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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1046)**

**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 31ST DECEMBER 2023**

The board of directors (the “**Director(s)**”) (the “**Board**”) of Universe Entertainment and Culture Group Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31st December 2023 (the “**Period**”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>31st December</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>			
Sales of goods – video distribution, optical products and watches products		<b>11,079</b>	11,240
Income on film distribution and exhibition, licensing and sub-licensing of film rights		<b>273,388</b>	15,871
Income from other businesses		<b>11,963</b>	9,213
Total revenue	4	<b>296,430</b>	36,324

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>31st December</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cost of revenue</b>			
Cost of inventories sold		(4,648)	(6,338)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(240,383)	(11,870)
Cost from other businesses		<u>(9,980)</u>	<u>(7,477)</u>
<b>Total cost of revenue</b>		<u><b>(255,011)</b></u>	<u><b>(25,685)</b></u>
Selling expenses		(7,037)	(5,539)
Administrative expenses		(27,456)	(26,880)
Change in expected credit loss		(597)	(986)
Amortisation of other intangible assets		–	(74)
Impairment loss of film related deposit		(5,121)	–
Other gains/(losses) – net		3,113	(5,902)
Other income		727	1,269
Fair value change on trading securities		–	(813)
Finance income		563	599
Finance costs		<u>(193)</u>	<u>(173)</u>
<b>Profit/(loss) before tax</b>	<i>5</i>	<b>5,418</b>	(27,860)
Income tax expense	<i>6</i>	<u><b>(5,366)</b></u>	<u>(105)</u>
<b>Profit/(loss) for the Period</b>		<u><b>52</b></u>	<u><b>(27,965)</b></u>

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>31st December</b>	
	<b>2023</b>	<b>2022</b>
<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	—	(198)
Other comprehensive loss for the Period, net of tax	—	(198)
Total comprehensive income/(loss) for the Period	<u>52</u>	<u>(28,163)</u>
<b>Profit/(loss) attributable to:</b>		
Owners of the Company	518	(27,703)
Non-controlling interests	<u>(466)</u>	<u>(262)</u>
	<u>52</u>	<u>(27,965)</u>
<b>Total comprehensive income/(loss) for the Period</b>		
<b>attributable to:</b>		
Owners of the Company	518	(27,901)
Non-controlling interests	<u>(466)</u>	<u>(262)</u>
	<u>52</u>	<u>(28,163)</u>
<b>Profit/(loss) per share attributable to the owners</b>		
<b>of the Company for the Period</b>		
<b>(expressed in HK cents per share)</b>		
– basic and diluted	7 <u>0.06</u>	<u>(3.06)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Unaudited</b>	Audited
	<b>As at</b>	<b>As at</b>
	<b>31st December</b>	<b>30th June</b>
	<b>2023</b>	<b>2023</b>
<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	34,777	35,978
Investment properties	31,460	31,460
Other intangible assets	2,081	1,875
Film rights and films in progress	426,650	607,878
Film related deposits	60,188	88,982
Deposits paid	535	1,684
Deferred tax assets	521	531
Other financial assets	1,878	1,878
	<b>558,090</b>	770,266
	<b>558,090</b>	770,266
<b>Current assets</b>		
Inventories	4,203	4,818
Accounts receivable	32,056	47,971
Loans receivable	267	597
Deposits paid, prepayments and other receivables	20,468	43,822
Trading securities	1,350	1,350
Contract assets	237	1,887
Cash and cash equivalents	175,233	80,854
	<b>233,814</b>	181,299
	<b>233,814</b>	181,299
<b>Total current assets</b>	<b>233,814</b>	181,299
<b>Total assets</b>	<b>791,904</b>	951,565

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>31st December</b>	30th June
		<b>2023</b>	2023
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>EQUITY</b>			
Equity attributable to the owners of the Company			
Share capital		<b>9,066</b>	9,066
Reserve		<b>328,692</b>	329,644
		<b>337,758</b>	338,710
Non-controlling interests		<b>(4,147)</b>	(4,555)
<b>Total equity</b>		<b>333,611</b>	334,155
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,331</b>	3,657
Deferred tax liabilities		<b>92</b>	112
		<b>2,423</b>	3,769
<b>Current liabilities</b>			
Accounts payable	<i>11</i>	<b>13,348</b>	16,318
Other payables and accrued charges		<b>110,279</b>	72,062
Contract liabilities		<b>306,679</b>	500,845
Deposits received		<b>7,954</b>	10,309
Lease liabilities		<b>4,806</b>	6,767
Taxation payable		<b>12,804</b>	7,340
<b>Total current liabilities</b>		<b>455,870</b>	613,641
<b>Total liabilities</b>		<b>458,293</b>	617,410

