

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)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 30TH JUNE 2021**

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 2021, together with comparative figures for the year ended 30th June 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
CONTINUING OPERATIONS:			
Revenue			
Sales of goods – video distribution, optical products and watches products		57,407	52,229
Income on film distribution and exhibition, licensing and sub-licensing of film rights		523,185	153,653
Income from other businesses		22,008	20,885
Total revenue	4	602,600	226,767

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of revenue			
Cost of inventories sold		(48,007)	(41,025)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(298,542)	(71,175)
Cost for other businesses		(16,140)	(11,027)
Total cost of revenue		(362,689)	(123,227)
Selling expenses		(15,639)	(16,943)
Administrative expenses		(61,400)	(80,987)
Impairment loss of film related deposits		–	(11,356)
Impairment loss of film rights and films in progress		(3,000)	(4,653)
Impairment loss of property, plant and equipment		(120)	(1,090)
Impairment loss of right-of-use assets		(5,954)	(2,069)
Impairment loss of other intangible assets		–	(1,165)
Change in expected credit loss		(1,682)	(23,175)
Amortisation of other intangible assets		(147)	(397)
Other income		22,590	2,878
Other gains – net		16,890	14,523
(Losses)/gains:			
Fair value change of trading securities		(12,460)	(5,391)
Fair value change of other financial assets carried at fair value through profit or loss		761	(3,581)
Finance income		2,291	2,987
Finance costs		(532)	(542)
Share of losses of associates		–	(1,085)
Profit/(loss) before taxation		181,509	(28,506)
Income tax (expense)/credit	5	(28,745)	141
Profit/(loss) for the year from continuing operations		152,764	(28,365)

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
DISCONTINUED OPERATION:			
(Loss)/profit for the year from discontinued operation	<i>11</i>	<u>(294)</u>	<u>795</u>
Profit/(loss) for the year		<u>152,470</u>	<u>(27,570)</u>
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		<u>(3,301)</u>	<u>1,528</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(3,301)</u>	<u>1,528</u>
Total comprehensive income/(loss) for the year		<u>149,169</u>	<u>(26,042)</u>
Profit/(loss) attributable to owners of the Company:			
– from continuing operations		154,639	(27,858)
– from discontinued operation		<u>(294)</u>	<u>795</u>
Profit/(loss) for the year attributable to owners of the Company		<u>154,345</u>	<u>(27,063)</u>
Loss attributable to non-controlling interests:			
– from continuing operations		(1,875)	(507)
– from discontinued operation		<u>–</u>	<u>–</u>
Loss for the year attributable to non-controlling interests		<u>(1,875)</u>	<u>(507)</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		151,044	(25,535)
Non-controlling interests		<u>(1,875)</u>	<u>(507)</u>
		<u>149,169</u>	<u>(26,042)</u>
Total comprehensive income/(loss) attributable to owners of the Company arises from:			
Continuing operations		151,338	(26,330)
Discontinued operation		<u>(294)</u>	<u>795</u>
		<u>151,044</u>	<u>(25,535)</u>
Earnings/(loss) per share attributable to owners of the Company for the year (expressed in HK\$):			
From continuing and discontinued operations			
– basic	<i>6(a)</i>	<u>0.1702</u>	<u>(0.0299)</u>
– diluted	<i>6(b)</i>	<u>0.1702</u>	<u>(0.0299)</u>
From continuing operations			
– basic	<i>6(a)</i>	<u>0.1706</u>	<u>(0.0307)</u>
– diluted	<i>6(b)</i>	<u>0.1706</u>	<u>(0.0307)</u>

CONSOLIDATED BALANCE SHEET

		As at 30th June 2021 <i>HK\$'000</i>	As at 30th June 2020 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		17,130	17,271
Investment properties		31,460	31,460
Other intangible assets		2,092	2,239
Film rights and films in progress		278,195	221,760
Interests in associates		–	–
Loan to an associate		–	–
Loan receivable		183	–
Film related deposits		79,328	68,346
Deposits paid		29,690	407
Deferred tax assets		471	271
Other financial assets		16,723	10,008
		<u>455,272</u>	<u>351,762</u>
Current assets			
Inventories		9,843	10,963
Accounts receivable	8	108,865	73,105
Loans receivable		3,283	7,216
Amount due from an associate		–	53
Deposits paid, prepayments and other receivables		20,458	21,020
Trading securities		76,871	3,300
Other financial assets		48	–
Contingent consideration receivable		–	–
Contract assets		423	–
Bank balances and cash			
– trust accounts		785	780
Time deposits with maturity over three months at acquisition		–	108,640
Cash and cash equivalents		375,924	106,949
		<u>596,500</u>	<u>332,026</u>
Total current assets		<u>596,500</u>	<u>332,026</u>
Total assets		<u>1,051,772</u>	<u>683,788</u>

	<i>Note</i>	As at 30th June 2021 HK\$'000	As at 30th June 2020 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		546,264	547,995
Accumulated losses		(82,033)	(236,378)
		508,310	355,696
Non-controlling interests		(2,843)	(804)
Total equity		505,467	354,892
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,151	5,612
Deferred tax liabilities		102	84
		9,253	5,696
Current liabilities			
Accounts payable	9	50,197	19,301
Other payables and accrued charges		236,361	158,870
Contingent consideration payable		–	20,400
Contract liabilities		183,863	97,397
Deposits received		16,184	11,409
Lease liabilities		12,283	9,863
Taxation payable		38,164	5,960
Total current liabilities		537,052	323,200
Total liabilities		546,305	328,896
Total equity and liabilities		1,051,772	683,788
Net current assets		59,448	8,826
Total assets less current liabilities		514,720	360,588

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 2021.

