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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 30 JUNE 2023**

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 30 June 2023, together with comparative figures for the year ended 30 June 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Sales of goods – video distribution, optical products and watches products		22,201	36,896
Income on film distribution and exhibition, licensing and sub-licensing of film rights		138,891	68,220
Income from other businesses		37,347	22,522
Total revenue	4	198,439	127,638

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Cost of revenue			
Cost of inventories sold		(11,773)	(25,050)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(127,420)	(63,218)
Cost for other businesses		(29,838)	(16,824)
		<hr/>	<hr/>
Total cost of revenue		(169,031)	(105,092)
Selling expenses		(8,092)	(8,340)
Administrative expenses		(60,645)	(67,482)
Impairment loss of film rights and films in progress		(51,422)	(27,543)
Impairment loss of property, plant and equipment		–	(2,172)
Impairment loss of right-of-use assets		–	(6,874)
Change in expected credit loss		(818)	288
Amortisation of other intangible assets		(138)	(149)
Other income		3,675	3,603
Other losses – net		(8,860)	(8,982)
Loss on:			
Fair value change of trading securities		(813)	(7,916)
Finance income		2,229	2,080
Finance costs		(379)	(515)
Gain on deconsolidation of subsidiaries		–	18,900
		<hr/>	<hr/>
Loss before taxation		(95,855)	(82,556)
Income tax credit	5	2,450	3,635
		<hr/>	<hr/>
Loss for the year		(93,405)	(78,921)

	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	<u>(168)</u>	<u>(123)</u>
Total other comprehensive loss for the year	<u>(168)</u>	<u>(123)</u>
Total comprehensive loss for the year	<u>(93,573)</u>	<u>(79,044)</u>
Loss for the year attributable to:		
Owners of the Company	(92,757)	(76,552)
Non-controlling interests	<u>(648)</u>	<u>(2,369)</u>
	<u>(93,405)</u>	<u>(78,921)</u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(92,925)	(76,675)
Non-controlling interests	<u>(648)</u>	<u>(2,369)</u>
	<u>(93,573)</u>	<u>(79,044)</u>
Loss per share attributable to owners of the Company for the year (presented in HK\$):		
– basic	<i>6(a)</i> <u>(0.1023)</u>	<u>(0.0844)</u>
– diluted	<i>6(b)</i> <u>(0.1023)</u>	<u>(0.0844)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,978	35,678
Investment properties		31,460	31,460
Other intangible assets		1,875	1,954
Film rights and films in progress		607,878	653,122
Film related deposits		88,982	74,900
Deposits paid		1,684	2,377
Deferred tax assets		531	502
Other financial assets		1,878	1,878
		<u>770,266</u>	<u>801,871</u>
Current assets			
Inventories		4,818	6,767
Accounts receivable	8	47,971	22,648
Loans receivable		597	1,235
Deposits paid, prepayments and other receivables		43,822	20,008
Trading securities		1,350	7,539
Contract assets		1,887	948
Bank balances and cash – trust accounts		–	125
Cash and cash equivalents		80,854	211,846
Total current assets		<u>181,299</u>	<u>271,116</u>
Total assets		<u>951,565</u>	<u>1,072,987</u>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,066	9,066
Share premium		35,013	35,013
Other reserves		545,973	546,141
Accumulated losses		(251,342)	(158,585)
		338,710	431,635
Non-controlling interests		(4,555)	(4,407)
Total equity		334,155	427,228
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,657	5,458
Deferred tax liabilities		112	139
		3,769	5,597
Current liabilities			
Accounts payable	9	16,318	24,829
Other payables and accrued charges		72,062	92,437
Contract liabilities		500,845	491,617
Deposits received		10,309	11,154
Lease liabilities		6,767	7,800
Taxation payable		7,340	12,325
Total current liabilities		613,641	640,162
Total liabilities		617,410	645,759
Total equity and liabilities		951,565	1,072,987
Net current liabilities		(432,342)	(369,046)
Total assets less current liabilities		337,924	432,825

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, leasing of investment properties, 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.

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 consolidated 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 other investments in equity securities 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

Changes in accounting policy and disclosures

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2022. 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 consolidated financial statements and amounts reported for the current year 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 these 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 (i.e. Entertainment business)

(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 loss, which is a measure of loss before tax. The loss before tax is measured consistently with the Group's loss before taxation except amortisation of deferred day one gain in respect of derivative instruments, gain on disposal of unlisted investment funds, gain on deconsolidation of subsidiaries, impairment loss on amount due from deconsolidated subsidiaries, finance income, unallocated finance costs and unallocated corporate expenses.