	<b>Unaudited</b> <b>As at</b> <b>31st December</b> <b>2023</b> <b><i>HK\$'000</i></b>	<b>Audited</b> <b>As at</b> <b>30th June</b> <b>2023</b> <b><i>HK\$'000</i></b>
<b>Total equity and liabilities</b>	<b><u>791,904</u></b>	<b><u>951,565</u></b>
<b>Net current liabilities</b>	<b><u>(222,056)</u></b>	<b><u>(432,342)</u></b>
<b>Total assets less current liabilities</b>	<b><u>336,034</u></b>	<b><u>337,924</u></b>

## NOTES:

### 1. GENERAL INFORMATION

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

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

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

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("**HK\$'000**"), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Board on 28th February 2024.

### 2. BASIS OF PREPARATION

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

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

The unaudited condensed interim financial information has been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 30th June 2023, except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 30th June 2024. Details of these changes in accounting policies are set out in note 3.

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

The unaudited condensed consolidated interim financial information contains selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30th June 2023. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**").

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2023. HKFRSs comprise HKFRS; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 4. SEGMENT INFORMATION

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

The Group has presented the following reportable segments.

- 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
- Financial printing services
- Other

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. The profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that finance income, finance costs and unallocated corporate expenses.

Segment assets exclude unallocated other intangible assets, other financial assets, unallocated loan receivable, unallocated cash and cash equivalents, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.



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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance is set out below.

	2023							
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical products and watches products <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Financial printing services <i>HK\$'000</i>	Other <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended</b>								
<b>31st December 2023 (Unaudited)</b>								
Disaggregate by timing of revenue recognition								
- Point in time	273,725	10,742	-	-	2,992	302	-	287,761
- Overtime	-	-	-	-	8,163	-	-	8,163
- Revenue out of scope of HKFRS 15	-	-	506	-	-	-	-	506
Revenue from external customers	273,725	10,742	506	-	11,155	302	-	296,430
Intersegment revenue	-	-	-	-	319	-	(319)	-
Segment revenue	<u>273,725</u>	<u>10,742</u>	<u>506</u>	<u>-</u>	<u>11,474</u>	<u>302</u>	<u>(319)</u>	<u>296,430</u>
<b>Segment result</b>	12,039	(2,047)	317	120	(3,175)	(478)	-	6,776
Finance income								563
Finance cost								(193)
Unallocated corporate expenses								(1,728)
Profit before tax								<u>5,418</u>
<b>As at 31st December 2023 (Unaudited)</b>								
Segment assets	542,585	10,503	31,529	1,350	14,032	10,745	-	610,744
Segment liabilities	<u>415,341</u>	<u>8,494</u>	<u>126</u>	<u>-</u>	<u>14,298</u>	<u>1,584</u>	<u>-</u>	<u>439,843</u>

	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical products and watches products <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Financial printing services <i>HK\$'000</i>	Other <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended</b>								
<b>31st December 2022 (Unaudited)</b>								
Disaggregate by timing of revenue recognition								
- Point in time	16,068	11,049	-	-	2,365	17	-	29,499
- Overtime	-	-	-	-	6,265	-	-	6,265
- Revenue out of scope of HKFRS 15	-	-	526	-	-	34	-	560
Revenue from external customers	16,068	11,049	526	-	8,630	51	-	36,324
Intersegment revenue	-	-	-	-	196	-	(196)	-
Segment revenue	<u>16,068</u>	<u>11,049</u>	<u>526</u>	<u>-</u>	<u>8,826</u>	<u>51</u>	<u>(196)</u>	<u>36,324</u>
<b>Segment result</b>	(18,181)	(1,436)	392	(659)	(2,300)	(402)	-	(22,586)
Finance income								599
Finance cost								(173)
Unallocated corporate expenses								<u>(5,700)</u>
Loss before tax								<u>(27,860)</u>
<b>As at 31st December 2022 (Unaudited)</b>								
Segment assets	899,250	11,788	32,370	1,350	10,752	2,134	-	957,644
Segment liabilities	<u>680,235</u>	<u>8,276</u>	<u>250</u>	<u>-</u>	<u>13,284</u>	<u>1,529</u>	<u>-</u>	<u>703,574</u>