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 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

Amendment 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 year. 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.

New Standards and amendments to standards not yet adopted

The following new standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1st July 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest rate benchmark reform – phase 2	1st January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1st January 2022
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	a date to be determined
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use	1st January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1st January 2022

		Effective for annual periods beginning on or after
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1st January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1st January 2023
Amendments to HKAS 8	Definition of accounting estimates	1st January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1st January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 operations for the year ended 30th June 2020 and 2021.

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 loss before tax from continuing operations except fair value change of other financial assets, amortisation of deferred day one gain in respect of derivative instruments, gain on settlement of litigation, 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 time deposits with maturity over 3 months at acquisition, unallocated cash and cash equivalents, deferred tax assets, loan to an associate, amount due from an associate, contingent consideration receivable 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 2021 and 2020 is set out below:

	2021										Total	
	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 business	Financial printing	Elimination	Total for continuing operations	Securities and brokerage margin financing	Total for discontinued operations	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
Segment revenue												
Disaggregate by timing of revenue recognition												
- Point in time	524,771	55,867	-	-	-	254	7,953	-	588,845	-	2	588,847
- Over time	-	-	-	-	-	-	11,621	-	11,621	-	-	11,621
- Revenue out of scope of HKFRS 15	-	-	1,167	-	967	-	-	-	2,134	-	-	2,134
External revenue	524,771	55,867	1,167	-	967	254	19,574	-	602,600	-	2	602,602
Inter-segment sales	31	-	-	-	-	-	340	(371)	-	-	-	-
	<u>524,802</u>	<u>55,867</u>	<u>1,167</u>	<u>-</u>	<u>967</u>	<u>254</u>	<u>19,914</u>	<u>(371)</u>	<u>602,600</u>	<u>-</u>	<u>2</u>	<u>602,602</u>
Segment results	193,473	(14,744)	870	(12,262)	(970)	(1,179)	(4,464)	(371)	160,353	(294)	(294)	160,059
Fair value change of other financial assets carried at fair value through profit or loss									713		-	713
Amortisation of deferred day one gain in respect of derivative financial instruments									5,531		-	5,531
Gain on settlement									18,549		-	18,549
Finance income									2,000		-	2,000
Finance cost									(167)			(167)
Unallocated corporate expenses									(5,470)		-	(5,470)
Profit before tax									<u>181,509</u>		<u>(294)</u>	<u>181,215</u>

	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 business HK\$'000	Financial printing HK\$'000	Total for continuing operations HK\$'000	Securities brokerage and margin financing HK\$'000	
Assets										
Segment assets	501,267	23,556	31,564	76,919	1,216	3,177	12,614	650,313	4,806	655,119
Other financial assets								16,723	-	16,723
Deferred tax assets								471	-	471
Unallocated other intangible assets								1,858	-	1,858
Unallocated loans receivable								666	-	666
Unallocated cash and cash equivalents								372,101	-	372,101
Unallocated corporate assets								4,834	-	4,834
Total consolidated assets								<u>1,046,966</u>	<u>4,806</u>	<u>1,051,772</u>
Liabilities										
Segment liabilities	433,196	25,867	260	-	-	1,871	12,347	473,541	775	474,316
Taxation payable								38,164	-	38,164
Deferred tax liabilities								102	-	102
Unallocated corporate liabilities								33,723	-	33,723
Total consolidated liabilities								<u>545,530</u>	<u>775</u>	<u>546,305</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
Other information										
Additions of property, plant and equipment	134	1,067	15	-	-	-	127	1,343	-	1,343
Additions of right-of-use assets	8,395	7,354	-	-	-	-	3,080	18,829	-	18,829
Additions of unallocated property, plant and equipment								5	-	5
Total additions of property, plant and equipment								<u>20,177</u>	<u>-</u>	<u>20,177</u>
Additions of film rights and films in progress	257,421	-	-	-	-	-	-	257,421	-	257,421
Additions of film related deposits	22,950	-	-	-	-	-	-	<u>22,950</u>	<u>-</u>	<u>22,950</u>
Depreciation	102	1,720	15	-	-	-	7	1,844	-	1,844
Unallocated depreciation	-	-	-	-	-	-	-	11	-	11
Amortisation of film rights	197,986	-	-	-	-	-	-	197,986	-	197,986
Depreciation of right-of-use assets	3,682	5,513	-	-	-	12	513	9,720	-	9,720
Unallocated depreciation of right-of-use assets	-	-	-	-	-	-	-	270	-	270
Amortisation of other intangible assets	-	147	-	-	-	-	-	<u>147</u>	<u>-</u>	<u>147</u>
Total depreciation and amortisation								<u>209,978</u>	<u>-</u>	<u>209,978</u>
Write-down of inventories	-	1,693	-	-	-	-	-	1,693	-	1,693
Reversal of write-down of inventories	(187)	(1,880)	-	-	-	-	-	(2,067)	-	(2,067)
Impairment loss of property, plant and equipment	-	-	-	-	-	-	120	120	-	120
Impairment loss of right-of-use assets	-	3,388	-	-	-	-	2,566	5,954	-	5,954
Impairment loss of film rights and films in progress	3,000	-	-	-	-	-	-	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Change in ECLs										
- Accounts receivable	1,306	-	-	-	-	(18)	528	1,816	-	1,816
- Loans receivable	(111)	-	-	-	2	-	-	(109)	-	(109)
- Other receivables	(93)	-	-	-	-	2	-	(91)	-	(91)
Unallocated change in ECLs								<u>66</u>	<u>-</u>	<u>66</u>
Total change in ECLs								<u>1,682</u>	<u>-</u>	<u>1,682</u>
Fair value change of trading securities	-	-	-	12,460	-	-	-	<u>12,460</u>	<u>-</u>	<u>12,460</u>

