elimination	Total for continuing operations	Securities brokerage and margin financing	Total for discontinued operation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 31st December 2020 (Unaudited):												
Segment revenue												
Disaggregate by timing of revenue recognition												
- Point in time	201,560	27,038	-	-	-	7	-	-	228,605	1	1	228,606
- Overtime	-	-	-	-	-	-	7,461	-	7,461	-	-	7,461
- Revenue out of scope of HKFRS 15	-	-	574	-	569	-	-	-	1,143	-	-	1,143
External revenue	201,560	27,038	574	-	569	7	7,461	-	237,209	1	1	237,210
Inter-segment sales	-	-	-	-	-	-	257	(257)	-	-	-	-
	<u>201,560</u>	<u>27,038</u>	<u>574</u>	<u>-</u>	<u>569</u>	<u>7</u>	<u>7,718</u>	<u>(257)</u>	<u>237,209</u>	<u>1</u>	<u>1</u>	<u>237,210</u>
Segment results	58,348	(9,577)	370	(547)	138	(177)	(301)		48,254	(82)	(82)	48,172
Amortisation of deferred day one gain in respect of derivative financial instrument									2,789		-	2,789
Fair value change of other financial assets carried of fair value through profit or loss									(271)		-	(271)
Finance income									1,047		-	1,047
Unallocated corporate expenses									(3,752)		-	(3,752)
Profit before tax									<u>48,067</u>		<u>(82)</u>	<u>47,985</u>
As at 31st December 2020 (Unaudited):												
Reportable segment assets	545,919	26,650	31,500	7,516	878	3,769	9,817		626,049	4,863	4,863	630,912
Reportable segment liabilities	341,641	26,944	273	-	-	2,133	5,909		376,900	771	771	377,671

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

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Unaudited					
	For the six months ended 31st December					
	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>
Amortisation of film right	74,147	-	74,147	35,997	-	35,997
Amortisation of other intangible assets	73	-	73	73	-	73
Depreciation of property, plant and equipment	1,203	-	1,203	1,347	-	1,347
Depreciation of right-of-use assets	5,016	-	5,016	5,820	-	5,820
Employee benefits expenses including directors' emoluments	24,306	-	24,306	30,703	-	30,703
Cost of inventories sold	19,874	-	19,874	16,234	-	16,234

6. INCOME TAX (EXPENSE)/CREDIT

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

	Unaudited					
	For the six months ended 31st December					
	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>
Hong Kong Profits Tax – current	(367)	-	(367)	164	-	164
Deferred tax relating to the origination and reversal of temporary differences	228	-	228	(59)	-	(59)
Income tax (expense)/credit	(139)	-	(139)	105	-	105

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 31st December 2020 and 2019.

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

	Unaudited	
	For the six months ended	
	31st December	
	2020	2019
	HK\$'000	HK\$'000
Profit/(loss) for the Period attributable to the owners of the Company		
– from continuing operations	48,561	42,966
– from discontinued operation	(82)	935
	<u>48,479</u>	<u>43,901</u>
– from continuing and discontinued operations	<u>48,479</u>	<u>43,901</u>

(ii) Weighted average number of ordinary shares in issue

	Number of shares	
	(in thousand)	
	2020	2019
Weighted average number of ordinary shares in issue at the end of the Period	<u>906,632</u>	<u>906,632</u>

(b) Diluted

For the six months ended 31st December 2019 and 2020, diluted earnings per ordinary share equals to basic earnings per ordinary share as there was no potential dilutive ordinary share outstanding during the Period.

8. DIVIDENDS

No interim dividend was declared or paid by the Company for the Period (2019: Nil).