## 5. PROFIT/(LOSS) BEFORE TAX

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

	Unaudited	
	For the six months ended	
	31st December	
	2023	2022
	Total	Total
	HK\$'000	HK\$'000
Amortisation of film right	221,473	11,204
Amortisation of other intangible assets	19	75
Depreciation of property, plant and equipment	788	598
Depreciation of right-of-use assets	2,623	1,793
Employee benefits expenses including directors' emoluments	21,380	20,763
Cost of inventories sold	4,648	6,338

## 6. INCOME TAX (EXPENSE)/CREDIT

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

	Unaudited	
	For the six months ended	
	31st December	
	2023	2022
	Total	Total
	HK\$'000	HK\$'000
Hong Kong Profits Tax – current	(191)	(290)
Hong Kong Profits Tax – overprovision in prior years	(19)	57
PRC withholding tax – current	(5,161)	–
PRC withholding tax – overprovision in prior years	(5)	91
Deferred tax relating to the origination and reversal of temporary differences	10	37
Income tax expense	(5,366)	(105)

## 7. PROFIT/(LOSS) PER SHARE

### (a) Basic

Basic profit/(loss) per ordinary share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 31st December 2023 and 2022.

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

	Unaudited	
	For the six months ended	
	31st December	
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the Period attributable to the owners of the Company	<u>518</u>	<u>(27,703)</u>

#### (ii) Weighted average number of ordinary shares in issue

	Number of shares	
	<i>(in thousand)</i>	
	For the six months ended	
	31st December	
	2023	2022
Weighted average number of ordinary shares in issue at the end of the Period	<u>906,632</u>	<u>906,632</u>

### (b) Diluted

For the six months ended 31st December 2022 and 2023, diluted profit/(loss) per ordinary share equals to basic profit/(loss) per ordinary share as there was no potential dilutive ordinary share outstanding during the Period.

## 8. DIVIDENDS

No interim dividend was declared or paid by the Company for the Period (2022: Nil).

## 9. LOANS RECEIVABLE

### Loans receivable from third parties

	Unaudited As at 31st December 2023 <i>HK\$'000</i>	Audited As at 30th June 2023 <i>HK\$'000</i>
Loans to third parties	834	914
Less: loss allowance	<u>(567)</u>	<u>(317)</u>
	267	597
The maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	–	–
– Current	<u>267</u>	<u>597</u>
	<u>267</u>	<u>597</u>

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

	Unaudited As at 31st December 2023 <i>HK\$'000</i>	Audited As at 30th June 2023 <i>HK\$'000</i>
Unsecured loans		
Not past due	334	414
31–60 days past due	–	–
91 days to 180 days past due	–	–
Over 180 days past due	<u>500</u>	<u>500</u>
	834	914
Less: loss allowance	<u>(567)</u>	<u>(317)</u>
	<u>267</u>	<u>597</u>

As at 31st December 2023 and 30th June 2023, the Group has no secured loan receivables.

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

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

Loans receivable are interest-bearing at rates of Nil to 10% per annum (as at 30th June 2023: Nil to 10% per annum).

Interest income of approximately HK\$25,000 (2022: approximately HK\$33,000) has been recognised in “revenue” in the unaudited condensed consolidated statement of comprehensive income during the Period.

## 10. ACCOUNTS RECEIVABLE

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Accounts receivable	33,714	49,158
Less: allowance for doubtful debts	<u>(1,658)</u>	<u>(1,187)</u>
<b>Accounts receivable – net</b>	<b><u>32,056</u></b>	<b><u>47,971</u></b>

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

*Notes:*

As at 31st December 2023, the ageing analysis of the accounts receivable arising, based on invoice date or date of revenue recognition was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
1 to 90 days	11,813	41,977
91 days to 180 days	5,458	984
Over 180 days	<u>14,785</u>	<u>5,010</u>
	<b><u>32,056</u></b>	<b><u>47,971</u></b>

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

## 11. ACCOUNTS PAYABLE

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Accounts payable	<u><b>13,348</b></u>	<u>16,318</u>

As at 31st December 2023, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31st December</b>	30th June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
1 to 90 days	<b>3,568</b>	10,179
91 days to 180 days	<b>2,939</b>	1,182
Over 180 days	<u><b>6,841</b></u>	<u>4,957</u>
	<u><b>13,348</b></u>	<u>16,318</u>

## 12. PENDING LITIGATIONS

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

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

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

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

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

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

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

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

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

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

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



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

The Defendants filed their defence and counterclaimed on 29th September 2014. By such counterclaim, the Defendants claiming against UAM inter alia for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM is liable to account to the Defendants and an order for payment of all sums found to be due by UAM to the Defendants.