	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 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
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 cost									(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>795</u>	<u>(27,711)</u>

	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 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	
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								<u>678,838</u>	<u>4,950</u>	<u>683,788</u>
Liabilities										
Segment liabilities	253,615	20,659	251	108	400	2,208	6,543	283,784	802	284,586
Taxation payable								5,960	-	5,960
Deferred tax liabilities								84	-	84
Contingent consideration payable								20,400	-	20,400
Unallocated corporate liabilities								17,866	-	17,866
Total consolidated liabilities								<u>328,094</u>	<u>802</u>	<u>328,896</u>

	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 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	
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								56	-	56
Additions of unallocated right-of-use assets								541	-	541
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 depreciation of right-of-use assets	-	-	-	-	-	-	-	68	-	68
Amortisation of other intangible assets	-	148	-	-	-	-	249	397	-	397
Total depreciation and amortisation								59,112	-	59,112
Write-down of inventories	-	421	-	-	-	-	-	421	-	421
Reversal of write-down of inventories	-	(406)	-	-	-	-	-	(406)	-	(406)
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

(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.

	2021	
	Revenue	Non-current assets (other than financial instruments and deferred tax assets)
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Hong Kong (place of domicile)	74,327	385,814
Macau	71	–
PRC and other Asian countries (other than Hong Kong and Macau)	525,386	22,392
Others	2,816	–
	<u>602,600</u>	<u>408,206</u>
DISCONTINUED OPERATION		
Hong Kong (place of domicile)	2	–
Total	<u>602,602</u>	<u>408,206</u>

	2020	
	Revenue <i>HK\$'000</i>	Non-current assets (other than financial instruments and deferred tax assets) <i>HK\$'000</i>
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)	<u>33</u>	–
Total	<u>226,800</u>	<u>341,076</u>

(c) Information about major customers

For the year ended 30th June 2021, one of the customers from video distribution, film distribution and exhibition, licensing and sub-licensing of film rights segment contributed 10% or more of the Group's revenue amounting to approximately HK\$60,260,000 (2020: one of the customers contributed 10% or more of the Group's revenue amounting to approximately HK\$23,460,000).

(d) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, entertainment business, trading, wholesaling and retailing of optical products and watch products and provision of financial printing services, such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts as their performance has an original expected duration of one year or less.

5. INCOME TAX (EXPENSE)/CREDIT

Income tax in the consolidated statement of comprehensive income

	2021			2020		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
Hong Kong Profits Tax						
Charge for the year	5,575	-	5,575	-	-	-
(Over)/under provision in prior year	(30)	-	(30)	(205)	-	(205)
PRC Enterprise Income tax						
Charge for the year	2,578	-	2,578	-	-	-
PRC withholding tax						
Charge for the year	22,373	-	22,373	-	-	-
Over provision in prior year	(1,569)	-	(1,569)	-	-	-
Deferred tax						
Origination and reversal of temporary differences	(182)	-	(182)	64	-	64
Income tax expense/(credit)	<u>28,745</u>	<u>-</u>	<u>28,745</u>	<u>(141)</u>	<u>-</u>	<u>(141)</u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year.

The provision of PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profits for the year.

PRC withholding income tax of 10% shall be levied on the gross income for film distribution and exhibition, licensing and sub-licensing of films rights from its PRC subsidiaries.

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 2021 and 2020, respectively.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(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:

	2021	2020
Profit/(loss) attributable to owners of the Company (HK\$'000)		
– from continuing operations	154,639	(27,858)
– from discontinued operation	<u>(294)</u>	<u>795</u>
– from continuing and discontinued operations	<u>154,345</u>	<u>(27,063)</u>
Weighted average number of ordinary shares in issue	<u>906,632,276</u>	<u>906,632,276</u>
Basic earnings/(loss) per ordinary share (HK\$)		
– from continuing and discontinued operations	0.1702	(0.0299)
– from continuing operations	0.1706	(0.0307)
– from discontinued operation	<u>(0.0004)</u>	<u>0.0008</u>
Weighted average number of ordinary shares (Basic)		
	2021	2020
Issued ordinary shares at 1st July and 30th June	<u>906,632,276</u>	<u>906,632,276</u>

(b) Diluted

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the year ended 30th June 2021 (2020: same) as there is no potential dilutive share issued during the year.

7. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 30th June 2021 (2020: Nil).

8. ACCOUNTS RECEIVABLE

	As at 30th June 2021 <i>HK\$'000</i>	As at 30th June 2020 <i>HK\$'000</i>
Accounts receivable arising from securities brokerage and margin financing business:		
– Brokers and cash clients (<i>Note a</i>)	<u>17</u>	<u>16</u>
	----- 17	----- 16
Accounts receivable arising from other businesses:		
Accounts receivable – others	110,915	74,155
Less: Impairment loss	<u>(2,067)</u>	<u>(1,066)</u>
Net (<i>Note b</i>)	----- 108,848	----- 73,089
Accounts receivable – net	<u><u>108,865</u></u>	<u><u>73,105</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	7	–
More than 1 year past due	<u>10</u>	<u>16</u>
	----- <u><u>17</u></u>	----- <u><u>16</u></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 2021, the total market value of their portfolios of securities was approximately HK\$3,000 (2020: HK\$3,000). Included in the Group's accounts receivable are cash clients with a total carrying amount of approximately HK\$10,000 (2020: HK\$16,000) 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 2021 and 30th June 2020. Accounts receivable due from cash clients bear interest at commercial rates when they become past due.

(b) 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 or date of revenue recognition:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 90 days	32,725	17,576
91 days to 180 days	66,995	297
Over 180 days	<u>9,128</u>	<u>55,216</u>
	<u>108,848</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 0–180 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.

9. ACCOUNTS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	29	31
– margin clients	<u>506</u>	<u>506</u>
	----- 535	----- 537
Accounts payable arising from other businesses	<u>49,662</u>	<u>18,764</u>
	<u><u>50,197</u></u>	<u><u>19,301</u></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 and other payables amounting to approximately HK\$785,000 as at 30th June 2021 (2020: HK\$780,000) 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 2021 and 2020, the ageing analysis of the accounts payable arising from other businesses based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 90 days	37,847	16,562
91 days to 180 days	2,653	211
Over 180 days	<u>9,162</u>	<u>1,991</u>
	<u><u>49,662</u></u>	<u><u>18,764</u></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.

Under the above action, Star alleged 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 2021.

- (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 2021.

- (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 2021. 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, a declaration that UAM was 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. Under such counterclaim, the Defendants claimed against UAM inter alia for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM was 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. The trial has been originally scheduled on 27th September 2021 and was further rescheduled by the court to 4th October 2021.

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 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 China Wah Yan, counterclaimed against China Jianxin, Precise Reach Group Limited, a wholly-owned subsidiary of the Company, and Mr. Lam Shiu Ming, Daneil, one of the directors of the Company for 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.

- (f) On 21st July 2021 a civil claim (the “**Claim**”) lodged by Chengdu Global Bona Culture Media Co., Ltd.* (成都環球博納文化傳媒有限公司) (the “**Chengdu Global Bona**”) against Universe Entertainment Limited (寰宇娛樂有限公司), a wholly-owned subsidiary of the Company and other six defendants (collectively “**Defendants**”) has been accepted by the Beijing Intellectual Property Court* (北京知識產權法院) (the “**Court**”).

Under the Claim, Chengdu Global Bona alleged that a film called “White Storm 2 – Drug Lords” (掃毒2天地對決) released by the Group in 2019 infringed the script copyright of a film called “Perfect Lover”* (完美情人) (“**Alleged Copyright Infringement**”) and claimed against the Defendants jointly and severally for a damage of approximately RMB99,990,000 (approximately HK\$120 million) arising from the Alleged Copyright Infringement. Chengdu Global Bona also requested all the Defendants to (i) stop the Alleged Copyright Infringement; (ii) make apology for the Alleged Copyright Infringement; and (iii) bear the cost of RMB600,000 (approximately HK\$720,000) and all other legal cost in relation to the Claim to Chengdu Global Bona. The other six defendants of the Claims are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The Group did not receive any litigation documents of the Claim from the Court or Chengdu Global Bona up to the date of this announcement. Nevertheless, the Group is seeking legal advice in respect of the Claim and will deny the allegations of the Claim. Based on the information currently available, in the opinion of legal counsel, it is not probable the Group will be liable to the Claim and the Board believes that the above litigation has no material impact on the business and operation of the Group.

Save as disclosed above, as at 30th June 2021, no other 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 2021, the Group ceased its business in securities brokerage and margin financing. The analysis of the results of discontinued operation is as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue	2	33
Other income	–	4
Other net income/(losses)	9	(27)
Administrative expenses	(305)	(715)
Change in expected credit loss	–	1,500
	<hr/>	<hr/>
(Loss)/profit before taxation from discontinued operation	(294)	795
Income tax credit	–	–
	<hr/>	<hr/>
(Loss)/profit for the year from discontinued operation	<u>(294)</u>	<u>795</u>
Attributable to:		
Owners of the Company	<u>(294)</u>	<u>795</u>
	<u>(294)</u>	<u>795</u>

BUSINESS AND OPERATIONAL REVIEW

Overall Group results

The Group recorded a profit for the year ended 30th June 2021 (the “**Year**”) of approximately HK\$152.5 million against a loss for the year of approximately HK\$27.6 million for the year ended 30th June 2020 (“**Last Year**”). The turnaround in profit is mainly attributable to (i) the substantially increase of the Group’s segment revenue from video distribution, film distribution and exhibition, licensing and sub-licensing of film rights segment from approximately HK\$154.9 million Last Year to approximately HK\$524.8 million during the Year. The increase in segment revenue was mainly due to the satisfactory performance of the films released by the Group during the Year and the increase of the Group’s interest in the films released during the Year as compared to Last Year; and (ii) the improvement of the profitability of the films released by the Group during the Year as compared to Last Year.