Segment assets exclude unallocated other intangible assets, other financial assets, 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 for the years ended 30 June 2023 and 2022 is set out below:

	For the year ended 30 June 2023							
	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	Financial printing HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue								
Disaggregate by timing of revenue recognition								
– Point in time	139,201	21,891	-	-	5,917	9,186	-	176,195
– Over time	-	-	-	-	21,139	-	-	21,139
– Revenue out of scope of HKFRS 15	-	-	1,037	-	-	68	-	1,105
External revenue	139,201	21,891	1,037	-	27,056	9,254	-	198,439
Inter-segment sales	-	-	-	-	214	-	(214)	-
	<u>139,201</u>	<u>21,891</u>	<u>1,037</u>	<u>-</u>	<u>27,270</u>	<u>9,254</u>	<u>(214)</u>	<u>198,439</u>
Segment results	(87,253)	(5,304)	774	(695)	(2,042)	(494)	(214)	(95,228)
Finance income								2,229
Finance cost								(379)
Unallocated corporate expenses								(2,477)
Loss before taxation								<u>(95,855)</u>

As at 30 June 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 <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets							
Segment assets	788,505	9,705	31,511	1,350	21,881	11,372	864,324
Other financial assets							1,878
Deferred tax assets							531
Unallocated other intangible assets							1,858
Unallocated cash and cash equivalents							80,854
Unallocated corporate assets							2,120
Total consolidated assets							<u>951,565</u>
Liabilities							
Segment liabilities	574,646	7,169	233	-	20,193	1,782	604,023
Taxation payables							7,340
Deferred tax liabilities							112
Unallocated corporate liabilities							5,935
Total consolidated liabilities							<u>617,410</u>
Other information							
Additions of property, plant and equipment	2,298	-	-	-	97	-	2,395
Additions of right-of-use assets	2,419	797	-	-	2,944	-	6,160
Total additions of property, plant and equipment							<u>8,555</u>
Additions of film right and films in progress	128,123	-	-	-	-	-	128,123
Additions of film related deposits	32,630	-	-	-	-	-	32,630
Depreciation of property, plant and equipment	748	449	13	-	139	-	1,349
Unallocated depreciation of property, plant and equipment							1
Amortisation of film rights	121,945	-	-	-	-	-	121,945
Depreciation of right-of-use assets	3,437	247	-	-	491	-	4,175
Amortisation of other intangible assets	-	87	-	-	51	-	138
Total depreciation and amortisation							<u>127,608</u>
Reversal of write-down of inventories	(385)	-	-	-	-	-	(385)
Impairment loss of film rights and films in progress	51,422	-	-	-	-	-	51,422
Change in ECLs							
- Accounts receivables	197	-	-	-	-	-	197
- Other receivables	443	-	-	-	-	-	443
- Loans receivables	-	-	-	-	-	178	178
Total change in ECLs							<u>818</u>
Fair value change of trading securities	-	-	-	813	-	-	813

	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 <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue								
Disaggregate by timing of revenue recognition								
- Point in time	69,030	36,076	-	-	11,562	304	-	116,972
- Over time	-	-	-	-	9,438	-	-	9,438
- Revenue out of scope of HKFRS 15	-	-	1,142	-	-	86	-	1,228
External revenue	69,030	36,076	1,142	-	21,000	390	-	127,638
Inter-segment sales	-	-	-	-	284	-	(284)	-
	<u>69,030</u>	<u>36,076</u>	<u>1,142</u>	<u>-</u>	<u>21,284</u>	<u>390</u>	<u>(284)</u>	<u>127,638</u>
Segment results	(61,655)	(9,757)	861	(6,375)	(11,170)	(3,050)	(284)	(91,430)
Amortisation of deferred day one gain in respect of derivative financial instruments								2,788
Gain on disposal of unlisted investment funds								163
Gain on deconsolidation of subsidiaries								18,900
Impairment loss on amounts due from deconsolidated subsidiaries								(10,649)
Finance income								2,077
Finance cost								(216)
Unallocated corporate expenses								(4,189)
Loss before taxation								<u>(82,556)</u>