On 18th February 2022, the Court of First Instance of the High Court of Hong Kong ordered, among other things (i) except for the certain clauses therein, the Artist Management Contract is a valid and enforceable agreement; (ii) the Extension Option is not enforceable; and (iii) the damages as a result of the breach of Artist Management Contract and whether there should be repayment from one party to another party would be investigated/assessed in the next part of these proceedings.

As a result of breach of artist management contract, UAM claimed against the Defendants for repayment in sum of approximately HK\$1.7 million or alternatively, a repayment in sum of approximately HK\$1.1 million giving credit for incomes and earnings of Defendants that UAM has been continuously receiving since May 2014. Defendants made a counterclaim for approximately HK\$0.6 million against the UAM as a result of breach of artist management contract.

Upon the parties having gone through the relevant documents and conducted the relevant calculations in accordance with the judgement dated 18th February 2022, the parties have agreed that the net amount is due from the Defendants to the UAM in the amount of approximately HK\$0.5 million (the “**Agreed Sum**”) in July 2023.

A substantive hearing for the determination of the difference between the parties on interest was held on 14th February 2024. The Court determined that the Defendants shall pay interest to UAM on the Agreed Sum at 1% above the prime rate of The Hongkong and Shanghai Banking Corporation Limited from 7th July 2013 to 20th February 2024 and at the judgement rate on the Agreed Sum from 21st February 2024 until payment with cost reserved.

- (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 the China Wah Yan counterclaim against China Jianxin, Precise Reach Group Limited, a wholly owned subsidiary of the Company, and Mr. Lam Shiu Ming, Daneil, the director of the Company for the damages to be assessed, interest, costs and further or other reliefs in relation to the alleged misrepresentation and the alleged set-off by China Wah Yan and Sky Bright in extinction or in diminution of the claim of the Original Action.

On 15th February 2023, the Court (i) entered the summary judgment against China Wah Yan for the Original Action, under which China Wah Yan is ordered to pay China Jianxin the sum of HK\$16,175,304.11 together with interest on HK\$15,800,000.00 at the rate of 8.5% per annum from 12th March 2020 until payment in full and (ii) struck out the counterclaim of China Wah Yan and Sky Bright against China Jianxin, Precise Reach Group Limited and Mr. Lam Shiu Ming, Daneil, with costs.

China Wah Yan and Sky Bright lodged the Notice of Appeal in March 2023. The appeal hearing against the summary judgment and the striking out of the counterclaim was heard on 14th September 2023. During the hearing on 14th September 2023, the Court reserved the judgment by giving his decision at a later date in writing. The Company is seeking legal advice in respect of the above order. 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, 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\$113 million) arising from the Alleged Copyright Infringement. Chengdu Global Bona also requested all 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\$678,000) 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).

After seeking the legal advice, the Group denied the allegations of the Claims. The Beijing Intellectual Property Court completed the hearing of this case in June 2023 and the judgement is still pending. The Group is seeking legal advice in respect of the Claim. In the opinion of legal counsel, it is not probable that 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 31st December 2023, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

## **INTERIM DIVIDEND**

No interim dividend was declared and paid by the Company for the Period (2022: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overall Group results**

For the six months period ended 31st December 2023, the Group recorded revenue of approximately HK\$296.4 million (for the six months period ended 31st December 2022 (“**Last Period**”): approximately HK\$36.3 million) and a profit of approximately HK\$52,000 (Last Period: a loss of approximately HK\$28.0 million).

The improvement of the Group’s result for the Period as compared to the Last Period was mainly due to:

- (i) The significantly increase in revenue and contribution from video distribution, film distribution and exhibition, licensing and sub-licensing of film rights business segment during the Period. During the Period, the impact of COVID-19 pandemic gradually faded out across China and Hong Kong and the income from the new films released by the Group increased significantly during the Period as compared to the Last Period; and
- (ii) Due to the appreciation of Renminbi during the Period, the Group recorded an exchange gain of approximately HK\$2.9 million during the Period while the Group recorded an exchange loss of approximately HK\$6.3 million during the Last Period.