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

During the Year, the COVID-19 pandemic was largely brought under control in the People’s Republic of China (which excludes Hong Kong, Macau and Taiwan for the purpose of this announcement (the “**PRC**”)) and Hong Kong and the film market continues recovering since reopening of cinemas in July 2020. In response to the recovery of the film market in PRC and Hong Kong, we released 8 films during the Year and recorded revenue of approximately HK\$524.8 million during the Year, representing an increase of approximately 238.8% as compared to approximately HK\$154.9 million in the same period last year. It accounted for approximately 87.1% (2020: approximately 68.3%) of the Group’s revenue during the Year. The Group recorded a segmental profit of approximately HK\$193.5 million, representing an increase of approximately 1,012.1% as compared to approximately HK\$17.4 million Last Year.

The significantly increase of the revenue and profit from this business segment is mainly due to (i) the satisfactory performance of the films released by the Group during the Year and the increase of the Group’s interest in the films released during the Year as compared to Last Year; and (ii) the improvement of the profitability of the films released by the Group during the Year as compared to Last Year.

The Group recorded an impairment loss of films rights, films in progress and film related deposits of approximately HK\$3.0 million (2020: approximately HK\$16.0 million). The recoverable amount of film rights, films in progress and film related deposits as at 30th June 2021 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% (2020: 11%).

During the Year, the Group released a new film called “Shock Wave2” (“拆彈專家2”) in December 2020 and performed well in terms of box office and reputation. The Group will continue to invest in original production of quality movies in PRC and Hong Kong. During the year ending 30th June 2022, the Group is going to release several new films including “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), “The Stolen Tomorrow” (“被偷走的明天”) directed by Barbara Wong (黃真真) and starring Gulnazar (古力娜扎), Jasper Liu (劉以豪) and Zhang Xinyi (張歆藝) and “Atonement” (“阿龍”), a film wrote, directed and performed with breakthrough by Ronald Cheng (鄭中基) and starring Chrissie Chau (周秀娜) and Philip Keung (姜皓文).

In addition, there will be a series of quality movies that we will invest and produce in coming two years including “White Storm 3” (“掃毒3：天大地大”) 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), “Shock Wave 3” (“拆彈專家3”) directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華), “High Forces” (“危機航線”) directed by Oxide Pang (彭順) and starring Andy Lau (劉德華) and Wendy Zhang Zi-feng (張子楓) and “The Trading Floor” (“東方華爾街”) directed by Herman Yau (邱禮濤).

Besides cinema movies, we were also producing other types of contents to expand our business in the online movies in PRC. We currently have about 5 online movies under production and plan to producing another 5 online movies in coming years.

The cinema operations in PRC and Hong Kong have not yet returned to normal due to ongoing anti-epidemic preventive measures such as restrictions on the seating capacity and food consumption within the cinema houses imposed by the regulatory bodies in PRC and Hong Kong. It is anticipated that the anti-epidemic preventive measures may continue in the near term and the film industry’s operating environment in PRC and Hong Kong will remain challenging in the 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

Revenue from this business segment during the Year was approximately HK\$55.9 million, representing an increase of approximately 9.6% as compared to approximately HK\$51.0 million in the Last Year. Revenue from this business segment included the revenue of approximately HK\$37.9 million (2020: approximately HK\$41.1 million) mainly from the trading, wholesaling and retailing of optical products in Hong Kong (“**HK Optical Business**”) and the revenue of approximately HK\$18.0 million (2020: approximately HK\$9.9 million) from the trading, wholesaling and retailing of watches and optical products in the PRC (“**PRC Watches & Optical Business**”). It accounted for approximately 9.3% (2020: approximately 22.5%) of the Group’s revenue during the Year. Segmental loss from this business during the Year was approximately HK\$14.7 million, representing an increase of approximately 21.5% as compared to approximately HK\$12.1 million in the Last Year.

The increase in segmental loss is mainly due to the revenue 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 pandemic and the control measures imposed by the PRC and Hong Kong government during the Year. To mitigate the negative financial impact under the unprecedented challenging operational environment, we have imposed cost saving measures during the Year including the reduction the number of retail shops, seeking rental reduction/relief from landlords 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 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 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 2021, the Group’s trading securities amounted to approximately HK\$76.9 million (2020: approximately HK\$3.3 million) which accounted for approximately 7.3% (2020: approximately 0.5%) of the Group’s audited consolidated total assets as at 30th June 2021.