9. LOANS RECEIVABLE

Loans receivable from third parties

	Unaudited As at 31st December 2020 <i>HK\$'000</i>	Audited As at 30th June 2020 <i>HK\$'000</i>
Loans to third parties	3,533	7,475
Less: loss allowance	<u>(465)</u>	<u>(259)</u>
	3,068	7,216
The maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	186	–
– Current	<u>2,882</u>	<u>7,216</u>
	<u>3,068</u>	<u>7,216</u>

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

	Unaudited As at 31st December 2020 <i>HK\$'000</i>	Audited As at 30th June 2020 <i>HK\$'000</i>
Unsecured loans		
Not past due	3,533	5,832
Secured loans		
Less than 30 days past due	<u>–</u>	<u>1,643</u>
	3,533	7,475
Less: loss allowance	<u>(465)</u>	<u>(259)</u>
	<u>3,068</u>	<u>7,216</u>

Except for unsecured loans receivables of HK\$2,321,000 which are denominated in Renminbi, interest bearing and repayable with fixed terms agreed (as at 30th June 2020: HK\$4,382,000) all remaining loans receivable are due from third party customers, which arose from the money lending business in Hong Kong, and are denominated in Hong Kong dollars, interest bearing and repayable with fixed terms agreed with the customers.

As at 30th June 2020, the secured loans receivables of HK\$1,643,000 are secured by 20% investment share of unreleased film.

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

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

Loans receivable are interest-bearing at rates ranging from 8.5% to 10% per annum (as at 30th June 2020: 8.5% to 12% per annum).

Interest income of approximately HK\$569,000 (for the six months ended 31st December 2019: approximately HK\$4,058,000) has been recognised in "revenue" in the unaudited condensed consolidated statement of comprehensive income during the Period.

10. ACCOUNTS RECEIVABLE

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	HK\$'000	HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:		
– Clearing house, brokers and cash clients	16	16
Less: Impairment loss	<u>–</u>	<u>–</u>
Net	<u>16</u>	<u>16</u>
Accounts receivable arising from other businesses:		
Accounts receivable – others	170,612	74,155
Less: Impairment loss	<u>(1,620)</u>	<u>(1,066)</u>
Net	<u>168,992</u>	<u>73,089</u>
Accounts receivable – net	<u>169,008</u>	<u>73,105</u>

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

Notes:

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

As at 31st December 2020, the ageing analysis of the accounts receivable from clearing house, brokers and cash clients which are past due but not impaired as of the end of the reporting period was as follow:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	HK\$'000	HK\$'000
Neither past due nor impaired	–	–
Less than 1 month past due	–	–
More than 1 month past due	<u>16</u>	<u>16</u>
	<u>16</u>	<u>16</u>

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

(b) Accounts receivable arising from other businesses

As at 31st December 2020, the ageing analysis of the accounts receivable arising from other businesses, based on invoice date or date of revenue recognition was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	HK\$'000	HK\$'000
1 to 90 days	100,888	17,576
91 days to 180 days	3,439	297
Over 180 days	<u>64,665</u>	<u>55,216</u>
	<u>168,992</u>	<u>73,089</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 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\$58,818,000) as at 31st December 2020. (As at 30th June 2020: approximately RMB49,365,000 (equivalent to approximately HK\$54,079,000)) Arbitration is undergoing between the Group and the customers for this accounts receivable. The Board obtained legal opinion on the Group's right to recover the amount 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 31st December 2020.

11. ACCOUNTS PAYABLE

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	HK\$'000	HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	25	31
– margin clients	506	506
	<u>531</u>	537
Accounts payable arising from other business	16,579	18,764
	<u>17,110</u>	<u>19,301</u>

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

Accounts payable in the amount of HK\$784,000 as at 31st December 2020 (as at 30th June 20: HK\$780,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

As at 31st December 2020, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2020	2020
	HK\$'000	HK\$'000
1 to 90 days	11,220	16,562
91 days to 180 days	2,891	211
Over 180 days	2,468	1,991
	16,579	18,764

12. PENDING LITIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

The Defendants filed their defence and 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**”), an indirect wholly-owned subsidiary of the Company, and the Company for, inter alia, the sum of HK\$20.4 million as the adjustment to the consideration (the “**Adjustment Amount**”) alleged to be payable under an agreement dated 13th June 2016 (the “**Disposal Agreement**”) pursuant to which Lucky Famous purchased from Fragrant River 51% of the issued share capital of AP Group Investment Holdings Limited (“**AP Group**”). Lucky Famous applied to amend the writ and statement of claim to join Mr. Chan Sze Long (“**Mr. Chan**”) and Ms. Lim Wah Elsa (“**Ms. 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.