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

The Group recorded segmental revenue of approximately HK\$273.7 million during the Period, representing an increase of approximately 16.0 times as compared to approximately HK\$16.1 million during the Last Period. It accounted for approximately 92.3% (Last Period: approximately 44.2%) of the Group’s revenue during the Period. Segment profit from this business segment during the Period was approximately HK\$12.0 million against a segment loss of approximately HK\$18.2 million for the Last Period.

The significantly increase in revenue and contribution from this business segment during the Period was mainly due to the fading out of the impact of COVID-19 pandemic across China and Hong Kong and the income from the new films released by the Group increased significantly during the Period as compared to the Last Period.

As the impact of the COVID-19 pandemic gradually faded out across the country, the film industry of China is gradually recovering in 2023. According to data released by the China Film Administration (國家電影局), Chinese Mainland's total box office (including service fees) in 2023 was approximately RMB54.9 billion, representing a year-over-year increase of approximately 83.0%. In response to the growth of the film market in China in the long run, the Group will continue to invest in original production of quality films in China and Hong Kong. Upcoming release includes “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), “The Trading Floor” (“東方華爾街”) directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華) and “Shock Wave 3” (“拆彈專家3”) directed by Herman Yau (邱禮濤) and starring Andy Lau (劉德華).

### **Trade, wholesale and retail of optical and watches products**

The post-pandemic business environment of consumer market is impeded by certain unfavourable macro factors, including global inflation and rising interest rate, geopolitical uncertainties and economic slowdown. The consumer's sentiment in China and Hong Kong is still well below pre-pandemic levels. In addition, since the border reopened, Hong Kong residents are flocking to Shenzhen and other Greater Bay Area cities in large numbers, mainly for weekend leisure and shopping also posing a new challenge for our trade, wholesales and retail of optical and watch products business. Consequently, revenue from this business segment during the Period was approximately HK\$10.7 million, representing a decrease of approximately 2.7% as compared to approximately HK\$11.0 million in the same period last year. It accounted for approximately 3.6% (Last Period: approximately 30.4%) of the Group's revenue during the Period. Segmental loss from this business segment during the Period was approximately HK\$2.0 million, representing an increase of approximately 42.9% as compared to approximately HK\$1.4 million in the same period last year.

To adopt the challenge in the upcoming market environment, we will increase our selling and marketing effort and participate in marketing and crowd-drawing events organized by shopping malls and local society organizations to attract more customers and promote our brand's awareness. On the other hand, the Group will also continue to adopt cost control measures and closing down the loss-making shops to deal with the current difficult operation environment.

### **Leasing of investment properties**

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK\$506,000 (Last Period: approximately HK\$526,000) during the Period.

The segment profit of this business segment was approximately HK\$317,000 (Last Period: approximately HK\$392,000) during the Period.

The revenue and segment profit of this business segment was stable during the Period.

## **Financial printing**

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

With Formex’s increasing presence in the financial printing industry in Hong Kong through the improved facilities, location and utilization of the additional office spaces at the World Wide House in the core business area, we are continuing to expand and solidify our client base.

As a result, revenue from this business segment increased by approximately 30.2% to approximately HK\$11.2 million (Last Period: approximately HK\$8.6 million) during the Period as compared to the same period last year. It accounts for approximately 3.8% (Last Period: approximately 23.8%) of the Group’s revenue during the Period.

However, continuous weakened market sentiment in capital market in Hong Kong is negatively affecting the fund-raising activities of listed companies and reducing the number of initial public offering projects in Hong Kong during the Period. Consequently, the competition in the financial printing industry is intensifying and affecting our financial result. During the Period, we recorded a segmental loss of approximately HK\$3.2 million (Last Period: approximately HK\$2.3 million), representing an increase of approximately 39.1% as compared to that of the same period last year.

Nevertheless, Formex will continue to provide quality and cost effective financing printing services to its customers and exercise prudent cost control to improve its operating efficiency and profitability.

## **Geographical contribution**

In terms of geographical contribution, overseas markets accounted for approximately 88.6% (Last Period: approximately 51.7%) of the Group’s revenue during the Period.

## **Selling expenses**

Selling expenses for the Period increased by approximately 27.1% to approximately HK\$7.0 million as compared to approximately HK\$5.5 million in the same period last year. The increase in selling expenses was due to the increase in revenue of the Group during the Period.