As at 30 June 2022

	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 <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets							
Segment assets	785,728	12,302	31,493	7,539	14,603	2,663	854,328
Other financial assets							1,878
Deferred tax assets							502
Unallocated other intangible assets							1,858
Unallocated cash and cash equivalents							211,607
Unallocated corporate assets							2,814
Total consolidated assets							<u>1,072,987</u>
Liabilities							
Segment liabilities	599,214	8,372	364	–	16,950	1,680	626,580
Taxation payables							12,325
Deferred tax liabilities							139
Unallocated corporate liabilities							6,715
Total consolidated liabilities							<u>645,759</u>
Other information							
Additions of property, plant and equipment	29,713	1,512	5	–	2,790	7	34,027
Additions of right-of-use assets	–	773	–	–	7,705	–	8,478
Total additions of property, plant and equipment							<u>42,505</u>
Additions of film right and films in progress	432,469	–	–	–	–	–	432,469
Additions of film related deposits	25,288	–	–	–	–	–	<u>25,288</u>
Depreciation of property, plant and equipment	358	644	13	–	404	–	1,419
Unallocated depreciation of property, plant and equipment							7
Amortisation of film rights	29,999	–	–	–	–	–	29,999
Depreciation of right-of-use assets	3,575	2,833	–	–	2,316	2	8,726
Unallocated depreciation of right-of-use assets							542
Amortisation of other intangible assets	–	147	–	–	2	–	149
Total depreciation and amortisation							<u>40,842</u>
Reversal of write-down of inventories	(145)	–	–	–	–	–	(145)
Impairment loss of property, plant and equipment	–	286	–	–	1,886	–	2,172
Impairment loss of right-of-use assets	–	1,419	–	–	5,455	–	6,874
Impairment loss of film rights and films in progress	27,543	–	–	–	–	–	<u>27,543</u>
Change in ECLs							
– Accounts receivables	(695)	–	–	–	526	(18)	(187)
– Loans receivable	–	–	–	–	–	(77)	(77)
Unallocated change in ECLs							(24)
Total change in ECLs							<u>(288)</u>
Fair value change of trading securities	–	–	–	7,916	–	–	<u>7,916</u>

(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.

	2023	
	Revenue	Non-current assets (other than financial instruments, deposits paid and deferred tax assets)
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	56,093	740,779
PRC and other Asian countries (other than Hong Kong and Macau)	139,710	25,394
Others	2,636	–
	<u>198,439</u>	<u>766,173</u>

	2022	
	Revenue <i>HK\$'000</i>	Non-current assets (other than financial instruments, deposits paid and deferred tax assets) <i>HK\$'000</i>
Hong Kong (place of domicile)	26,807	769,125
PRC and other Asian countries (other than Hong Kong and Macau)	100,707	27,989
Others	<u>124</u>	<u>–</u>
	<u>127,638</u>	<u>797,114</u>

(c) Information about major customers

For the year ended 30 June 2023, 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\$77,788,000 (2022: one of the customers contributed 10% or more of the Group's revenue amounting to approximately HK\$19,452,000).

(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, 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 CREDIT

Income tax in the consolidated statement of comprehensive income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Over-provision for the year	–	(3,648)
PRC Enterprise Income Tax		
Over-provision for the year	(445)	(986)
PRC withholding tax		
Charge for the year	–	1,313
Over-provision for the year	(1,949)	(320)
Deferred tax		
Origination and reversal of temporary differences	<u>(56)</u>	<u>6</u>
Income tax (credit)	<u><u>(2,450)</u></u>	<u><u>(3,635)</u></u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year.

The provision of PRC Enterprise Income Tax is calculated at 25% (2022: 25%) of the estimated taxable profits for the year.

PRC withholding income tax of 10% (2022: 10%) shall be levied on the gross income for film distribution and exhibition, licensing and sub-licensing of film rights derived from the PRC.

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 30 June 2023 and 2022, respectively.

6. LOSS PER SHARE

(a) Basic

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

	2023	2022
Loss attributable to owners of the Company (HK\$'000)	<u>(92,757)</u>	<u>(76,552)</u>
Weighted average number of ordinary shares in issue	<u>906,632,276</u>	<u>906,632,276</u>
Basic loss per ordinary share (HK\$)	<u>(0.1023)</u>	<u>(0.0844)</u>

Weighted average number of ordinary shares (Basic)

	2023	2022
Issued ordinary shares at the beginning and the end of the year	<u>906,632,276</u>	<u>906,632,276</u>

(b) Diluted

The diluted loss per share is the same as the basic loss per share for the year ended 30 June 2023 (2022: 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 30 June 2023 (2022: Nil).