After the end of reporting period, the Group entered into a settlement agreement with the relevant parties to settle all claims and complaint against the Group in connection with the Disposal Agreement and the acquisition agreement in relation to the acquisition of 51% equity interest in AP Group dated 12th October 2015.

Please refer to note 14 – “Non-Adjusting Events After The Reporting Period” for the details of the settlement agreement.

- (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 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 31st December 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.

13. DISCONTINUED OPERATION

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

	Unaudited	
	For the six months ended	
	31st December	
	2020	2019
	HK\$'000	HK\$'000
Revenue	1	1
Cost of revenue	–	–
Gross profit	1	1
Other income	–	35
Other gains/(losses)	13	(26)
Administrative expenses	(96)	(575)
Change in expected credit loss	–	1,500
(Loss)/profit before taxation from discontinued operation	(82)	935
Income tax credit	–	–
(Loss)/profit for the period from discontinued operation	(82)	935
Attributable to:		
Owners of the Company	(82)	935
	(82)	935

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, on 1st February 2021, Lucky Famous, Fragrant River, the Company and other relevant parties, without admission of any liability in relation to the Lucky Famous Action, entered into a settlement agreement (the “**Settlement Agreement**”) to settle all claims and complaint against each other arising out of the Lucky Famous Action and any amount of any other nature arising out of or in connection with the Disposal Agreement and the acquisition agreement in relation to the acquisition of 51% equity interest in AP Group dated 12th October 2015 (collectively the “**Dispute Matters**”).

Under the Settlement Agreement, Fragrant River and the Company agreed to pay Lucky Famous a sum of HK\$1,500,000 in full as final settlement of the Dispute Matters and the contingent consideration payable. The other relevant parties do not need to pay any amount to the Group for the contingent consideration receivable and the Dispute Matters.

Before entering the Settlement Agreement, without admitting any liability to Lucky Famous under the Disposal Agreement and also without prejudice to any rights and remedies against Mr. Chan, Ms. Lim and/or other relevant parties under the sale and purchase agreement entered in relation to the acquisition of AP Group, the Group recognised the fair value of the contingent consideration payable for the Lucky Famous Action and the contingent consideration receivable at HK\$20.4 million and HK\$ Nil respectively in the Group’s unaudited condensed consolidated interim financial information as at 31st December 2020. As a result of the entering into the Settlement Agreement, it is estimated that the Group will recognise an unaudited one-off gain of approximately HK\$18.0 million on the written back of the contingent consideration payable during the year ending 30th June 2021 which is estimated based on the difference between (i) the fair value of the contingent consideration payable at HK\$20.4 million as at 31st December 2020 and (ii) the Settlement Payment of HK\$1.5 million and other costs paid by the Group for the Lucky Famous Action.

Please refer to the Company’s announcement dated 1st February 2021 for the details of the Settlement Agreement.

INTERIM DIVIDEND

No interim dividend was declared and paid by the Company for the Period (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue of approximately HK\$237.2 million for the Period was approximately HK\$12.9 million or 5.8% higher than the same period last year. The Group recorded a net profit of approximately HK\$47.8 million for the Period, representing an increase of approximately 9.6% as compared to the net profit of approximately HK\$43.6 million for the same period last year.

Benefiting from the re-opening of cinemas in People's Republic of China (which excludes Hong Kong for the purpose of this announcement (the "PRC")) in July 2020, the Group's new blockbuster called "Shock Wave 2" ("拆彈專家2") had been theatrically released in the PRC in late December 2020 and recorded a satisfactory performance during the Period, the films distribution an exhibition, licensing and sub-licensing of film rights segment continuously contributed substantially revenues and profit to the Group and outweighed the adverse impact of the outbreak of Coronavirus Disease 2019 ("COVID-19") on the Group's other segments during the Period. As a result, the Group's revenue and profit was steady during the Period as compared to the same period last year.