## **Administrative expenses**

Administrative expenses for the Period increased by approximately 2.1% to approximately HK\$27.5 million as compared to approximately HK\$26.9 million in the same period last year. The administrative expenses of the Group was stable during the Period.

## **OUTLOOK**

With the steady recovery of the theatrical movie market in China, we are cautiously optimistic to the outlook of the films distributions and exhibition, licensing and sub-licensing of films rights business. The Group will continue to closely monitor the latest market movie development trend in China and adjust our business plan and strategy from time to time.

For the trade, wholesales and retail of optical and watch products business and financial printing business, the Group will closely monitor the challenging business environment, adopt cost control measures and closing down the loss-making shops to improve the operation and financial performance.

## **FINANCIAL RESOURCES/LIQUIDITY**

As at 31st December 2023, the Group had cash balances of approximately HK\$175.2 million (30th June 2023: approximately HK\$80.9 million). As at 31st December 2023, the Group had total assets of approximately HK\$791.9 million (30th June 2023: approximately HK\$951.6 million).

The Group's gearing ratio as at 31st December 2023 was approximately 2.1% (as at 30th June 2023: approximately 3.1%), which was calculated on the basis of the Group's total debt (including borrowings, lease liability and bank overdraft) divided by total equity of the Group.

The Group incurred financial cost of approximately HK\$193,000, which is attributable to the interest on lease liabilities during the Period (Last Period: approximately HK\$173,000).

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

As at 31st December 2023, current ratio (defined as total current assets divided by total current liabilities) was approximately 0.5 (as at 30th June 2023: approximately 0.3).

Management has closely monitored the current and anticipated liquidity of the Group in the future. Having considered the Group's financial position as at 31st December 2023, and the coming operation's plan, the Directors believe that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future.

## CAPITAL STRUCTURE

As at 31st December 2023, the Group had shareholders' capital of approximately HK\$9.1 million (as at 30th June 2023: approximately HK\$9.1 million). The shareholders' capital of the Company is constituted of 906,632,276 shares.

## THE PLEDGE OF GROUP ASSETS

As at 31st December 2023, none of the Group's assets was pledged to secure any liabilities (as at 30th June 2023: None).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2023, the Group had 119 staff (as at 30th June 2023: 128). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

## SHARE OPTION SCHEME

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

The Old Share Option Scheme was valid and effective for a period of 10 years from the date of adoption, i.e. until 1st December 2023. Following the Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022, Chapter 17 of the Listing Rules was amended and became effective from 1st January 2023. In light of the above and in view of the Old Share Option Scheme which is due to expire on 1st December 2023, the Company adopted a new share option scheme on 4th December 2023 (“**New Share Option Scheme**”). A summary of the principal terms of the New Share Option Scheme are as follow:

### (1) Purpose

The purpose of the New Share Option Scheme is to recognize and acknowledge the contributions or potential contributions made or to be made by the eligible participant(s) including the employee participants, the related entity participants and the service providers (the “**Eligible Participants**”) to the Group, to motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the Eligible Participants whose contributions are or may be beneficial to the growth of the Group.

## (2) **Eligible Participants**

The New Share Option Scheme enables the Company to grant options (the “**Option**”) to Eligible Participant(s) to subscribe for share(s) of the Company (the “**Shares**”) under the New Option Scheme.

The adoption of the New Share Option Scheme aligns with the market practice of providing incentives to the employee participants to work towards enhancing the enterprise value and achieving the long-term objectives for the benefit of the Group as a whole.

As the related entity participants and service providers have contributed to the long-term growth of the Company’s businesses, it would be in the Company’s interests to also have the flexibility to grant Options to the related entity participants and service providers in recognition of their contributions to the Company. It is beneficial to include the related entity participants and service providers since a sustainable and stable relationship with them is essential to the business development of the Group, and that the grant of Options to these non-employee participants will align their interests with the Group’s interests, incentivising them to provide better services to, create more opportunities for and/or contribute to the success of the Group in the long run.

The Board will determine the employee participants’ eligibility in its sole discretion by considering all relevant factors as appropriate and take into account criteria based on the nature of the contributions made by service providers and related entity participants before granting Option(s) to them.