Below is a table setting out the list of trading securities held by the Group as at 30th June 2021:

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 2021 <i>(approximately %)</i>	Fair value as at 30th June 2021 <i>(approximately HK\$'000)</i>	Percentage to the Group's total assets as at 30th June 2021 <i>(approximately %)</i>	Percentage to the Group's net assets as at 30th June 2021 <i>(approximately %)</i>	Percentage to the Group's total trading securities as at 30th June 2021 <i>(approximately %)</i>	Change in fair value for the Year <i>(approximately HK\$'000)</i>	Dividend income for the Year <i>(approximately HK\$'000)</i>
China Mobile Ltd	1	Hong Kong	400,000	Less than 0.1%	19,420	1.8%	3.8%	25.3%	(534.0)	-
China Construction Bank Corporation	2	PRC	2,895,000	Less than 0.1%	17,689	1.7%	3.5%	23.1%	130.0	-
Meituan	3	Cayman Islands	32,410	Less than 0.1%	10,384	1.0%	2.1%	13.5%	(2,991.0)	-
AIA Group Ltd	4	Hong Kong	96,000	Less than 0.1%	9,264	0.9%	1.8%	12.0%	(148.0)	-
Kuaishou Technology	5	Cayman Islands	40,000	Less than 0.1%	7,792	0.7%	1.5%	10.1%	(7,588.0)	-
Agricultural Bank Of China Limited	6	PRC	2,000,000	Less than 0.1%	5,400	0.5%	1.1%	7.0%	(796.0)	-
Other investments	7				6,922	0.7%	1.4%	9.0%	(2,459.0)	7.0
					<u>76,871</u>	<u>7.3%</u>	<u>15.2%</u>	<u>100.0%</u>	<u>(14,386.0)</u>	<u>7.0</u>

Note 1:

China Mobile Limited (“**China Mobile**”) is an investment holding company principally engaged in telecommunication and related businesses. The shares of China Mobile (stock code: 941) are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its main businesses include Mobile businesses, Wireline Broadband businesses and Internet of Things (IoT) businesses. Mobile businesses include two categories of services. Voice services include local calls, domestic and international long distance calls, roaming services and voice value-added services. Data services include short message services and multimedia message services, wireless data traffic services and application and information services, such as Mobile Music, Mobile Reading and Mobile Video, among others. Wireline Broadband businesses include the provision of wireline broadband and related services. China Mobile Limited also provides customer services, including phone bill enquiry, among others. China Mobile mainly operates businesses in Mainland China. As disclosed in the latest annual report of China Mobile, the revenue of the China Mobile was approximately RMB768,070 million for the year ended 31st December 2020 (2019: approximately RMB745,917 million). China Mobile recorded a profit of approximately RMB108,140 million for the year ended 31st December 2020 (2019: approximately RMB106,791 million).

Note 2:

China Construction Bank Corporation (“**CBC**”) is a commercial bank. The shares of CBC (stock code: 939) are listed on Main Board of the Stock Exchange. CBC operates its businesses through corporate banking businesses, including corporate deposit, corporate credit loan, asset custody, enterprise annuity, trade financing, international settlement, international financing and value-added services, among others, personal banking businesses, including personal deposit, loan, bank card services, private bank services, foreign exchange trading and gold trading services, among others, and capital business. CBC operates its businesses in domestic and overseas markets. As disclosed in the latest annual report of CBC, the net interest and fee and commission income of the CBC was approximately RMB690,491 million for the year ended 31st December 2020 (2019: approximately RMB647,964 million). CBC recorded a profit of approximately RMB273,579 million for the year ended 31st December 2020 (2019: approximately RMB269,222 million).

Note 3:

Meituan, is a China-based e-commerce platform providing life services. The shares of Meituan (stock code: 3690) are listed on Main Board of the Stock Exchange. Meituan connects consumers and businesses to provide services satisfying people’s daily eating needs. Meituan owns an instant food ordering and delivery brand, Meituan, as well as provides services through its mobile application, Meituan. Meituan is also engaged in the operation of a bike-sharing brand, Mobike. As disclosed in the latest annual report of Meituan, the revenue of the, Meituan was approximately RMB114,795 million for the year ended 31st December 2020 (2019: approximately RMB97,529 million). Meituan recorded a profit of approximately RMB4,708 million for the year ended 31st December 2020 (2019: approximately RMB2,236 million).

Note 4:

AIA Group Limited (“**AIA**”) is an investment holding company principally engaged in the provision of life insurance. The shares of AIA (stock code: 1299) are listed on Main Board of the Stock Exchange. The products and services of AIA mainly include life insurance, accident and health insurance and savings plans, as well as employee benefits, credit insurance and pension services to corporate clients. AIA operates through eight business segments: Hong Kong, Thailand, Singapore, Malaysia, China, Korea, Other Markets and Group Corporate Centre. Other Markets segment includes the operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, Vietnam and India. As disclosed in the latest annual report of AIA, the revenue of the AIA was approximately US\$50,359 million for the year ended 31st December 2020 (2019: approximately US\$47,242 million). AIA recorded a profit of approximately US\$5,779 million for the year ended 31st December 2020 (2019: approximately US\$6,018 million).