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

The cinemas of the PRC which had been shut down in the wake of the outbreak of COVID-19 pandemic since late January 2020, resumed operation starting from mid-July 2020. A number of blockbusters had been theatrically released from late August 2020 and the total attendance of the cinemas in PRC was increasing during the Period. As a result, the China's film market gradually recovered from the COVID-19 pandemic in the second half of 2020.

In late December 2020, the Group theatrically released 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) in the PRC and recorded a remarkable box office of approximately RMB1.3 billion of which approximately RMB600 million was generated during the Period.

Due to the satisfactory performance of the new film released during the Period, the Group recorded revenue from this business segment of approximately HK\$201.6 million, representing an increase of approximately 4.6% as compared to approximately HK\$192.8 million in the same period last year. It accounted for approximately 85.0% (2019: approximately 86.0%) of the Group's revenue during the Period. The Group recorded a segmental profit of approximately HK\$58.3 million from this business segment for the Period, representing a decrease of approximately 7.0% as compared to the segment profit of approximately HK\$62.7 million for the same period last year.

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 PRC. In particular, the Group invested a new 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"), which is planning to release during the period ending 30th June 2022. In addition, the Group also plans to commence the shooting of another two blockbusters 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) and "Shock Wave 3" ("拆彈專家3") directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華) in coming years.

The Group will continue to closely monitor the challenging operating environment and review its business plan and strategy from time to time to seek for new opportunities to further expand our business of this segment.

Trade, wholesale and retail of optical and watches products

The Group engaged in trading, wholesaling and retailing of optical products and watches products in Hong Kong and the PRC. Revenue from this business segment during the Period was approximately HK\$27.0 million, representing an increase of approximately 12.5% as compared to approximately HK\$24.0 million in the same period last year. It accounted for approximately 11.4% (2019: approximately 10.7%) of the Group's revenue during the Period. The increase in revenue of this business segment was mainly due to the increase of the revenue from the wholesales business during the Period.

Segmental loss from this business segment during the Period was approximately HK\$9.6 million, representing an increase of approximately 39.1% as compared to approximately HK\$6.9 million in the same period last year. The increase in segmental loss is mainly due to the business and profit margin of the Group's watches and optical retail shops in Hong Kong and the PRC was negatively affected by the outbreak of the COVID-19 epidemic and the control measures imposed by the PRC and Hong Kong government during the Period. To mitigate the negative financial impact under the unprecedented challenging operational environment, we have imposed cost saving measures during the Period 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 reduction of headcount, no pay leave arrangement 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 Period. In addition, taking into account the combined effect of the COVID-19 pandemic and the expected slow recovery from current market conditions, the Group recorded an impairment of the right-of-use assets of its retail shops and provision of the inventory of approximately HK\$3.1 million (2019: Nil) and approximately HK\$1.7 million (2019: Nil) respectively during the Period. As a result, the segmental loss of the Group's optical and watch business increased significantly during the Period 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 31st December 2020, the Group's trading securities amounted to approximately HK\$7.5 million (30th June 2020: approximately HK\$3.3 million) which accounted for approximately 0.9% (30th June 2020: approximately 0.5%) of the Group's unaudited consolidated total assets as at 31st December 2020.

The Group's portfolio of trading securities comprised 4 (30th June 2020: 3) equity securities listed in Hong Kong and engaged in money lending, solar energy, healthcare and utilities industries.

The Group recorded a fair value loss arising from the change in fair value of trading securities of approximately HK\$0.8 million (2019: approximately HK\$Nil) for the Period. Such loss was mainly attributable to the poor performance of certain investments during the Period. As a result, the overall segment loss of the securities investment segment was approximately HK\$547,000 (2019: approximately HK\$78,000) during the Period.