The inclusion of each of the related entity participants and proposed categories of service providers are in line with the Company’s business needs and the industry norm, and the criteria for the election of Eligible Participants and the terms of an offer (the “**Offer**”) to an Eligible Participant for the grant of an Option align with the purpose of the New Share Option Scheme.

## (3) **Subscription Price**

The subscription price of the Options shall be determined by the Board and notified to an Eligible Participant at the time the grant of the Option(s) is made to (and subject to acceptance by) the Eligible Participant and shall be at least the highest 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 (as defined in the New Share Option Scheme); (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days (as defined in the New Share Option Scheme) immediately preceding the date of grant; and (c) the nominal value of the Shares. The Board considers that such basis will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company.



#### (4) Maximum Number of Shares

- (a) The total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and all options to be granted under any other share option scheme(s) of the Company must not, in aggregate, exceed ten per cent (10%) of the total number of Shares in issue as at the adoption date (the “**Scheme Mandate Limit**”) unless approval of the shareholders of the Company (the “**Shareholders**”) has been obtained pursuant to paragraphs 4(d) and (e) or (f) below. Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option scheme(s) of the Company shall not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.
- (b) Subject to paragraph 4(c) below, within the Scheme Mandate Limit, the total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and all options to be granted under any other share option scheme(s) of the Company to the service providers must not, in aggregate, exceed three per cent (3%) of the total number of Shares in issue as at the Adoption Date (the “**Service Provider Sublimit**”) unless Shareholders’ approval has been obtained pursuant to paragraphs 4(d) and (e) or (f) below. Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option scheme(s) of the Company shall not be regarded as utilised for the purpose of calculating the Service Provider Sublimit.
- (c) Notwithstanding any other provisions of the New Share Option Scheme, the Service Provider Sublimit is subject to approval by the Shareholders in general meeting. If on the adoption date, the adoption of the New Share Option Scheme is approved by the Shareholders in general meeting but the Service Provider Sublimit is not so approved by the Shareholders, no Option shall be granted to any Service Provider and the Service Provider Sublimit shall be deemed to be nil Share, and the provisions of the New Share Option Scheme shall be construed accordingly, unless and until a sublimit on the total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and all options to be granted under any other share option scheme(s) of the Company to the Service Providers is subsequently approved by the Shareholders in general meeting, in which case the Service Provider Sublimit shall be deemed to be the sublimit so approved by the Shareholders with effect from the date of such approval, and the provisions of the New Share Option Scheme shall be construed accordingly.

- (d) The Company may seek approval by the Shareholders in general meeting for “refreshing” the Scheme Mandate Limit (and the Service Provider Sublimit) after three (3) years from date of the Shareholders’ approval for the last refreshment (or the adoption date). Any “refreshment” within any three (3) year period must be approved by the Shareholders subject to the following provisions:
- (i) any controlling shareholders of the Company and their associates (or if there is no controlling shareholder of the Company, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
  - (ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under paragraphs 4(d)(i) and (ii) above do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of each of the Scheme Mandate Limit and the Service Provider Sublimit (as a percentage of total number of Shares in issue) upon refreshment is the same as the unused part of each of the Scheme Mandate Limit and the Service Provider Sublimit immediately before the issue of securities, rounded to the nearest whole Share.

- (e) The total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and all options to be granted under any other share option scheme(s) of the Company under the Scheme Mandate Limit and the Service Provider Sublimit as “refreshed” must not, in aggregate, exceed ten per cent (10%) and three per cent (3%) of the total number of Shares in issue as at the date of approval of the refreshed Scheme Mandate Limit (the “**Refreshed Scheme Mandate Limit**”) and the refreshed Service Provider Sublimit (the “**Refreshed Service Provider Sublimit**”) respectively. The Company must send a circular to the Shareholders containing the number of Options that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Sublimit, and the reason for the “refreshment”.

- (f) The Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit (or the Refreshed Scheme Mandate Limit, as the case may be) or the Service Provider Sublimit (or the Refreshed Service Provider Sublimit, as the case may be) provided that the Options in excess of the Scheme Mandate Limit, the Refreshed Scheme Mandate Limit, the Service Provider Sublimit or the Refreshed Service Provider Sublimit (as the case may be) are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing the name of each specified Eligible Participant who may be granted such Options, the number, and terms of the Options to be granted to each such Eligible Participant, and the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose. The number and terms of Options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. In respect of any Options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price under paragraph 3 above.
- (g) If the Company conducts a share consolidation or sub-division after the Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that may be issued in respect of all options to be granted under all of the schemes of the Company under the Scheme Mandate Limit and the Service Provider Sublimit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or sub-division shall be the same, rounded to the nearest whole share.