Note 5:

Kuaishou Technology (“**Kuaishou**”) is a China-based investment holding company mainly engaged in the operation of content communities and social platforms. The shares of Kuaishou (stock code: 1024) are listed on Main Board of the Stock Exchange. Kuaishou mainly provides live streaming services, online marketing services and other services. The online marketing solutions include advertising services, Kuaishou fans headline services and other marketing services. Other services include e-commerce, online games and other value-added services. Kuaishou mainly conducts business within the domestic market. As disclosed in the latest annual report of Kuaishou, the revenue of the Kuaishou was approximately RMB58,776 million for the year ended 31st December 2020 (2019: approximately RMB39,120 million). Kuaishou recorded a loss of approximately RMB116,635 million for the year ended 31st December 2020 (2019: approximately RMB19,651 million).

Note 6:

Agricultural Bank of China Limited (“**Agricultural Bank**”) is a China-based commercial bank. The shares of Agricultural Bank (stock code: 1288) are listed on Main Board of the Stock Exchange. Agricultural Bank mainly operates through four business segments. The Corporate Finance segment is engaged in the deposit and loan business, small and micro business finance, settlement and cash management, trade financing and investment banking, among others. The Personal Finance segment is engaged in personal deposit and loan, credit card business and private banking business. The Treasury segment is engaged in money market business and investment portfolio management. The Asset Management segment is engaged in the provision of financial services, asset custody business, pension business and precious metal business. As disclosed in the latest annual report of Agricultural Bank, the net interest and fee and commission income of the Agricultural Bank was approximately RMB619,624 million for the year ended 31st December 2020 (2019: approximately RMB573,797 million). Agricultural Bank recorded a profit of approximately RMB216,400 million for the year ended 31st December 2020 (2019: approximately RMB212,924 million).

Note 7:

The other investments comprised 6 equity securities listed in Hong Kong and engaged in insurance, banking, money lending, mineral resources, consumer personal cares and information technology industries.

The Group recorded a fair value loss arising from the change in fair value of trading securities of approximately HK\$12.4 million (2020: approximately HK\$5.4 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\$12.3 million (2020: approximately HK\$5.8 million) during the Year.

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 volatile market circumstance.

Other financial assets

Below is a table setting out the list of the other financial assets held by the Group as at 30th June 2021:

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 2021	Fair value as at 30th June 2021	Percentage to the Group's total assets as at 30th June 2021	Percentage to the Group's net assets as at 30th June 2021	Percentage to the Group's total other financial assets as at 30th June 2021	Change in fair value for the Year	Return of invested capital	Dividend income for the Year
				(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	1,107.6	0.1	0.2	6.6	57.0	299.0	-
Promising Social Media Private Equity Fund	2	Cayman Islands	1,982,215	21.08	346.0	less than 0.1	0.1	2.1	24.0	-	-
Derivative financial instruments	2	N/A	N/A	N/A	14,499.0	1.4	2.9	86.5	632.0	-	-
Other investments		N/A	N/A	N/A	818.8	0.1	0.1	4.8	-	-	-
					<u>16,771.4</u>	<u>1.6</u>	<u>3.3</u>	<u>100.0</u>	<u>713.0</u>	<u>299.0</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 2021, the Group has subscribed for the limited partnership interest of Cassia II of approximately US\$7.9 million (approximately HK\$61.2 million) (2020: 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 pandemic. 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 2021, the Group had loans receivable of approximately HK\$1.1 million (2020: approximately HK\$1.5 million), under the money lending business and recognized interest income (excluded inter-segment sales) of approximately HK\$967,000 (2020: approximately HK\$7.9 million). It accounted for approximately 0.2% (2020: approximately 3.5%) of the Group's revenue during the Year. Loans receivable are interest bearing at rates ranging from 8.5% to 12% per annum (2020: 8.5% to 10% per annum). The segment loss of this business segment was approximately HK\$970,000 during the Year (2020: approximately HK\$13.4 million).

The decrease in segmental loss was mainly due to the net effect of the decrease of the expected credit loss for loans receivable by approximately HK\$19.0 million during the Year and the decrease in revenue by approximately HK\$6.9 million during the Year.

Due to the unstable financial and investment market and the highly competitive business environment, the Group resolved to cease granting new loans to clients and will not renew its money lending license in 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\$1.2 million (2020: 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 0.2% (2020: approximately 0.5%) of the Group's revenue during the Year.

The segment profit of this business segment was approximately HK\$0.9 million (2020: approximately HK\$0.9 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. Due to the outbreak of COVID-19 pandemic, the Group's artiste and model management business dropped a lot and the Group did not organize or invest in any concert during the Year. Therefore, revenue from this business segment during the Year was approximately HK\$254,000 (2020: approximately HK\$2.0 million). It accounted for approximately 0.04% (2020: approximately 0.9%) of the Group's revenue during the Year. Segmental loss of approximately of HK\$1.2 million was recorded during the Year (2020: approximately HK\$0.9 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 (“**Formex**”), a subsidiary of the Company.

Benefiting from the quality and cost effective services provided to our clients, Formex experienced a fast growing in clientele and substantially increase in revenue during the Year. Revenue from this business segment during the Year was approximately HK\$19.6 million, representing an increase of approximately 100.0% as compared to approximately HK\$9.8 million Last Year. It accounts for approximately 3.2% (2020: approximately 4.3%) of the Group’s revenue during the Year. Due to the substantially increase in revenue, the segmental loss of financial printing segment decreased to approximately HK\$4.5 million during the Year, representing a decrease of approximately 59.5% as compared to approximately HK\$11.1 million Last Year.