COVID-19 epidemic has posted unprecedented challenges to worldwide economy. Taking into account the recent development on the possible availability of vaccine, the pandemic situation is hopefully to be recovered and the investment market will gradually restore to normal. Looking forward, the Group will continue to actively seek investment opportunities 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 31st December 2020:

Name of investee company	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at	Fair value as at	Percentage to the Group's total assets as at	Percentage to the Group's net assets as at	Percentage to the Group's total other financial assets as at	Change in fair value for the Period	Return of invested capital	Dividend income for the Period
			31st December 2020	31st December 2020	31st December 2020	31st December 2020	31st December 2020			
	<i>Notes</i>		(approximately %)	(approximately HK\$'000)	(approximately %)	(approximately %)	(approximately %)	(approximately HK\$'000)	(approximately HK\$'000)	(approximately HK\$'000)
Cassia Investment Limited Partnership II	1 Cayman Islands	N/A	N/A	1,079	0.1	0.3	8.6	(271)	-	-
Promising Social Media Private Equity Fund	2 Cayman Islands	1,982,215	21.08	322	less than 0.1	0.1	2.6	-	-	-
Derivative financial instruments	2 N/A	N/A	N/A	11,125	1.4	2.8	88.8	-	-	-
				<u>12,526</u>	<u>1.5</u>	<u>3.2</u>	<u>100.0</u>	<u>(271)</u>	<u>-</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.

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.

Leasing of investment properties

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK\$0.6 million (2019: approximately HK\$0.6 million) during the Period.

The segment profit of this business segment was approximately HK\$370,000 (2019: approximately HK\$447,000) during the Period.

Money lending business

As at 31st December 2020, the Group had loans receivable of approximately HK\$747,000 arising from money lending business, (as at 30th June 2020: approximately HK\$1.5 million) and recognised interest income of approximately HK\$569,000 (2019: approximately HK\$4.1 million). It accounted for approximately 0.2% (2019: approximately 1.8%) of the Group's revenue during the Period.

The segment profit of this business segment was approximately HK\$138,000 during the Period while the Group recorded a segment loss of approximately HK\$8.6 million for the same period last year. The decrease in segmental loss was mainly attributable to an decrease in expected credit loss allowance during the Period.

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

Entertainment business

This segment primarily relates to the artiste and model management and organisation of concerts. Revenue from this business segment during the Period was approximately HK\$7,000, representing a decrease of approximately 92.6% as compared to approximately HK\$95,000 in the same period last year. Due to the outbreak of COVID-19 epidemic during the Period, the Group did not invest in any concerts held during the Period (2019: Nil) and therefore the turnover decreased to almost zero during the Period. Segmental loss of approximately of HK\$177,000 was recorded during the Period (2019: segmental loss of approximately HK\$618,000). The decrease in segmental loss from this segment was due to the cost control measures taken during the Period.

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 Period, the Group recorded turnover and segmental loss of approximately HK\$7.5 million (2019: approximately HK\$2.7 million) and approximately HK\$301,000 (2019: approximately HK\$3.4 million) respectively in this segment. It accounts for approximately 3.1% (2019: approximately 1.2%) of the Group's revenue during the Period. Revenue from this business segment increased by approximately 177.8% during the Period as compared to that of the same period of last year, which was mainly attributable to the increase of our client's base of listed companies in Hong Kong. Segmental loss reduced significantly by approximately 91.2% which is mainly due to the substantial increase of the revenue during the Period.

Hong Kong initial public offering market is expected to be strong and active in 2021, including a number of high profile secondary and biotech listings which will foster the demand for financial printing services in Hong Kong. We expect our revenue of this segment will continue to grow and the future prospect of our financial printing business is positive.