8. ACCOUNTS RECEIVABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts receivable	49,158	24,528
Less: Impairment loss	<u>(1,187)</u>	<u>(1,880)</u>
Net (<i>Note a</i>)	----- 47,971	----- 22,648
Accounts receivable – net	<u>47,971</u>	<u>22,648</u>

The carrying amounts of accounts receivable approximate their fair values.

Note:

- (a) The following is an ageing analysis of accounts receivable, presented based on the invoice dates or date of revenue recognition:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1 to 90 days	41,977	14,274
91 days to 180 days	984	2,546
Over 180 days	<u>5,010</u>	<u>5,828</u>
	<u>47,971</u>	<u>22,648</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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable	<u>16,318</u>	<u>24,829</u>

Accounts payable amounting to approximately Nil as at 30 June 2023 (2022: HK\$125,000) were payable to clients in respect of 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 30 June 2023 and 2022, the ageing analysis of the accounts payable based on invoice date is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 90 days	10,179	5,723
91 days to 180 days	1,182	494
Over 180 days	<u>4,957</u>	<u>18,612</u>
	<u>16,318</u>	<u>24,829</u>

All of the accounts payable 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 17 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 21 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 30 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 9 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 30 June 2023 and 2022.

- (b) On 1 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 30 June 2023 and 2022.

- (c) On 8 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 6 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 30 June 2012.

No additional provision has been made in the consolidated financial statements for the year ended 30 June 2023 and 2022. 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 (the “**Plaintiff**”), commenced Court of First Instance Action against Kwong Ling and Oriental Prosperous Int’l Entertainments Limited (collectively the “**Defendants**”) on 30 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 3 May 2014 to 2 May 2019 (the “**Extension Option**”).

The Defendants filed their defence and counterclaimed on 29 September 2014. By 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.

On 18 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, Plaintiff 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 Plaintiff has been continuously receiving since May 2014. Defendants made a counterclaim for approximately HK\$0.6 million against the Plaintiff 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 18 February 2022, the parties have agreed that the net amount is due from the Defendants to the Plaintiff in the amount of approximately HK\$0.5 million in July 2023.

A substantive hearing for the determination of the difference between the parties on interest has been scheduled on 14 February 2024. The Company is seeking legal advice in respect of the above action. 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 case.

- (e) On 11 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 11 March 2020 thereon under a loan agreement entered into between China Jianxin and China Wah Yan on 30 April 2019; (b) interest on the said outstanding principal of HK\$15,800,000.00 at the rate of 8.5% per annum from 12 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 15 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.

On 15 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 12 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 14 September 2023. During the hearing on 14 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 action. In the opinion of legal advisor, it is not practicable to assess the likely outcome of this action.

- (f) On 21 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).

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 all the defendants jointly and severally for a damage of approximately RMB99,990,000 (approximately HK\$108.0 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\$648,000) 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 30 June 2023, 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.

BUSINESS AND OPERATIONAL REVIEW

Overall Group results

During the year ended 30 June 2023 (the “**Year**”), the Group recorded a revenue of approximately HK\$198.4 million (For the year ended 30 June 2022 (“**Last Year**”): approximately HK\$127.6 million) and loss for the Year of approximately HK\$93.4 million (Last Year: approximately HK\$78.9 million). The increase in loss of the Group for the Year as compared to the Last Year was mainly due to the net effect of: (i) the increase of impairment loss of film rights and films in progress by approximately HK\$23.9 million during the Year as compared to Last Year; (ii) the Group recorded a gain on deconsolidation of subsidiaries of approximately HK\$18.9 million Last year, however, there was no such gain occurred during the Year; (iii) the decrease in administrative expenses by approximately HK\$6.8 million during the Year as compared to Last Year as a result of the implementation of the cost control measures during the Year; (iv) the decrease in impairment loss of right-of-use assets by approximately HK\$6.9 million during the Year as compared to Last Year; and (v) the decrease in loss on fair value change of trading securities by approximately HK\$7.1 million during the Year as compared to Last Year.

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

The Group recorded segmental revenue of approximately HK\$139.2 million during the Year, representing an increase of approximately 101.7% as compared to approximately HK\$69.0 million during Last Year. It accounted for approximately 70.1% (Last Year: approximately 54.1%) of the Group’s revenue during the Year. The increase in revenue was mainly due to the increase in revenue from films invested and released by the Group during the Year.

Segment loss from this business segment during the Year was approximately HK\$87.3 million, representing an increase of 41.5% as compared to approximately HK\$61.7 million during the Last Year. The increase in segmental loss during the Year as compared to that of Last Year is mainly due to the increase in impairment loss of film right and films in progress by approximately HK\$23.9 million to approximately HK\$51.4 million during the Year as compared to Last Year of approximately HK\$27.5 million.