With the launch of various COVID-19 vaccination programs in many countries, signs of hope are starting to emerge, which will help support a solid economic recovery. An economic turnaround will definitely help bolster a rebound in Hong Kong stock market and increase the fund raising activities in Hong Kong. Therefore, we believe that there will be a sustainable growth in demand for financial printing services in Hong Kong in coming years. Taking advantage of the lower rent due to COVID-19 pandemic, the Group leased additional office spaces in the core area of Central, Hong Kong to provide more conference rooms, spacious and comfortable leisure areas and top facilities to our customers. With a team of talented people with extensive experience and professional knowledge and excellent facilities, Formex is positioned to serve the premium clientele and capture the growing demands of the financial printing services in Hong Kong in coming years.

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 loss before tax from the discontinued Securities and Brokerage Business of approximately HK\$0.3 million (2020: profit before tax of approximately HK\$0.8 million) during the Year.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 87.7% (2020: approximately 63.2%) of the Group's revenue during the Year.

Selling expenses

Selling expenses for the Year is approximately HK\$15.6 million (2020: approximately HK\$16.9 million). The selling expenses was stable during the Year.

Administrative expenses

Administrative expenses for the Year decreased by approximately 24.2% to approximately HK\$61.4 million as compared to approximately HK\$81.0 million in the same period last year. The decrease in administrative expenses was mainly due the decrease of the directors and staff bonus of approximately HK\$19.0 million during the Year.

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

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

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

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

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.

On 1st February 2021, Lucky Famous, Fragrant River, the Company, Very Easy, City Link, Chan and 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 AP Disposal Agreement and the AP 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 (the “**Settlement Payment**”) in full and final settlement of the Dispute Matters. Very Easy, City Link, Chan and 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, Chan and 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 AP Disposal Agreement and also without prejudice to any rights and remedies against Very Easy, City Link, Chan and/or Lim under the AP 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, the Group will record an unaudited one-off gain of approximately HK\$18.5 million on the written back of the contingent consideration payable during the Year which is calculated 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

COVID-19 vaccination programs have been launched on its full swing in many countries, we expect that the spread of COVID-19 in the world will be under control and the Group's operations will gradually recover in coming years. Looking forward, we will continue to devote ourselves to invest and produce quality films in PRC and Hong Kong in response to the recovery of the film market. To take up the strong demand of financial printing services in Hong Kong, we will continue invest in our financial printing services to increase our market share and improve our services and operation efficiency. In order to minimize the negative effect of COVID-19 pandemic to our trade, wholesales and retail of optical and watches products business segment, we will continue to implement cost control measures and adjust our business strategic from time to time in response to the change in the market.

The Group will closely monitor the changing business environment and seek out opportunities for long-term sustainable and steady growth. Furthermore, we will carefully pursue all potential viable investment and business opportunities to further develop existing business segments while also expanding the customer base as well as deepening relationships with current customers.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 30th June 2021, the Group had cash balances and time deposits with maturity over three months at acquisition of approximately HK\$375.9 million (2020: approximately HK\$106.9 million) and HK\$ Nil, respectively (2020: approximately HK\$108.6 million). As at 30th June 2021, the Group had total assets of approximately HK\$1,051.8 million (2020: approximately HK\$683.8 million).

The Group's gearing ratio as at 30th June 2021 was approximately 4.2% (as at 30th June 2020: approximately 4.4%), which was calculated on the basis of the Group's total debt (including borrowings, lease liabilities and bank overdraft) divided by total equity of the Group.

As at 30th June 2021, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 1.11 (as at 30th June 2020: approximately 1.03).

The Group incurred financial cost of approximately HK\$532,000, which is attributable to the interest on lease liabilities during the Year (2020: approximately HK\$542,000).

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 30th June 2021, the Group had Shareholders' capital of approximately HK\$9.1 million (30th June 2020: approximately HK\$9.1 million). The Shareholders' capital of the Company is constituted of 906,632,276 shares (30th June 2020: 906,632,276 shares).

The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year (2020: 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 2021, none of the Group's assets was pledged to secure any liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2021, the Group employed 143 staff (2020: 101). 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 (2020: 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 establishing, maintaining and reviewing 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 the top-down approach to monitor the principal risks affecting the business. The Board reviews and approves the effectiveness and adequacy of the Group’s risk management and internal control systems on an annual 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 had been engaged by the Group to facilitate the Board and the Audit Committee for the evaluation of the Group's risk management and internal control systems. Through conducting an annual risk assessment with the assistance of the external consultant, the Group had identified and assessed the impact of the strategic risks, operational risks, financial risks and compliance risks of its major businesses. A three-year rolling internal audit plan was devised by the Group under a risk based approach with reference to the results of the annual risk assessment. An annual internal control review was performed by the external consultant according to the approved internal audit plan with a view to making recommendations for improving and strengthening the internal control systems. 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 control system and reports the relevant results to the Board. 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 2021 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 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.