Discontinued operation – Securities brokerage and margin financing

The Company engaged in securities brokerage and margin financing business through its wholly owned subsidiary China Jianxin Financial Services Limited (“**China Jianxin**”). China Jianxin is a company licensed under the Securities and Future Ordinance 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 during the year ended 30th June 2018. The Group ceased the securities brokerage and margin financing 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 loss before tax from the discontinued securities and brokerage and margin financing business of approximately HK\$82,000 (2019: profit before tax of approximately HK\$935,000) during the Period. For the six months period ended 31st December 2019, profit from this segment was mainly from the recovery of certain bad and doubtful debt and no such gain was recorded during the Period.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 88% (2019: approximately 86%) of the Group's revenue during the Period.

Selling expenses

Selling expenses for the Period increased by approximately 34.4% to approximately HK\$8.2 million as compared to approximately HK\$6.1 million in the same period last year. The increase in selling expenses was mainly due to the increase in selling activities with the aim to increase the turnover of the Group during the Period.

Administrative expenses

Administrative expenses for the Period decreased by approximately 25.5% to approximately HK\$32.4 million as compared to approximately HK\$43.5 million in the same period last year. The decrease in administrative expenses was mainly due to the decrease in directors and staff bonus and the cost control measures taken during the Period.

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

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

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

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

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

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

Where:

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

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

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

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

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

On 12th June 2018, the Group received a demand letter (the “**Demand Letter**”) from Lucky Famous whereby it was alleged that the AP Group recorded a net loss of HK\$189,799 based on the alleged FY2016 & FY2017 Audited Accounts dated 11th June 2018. As set out in the Demand Letter, Lucky Famous demanded Fragrant River or the Company to fully pay the amount of HK\$20,400,000, 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, Mr. Chan and Ms. Lim, respectively demanding the payment of an amount of HK\$20,400,000 (the “**Fragrant River Claim**”) to Fragrant River within seven (7) days from the date of the Fragrant River Demand Letters pursuant to the terms and conditions of the AP Acquisition Agreement, and if default, Fragrant River would take further action to protect its interest without further notice.

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

Lucky Famous applied to amend the writ and statement of claim to join Mr. Chan and Ms. 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.

After the reporting period, on 1st February 2021, Lucky Famous, Fragrant River, the Company, Very Easy, City Link, Mr. Chan and Ms. Lim, without admission of any liability in relation to the Lucky Famous Action, entered into a settlement agreement (the “**Settlement Agreement**”) to settle all claims and complaint against each other arising out of the Lucky Famous Action, Fragrant River’s Claim and any amount of any other nature arising out of or in connection with the Disposal Agreement and the Acquisition Agreement (collectively the “**Dispute Matters**”).

Under the Settlement Agreement, Fragrant River and the Company paid Lucky Famous a sum of HK\$1,500,000 in full and final settlement of the Dispute Matters. Very Easy, City Link, Mr. Chan and Ms. Lim do not need to pay any amount to Fragrant River for the settlement of the Fragrant River’s Claim under the Settlement Agreement.

In view of (1) the said legal proceedings under the Lucky Famous Action among Lucky Famous, Fragrant River, the Company, Mr. Chan and Ms. Lim having lasted for more than 2.5 years that the Group has already incurred considerable legal costs in this respect and that, should the Group continue the said legal proceedings under the Lucky Famous Action and the Fragrant River’s Claim, it is estimated that the Company will further incur a substantial amount of legal expenses; and (2) the uncertainty of the outcome of the said legal proceedings of Lucky Famous Action and Fragrant River’s Claim, the directors of the Company consider that the entering into the Settlement Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Before entering the Settlement Agreement, without admitting any liability to Lucky Famous under the Disposal Agreement and also without prejudice to any rights and remedies against Very Easy, City Link, Mr. Chan and/or Ms. Lim under the Acquisition Agreement, the Group recorded the fair value of the contingent consideration payable for the Lucky Famous Action and the contingent consideration receivable for the Fragrant River’s Claim at HK\$20.4 million and HK\$ Nil respectively in the Group’s audited consolidated balance sheet as at 30th June 2020 in accordance with the Hong Kong Financial Reporting Standards. As a result of the entering into the Settlement Agreement, it is estimated that the Group will record an unaudited one-off gain of approximately HK\$18.0 million on the written back of the contingent consideration payable during the year ending 30th June 2021 which is estimated based on the difference between (i) the fair value of the contingent consideration payable at HK\$20.4 million as at 30th June 2020 and (ii) the Settlement Payment of HK\$1.5 million and other costs paid by the Group for the Lucky Famous Action. The Group paid the Settlement Payment by internal resources. The directors of the Company consider that there will be no material adverse impact on the financial position of the Group as a result of the Settlement Payment.