The recoverable amount of film rights, films in progress and film related deposits as at 30 June 2023 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% (2022: 11%). The increase in impairment loss is principally due to the decrease in income/expected income from the film rights of the Group as compared to the budget income as a result of the change of the expected performance of the films which were theatrically released.

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 the first half of 2023 was approximately RMB26.3 billion, representing a year-over-year increase of approximately 52.9%. 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 "I Did It My Way" ("潛行") directed by Jason Kwan (關智耀) and starring Andy Lau (劉德華), Gordon Lam (林家棟) and Eddie Peng (彭于晏), "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).

Looking ahead, the China film market is experiencing significant growth and was poised to become the world's largest film market. China's film production capacity and quality also continues to improve by further utilizing of the artificial intelligence to improve productivity and creativity. 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.

Trade, wholesale and retail of optical and watches products

The Group engaged in trading, wholesaling and retailing of optical products and watches products in China and Hong Kong.

Even the governments of China and Hong Kong have uplifted the social distancing restrictions in 2023 and business activities are expected to be resumed normal, the post-pandemic economy recovery is impeded by global geopolitical and economic uncertainties. The consumer's sentiment in China and Hong Kong is still well below pre-pandemic levels and our trade, wholesales and retail of optical and watch products business is still in a difficult operation environment.

During the Year, we closed down the loss-making shops and scaled down the wholesales business in response to the decrease in demand of the optical and watch products in China and Hong Kong. As a result, revenue from this business segment during the Year was approximately HK\$21.9 million, representing a decrease of approximately 39.3% as compared to approximately HK\$36.1 million during the Last Year. It accounted for approximately 11.0% (2022: approximately 28.3%) of the Group's revenue during the Year.

Segmental loss from this business segment during the Year was approximately HK\$5.3 million, representing a decrease of approximately 45.9% as compared to approximately HK\$9.8 million during the Last Year. The decrease in segmental loss during the Year as compared to that of the Last Year is mainly due to (i) the decrease in impairment loss of right-of-use assets by approximately HK\$1.4 million during the Year compared to Last Year; and (ii) the decrease in selling and administrative expenses by approximately HK\$2.8 million during the Year compared to Last Year as a result of the scaling down of the non-performing retails and wholesales operations during the Year.

Looking forward, the post-pandemic business environment in consumer market is further complicated by mounting cost pressures in rent and staff cost. 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 to deal with the cost cautious and a volatile business outlook of this business segment.

Voluntary winding-up of Fine Ocean Limited

Fine Ocean Limited (“**Fine Ocean**”), a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company, was principally engaged in trade, wholesale and retail of optical products in Hong Kong. As at 30 June 2021, Fine Ocean had total assets of approximately HK\$3.5 million, total liabilities of approximately HK\$21.1 million, net liabilities of approximately HK\$17.6 million and recorded a loss of approximately HK\$9.6 million for the year ended 30 June 2021. As at 31 December 2021, Fine Ocean had total assets of approximately HK\$1.8 million, total liabilities of approximately HK\$21.5 million, net liabilities of approximately HK\$19.7 million and recorded a loss of approximately HK\$2.0 million for the six months ended 31 December 2021.

After due and careful consideration, the shareholders of Fine Ocean, resolved that Fine Ocean could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, on 4 January 2022, a special resolution was duly passed by the shareholders of Fine Ocean to wind up Fine Ocean by way of creditors' voluntary liquidation pursuant to section 228(1)(b) of the Companies (Winding Up & Miscellaneous Provisions) Ordinance (Cap 32).

Fine Ocean was placed into creditors' voluntary liquidation because of its insolvency. The Board believes that the winding-up of Fine Ocean is in the best interests of the Company and its shareholders as a whole because the Group may be able to reduce its losses in connection with Fine Ocean as well as the reallocation of management resources to develop its existing business.

Following the commencement of the winding-up on 4 January 2022, the financial results of Fine Ocean was deconsolidated from those of the Group. The Group recorded a gain upon the deconsolidation of Fine Ocean of approximately HK\$18.9 million during Last Year. On the other hand, the Group also recorded an impairment loss on amounts due from Fine Ocean of approximately HK\$10.6 million during Last 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\$1.0 million (2022: approximately HK\$1.1 million) during the Year from its properties at Woodland House 1-5, Woodlands Villa, 121 Tong Fuk Village, Tong Fuk, Lantau Island, New Territories, Hong Kong. It accounted for approximately 0.5% (2022: approximately 0.9%) of the Group's revenue during the Year.