#### **(5) Maximum Entitlement of Each Eligible Participant**

Where any grant of Options is proposed to be made to an Eligible Participant which, if accepted and exercised in full, would result in the total number of Shares issued and which may fall to be issued upon the exercise of such Options proposed to be granted under the New Share Option Scheme and all options granted under any other share option scheme(s) of the Company to such Eligible Participant (excluding any options lapsed in accordance with the terms of the New Share Option Scheme or any other share option scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over one per cent (1%) of the total number of Shares in issue as at the date of such grant (the “**1% Individual Limit**”), such grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. A circular must be sent by the Company to the Shareholders disclosing the identity of the Eligible Participant, the number, and terms of the Options to be granted (and those previously granted to such Eligible Participant in the 12-month period), the purpose of granting Options to the Eligible Participant and an explanation as to how the terms of the Options serve such purpose. The number and terms of the Options to be granted to

such Eligible Participant must be fixed before the Shareholders' approval. In respect of any Options to be granted, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph 3 above.

**(6) Vesting Period**

The vesting period of the Options shall not be shorter than 12 months from the date of acceptance of the Offer, provided that where the Eligible Participant who is: (a) an employee participant who is a director or a senior manager of the Company, the remuneration committee may, or (b) an employee participant who is not a director or a senior manager of the Company, the board of directors of the Company may, in its absolute discretion, determine a shorter vesting period under the following specific circumstances:

- (i) grants of "make-whole" Options to new joiners to replace options such employee participant forfeited when leaving his previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event; and
- (iii) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

It is considered that by having the flexibility of having a shorter vesting period, the Group will be in a better position to attract and retain such Eligible Participants to continue serving the Group whilst at the same time providing them with further incentives in achieving the goals of the Group, and thereby, to achieve the purpose of the New Share Option Scheme.

**(7) Performance Targets and Clawback Mechanism**

Under the New Share Option Scheme, the Board may, in its sole and absolute discretion, specify the performance targets in respect of each Offer that must be duly fulfilled by the grantee before the Option may be vested to such grantee under such Offer, such performance targets shall include, among other things, financial targets and management targets which shall be determined based on the (a) individual performance, (b) performance of the Group and/or (c) performance of business groups, business units, business lines, functional departments, projects and/or geographical area managed by the Grantee. This will provide the Board with more flexibility in setting out the terms and conditions of the Options under particular circumstances of each grant and facilitate the Board to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group.

The provisions of the New Share Option Scheme provides for an automatic lapse of Option as clawback mechanism, the right to exercise an Option shall lapse automatically on the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment, directorship, appointment or engagement on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or contracts or agreements of the grantee with the Company or the relevant subsidiary or related entity for the employment, appointment or engagement, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment or office at common law or pursuant to any applicable laws or under the service contract, letter of appointment or other contract or agreement for the employment, appointment or engagement of the grantee with the Company or the relevant subsidiary or related entity.

Unless otherwise determined by the Board pursuant to the rules of the New Share Option Scheme and stated in the relevant Offer and subject to the above clawback mechanism, there is neither any performance target which must be achieved before an Option can be exercised nor any clawback mechanism for the Company to recover or withhold any remuneration (which may include Options granted) to any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances.

Please refer to the Company's circular dated 30th October 2023 for the details of the New Share Option Scheme.

No share options under the Old and New Share Option Scheme was issued and outstanding during the Period (Last Period: Nil).

## **CORPORATE GOVERNANCE CODE**

The Company has, throughout the six months ended 31st December 2023, complied with the code provisions contained in Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules except for the code provision A.2.1 of the Code for the separation of the roles of Chairman and Chief Executive Officer ("**CEO**") as described in the following.

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

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the accounting principles and practises adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2023 with the management.

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

The Company has not redeemed any of its shares during the six months ended 31st December 2023. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

During the six months ended 31st December 2023, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors confirmed that they had complied with the Model Code throughout the Period.

## **PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES**

This interim results announcement is published on the websites of the Company ([www.uih.com.hk](http://www.uih.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), respectively. The interim report will also be available on the same websites on or before 31st March 2024.

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

Hong Kong, 28th February 2024

*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. Tang Yiu Wing and Ms. Pong Suet Hing.*