Please refer to the Company’s announcement dated 1st February 2021 for the details of the Settlement Agreement.

OUTLOOK

The PRC's economy has been gradually recovering in second half of 2020 as a result of better control of the COVID-19 epidemic. Forward looking, we are prudently optimistic about the prospect of our films distribution an exhibition, licensing and sublicensing of film rights business in the PRC market. However, the continuing outbreak of COVID-19 epidemic still negatively affected the other Group's operating segment operations especially for the business operating in Hong Kong. With the innovation of the vaccines COVID-19, we expect that the spread of COVID-19 in the world will be under control and the Group's operations will gradually recover soon in coming years.

FINANCIAL RESOURCES/LIQUIDITY

As at 31st December 2020, the Group had cash balances and time deposits with maturity over three months at acquisition of approximately HK\$177.8 million (30th June 2020: approximately HK\$106.9 million) and Nil, respectively (30th June 2020: HK\$108.6 million). As at 31st December 2020, the Group had total assets of approximately HK\$819.1 million (30th June 2020: approximately HK\$683.8 million).

The Group's gearing ratio as at 31st December 2020 was approximately 3.3% (as at 30th June 2020: approximately 4.4%), which was calculated on the basis of the Group's total debt (including borrowings, lease liability and bank overdraft) divided by total equity of the Group.

The Group incurred financial cost of approximately HK\$228,000, which is attributable to the interest on lease liabilities during the Period (for the six months ended 31st December 2019: HK\$273,000).

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

As at 31st December 2020, current ratio (defined as total current assets divided by total current liabilities) was approximately 0.99 (as at 30th June 2020: approximately 1.03).

CAPITAL STRUCTURE

As at 31st December 2020, the Group had shareholders' capital of approximately HK\$9.1 million (as at 30th June 2020: approximately HK\$9.1 million). The shareholders' capital of the Company is constituted of 906,632,276 shares.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2020, none of the Group's assets was pledged to secure any liabilities (As at 30th June 2020: None).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2020, the Group had 144 staff (as at 30th June 2020: 101). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

SHARE OPTION SCHEME

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

(1) Purpose of the Share Option Scheme

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

(2) Participants of the Share Option Scheme

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

- (a) any full-time employee of the Company, any of its subsidiary or any invested entity, including (without limitation) any executive director of the Company, any of its subsidiary or invested entity;
- (b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiary or any invested entity;

- (c) any supplier of goods or services to any member of the Group or any invested entity;
- (d) any customer of the Group or any invested entity;
- (e) any person or entity that provides research, development or other technical support to the Group or any invested entity;
- (f) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any invested entity; and
- (h) any joint venture partner or counter-party to business operation or business arrangements of the Group.

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

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

(4) Maximum entitlement of each participant

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

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

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

(6) Payment on acceptance of the share options offer

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

(7) Basis of determining the subscription price

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

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

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2020, complied with the code provisions contained in Corporate Governance Code (the “**Code**”) set out in Appendix 14 to the Listing Rules except for the code provision A.2.1 of the Code for the separation of the roles of Chairman and Chief Executive Officer (“**CEO**”) as described in the following.

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practises adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2020 with the management.

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

The Company has not redeemed any of its shares during the six months ended 31st December 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the six months ended 31st December 2020, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors confirmed that they had complied with the Model Code throughout the Period.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.uih.com.hk) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report will also be available on the same websites on or before 31st March 2021.

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

Hong Kong, 26th February 2021

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.