The segment profit of this business segment was approximately HK\$0.8 million (2022: approximately HK\$0.9 million) during the Year. There were no additions or disposals of the investment properties 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.

With the new office conference rooms and facilities to our clients at the World Wide House in the core business area, Formex continued to grow in revenue during the Year. Revenue from this business segment during the Year was approximately HK\$27.1 million (2022: approximately HK\$21.0 million), representing an increase of approximately 29.0% as compared to that of the Last Year. It accounts for approximately 13.6% (2022: approximately 16.5%) of the Group's revenue during the Year. Segmental loss from the financial printing segment was approximately HK\$2.0 million during the Year (2022: approximately HK\$11.2 million). The decrease in segmental loss during the Year as compared to that of the Last Year is mainly due to the decrease of the impairment loss of approximately HK\$7.3 million on right of use asset and property, plant and equipment.

Hong Kong is a major global financial hub and there is a high demand for financial printing services to facilitate various financial transactions and regulatory requirements. On the other hand, the financial printing industry in Hong Kong is highly competitive. Several local and international players compete to provide financial printing services to Hong Kong listed companies. Formex aims at providing efficient and reliable services, and offering value-added solutions to diverse clientele to gain competitive edge in the industry. Going forward, with the proposal to expand the paperless listing regime by The Stock Exchange of Hong Kong Limited in coming year, we will enhance our electronic services to assist our clients to adopt the coming paperless listing regime in Hong Kong.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 71.7% (2022: approximately 79.0%) of the Group's revenue during the Year.

Selling expenses

Selling expenses for the Year is approximately HK\$8.1 million (2022: approximately HK\$8.3 million). The selling expenses was stable during the Year.

Administrative expenses

Administrative expenses for the Year decreased by approximately 10.2% to approximately HK\$60.6 million as compared to approximately HK\$67.5 million in the same period last year. The decrease in administrative expenses is due to the implementation of the cost control measures during the Year.

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. However, the strong growth rebound that was widely expected to follow the end of anti-COVID policy has yet to materialize in Hong Kong and China. Such lackluster performance can be attributed to a number of factors such as the tense geopolitical situation between China and United States, global interest rate hikes and economic slowdown, the on-going Russia and Ukraine war, supply chain fragility etc. All these may have a dampening effect on the economy performance and the operation environment of our business especially in trade, wholesales and retail of optical and watches products business and financial printing business.

The Group will closely monitor the changing business environment, adjust our business strategy and operation from time to time, and carefully pursue all potential viable investment and business opportunities to improve the Group's operation performance.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$80.9 million (2022: approximately HK\$211.8 million). As at 30 June 2023, the Group had total assets of approximately HK\$951.6 million (2022: approximately HK\$1,073.0 million).

The Group's gearing ratio as at 30 June 2023 was approximately 3.1% (as at 30 June 2022: approximately 3.1%), 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 30 June 2023, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 0.30 (as at 30 June 2022: approximately 0.42).

Management has closely monitored the current and anticipated liquidity of the Group in the future. Having considered the Group's financial position as at 30 June 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.

The Group incurred financial cost of approximately HK\$379,000, which is attributable to the interest on lease liabilities during the Year (2022: approximately HK\$515,000).

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 30 June 2023, the Group had Shareholders' capital of approximately HK\$9.1 million (30 June 2022: approximately HK\$9.1 million). The Shareholders' capital of the Company is constituted of 906,632,276 shares (30 June 2022: 906,632,276 shares).

The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year (2022: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

The Group did not have any material acquisition or disposal of assets during the Year (2022: Nil).

THE PLEDGE OF GROUP'S ASSETS

As at 30 June 2023, none of the Group's assets was pledged to secure any liabilities (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 128 staff (2022: 121). 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 2 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 (2022: Nil).

DIVIDEND POLICY

The Board has adopted a dividend policy on 27 September 2019 (“**Dividend Policy**”) which shall take effect on 27 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 is committed to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of Shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and accountability save as specifically disclosed below.

The Board has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). Continuous efforts are made to review and enhance the Group’s internal controls and procedures in light of changes in regulations and developments in best practices.

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 11 October 1999. The written terms of reference (amended on 29 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), Ms. Pong Suet Hing 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 ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 30 June 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2023. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA CPA Limited on the preliminary 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 2023 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, 28 September 2023

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.