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UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS LIMITED
寰宇國際金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**ANNUAL RESULTS ANNOUNCEMENT FOR
 THE YEAR ENDED 30TH JUNE 2017**

RESULTS

The board of directors (the “Directors”) of Universe International Financial Holdings Limited (the “Company”) (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30th June 2017, together with comparative figures for the year ended 30th June 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS:			
Revenue			
Sales of goods – video distribution, optical, watches and jewellery products		52,161	72,320
Income on film distribution and exhibition, licensing and sub-licensing of film rights		133,725	45,563
Income from other businesses		45,758	33,150
Total revenue	4	231,644	151,033

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Cost of revenue			
Cost of inventories sold		(32,500)	(38,000)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(55,052)	(13,129)
Cost from other businesses		(3,735)	(3,775)
Total cost of revenue		(91,287)	(54,904)
Selling expenses		(13,834)	(18,275)
Administrative expenses		(111,317)	(72,240)
Other operating income/(expenses)		60	(4,429)
Gain on step acquisition of a subsidiary		–	1,571
Impairment loss of film rights and films in progress		–	(4,226)
Impairment loss of goodwill		(22,980)	(29,923)
Impairment loss of interest in an associate		(3,227)	(18,421)
Impairment loss of available-for-sale financial assets		(89,643)	–
Impairment loss of other receivables		(1,532)	–
Impairment loss of accounts receivable		(10,470)	–
Amortisation of other intangible assets		(148)	(135)
Other (losses)/gains – net		(6,048)	151
Other income		4,525	22,872
Gains/(losses):			
Fair value change of financial assets at fair value through profit or loss		12,679	(143,564)
Fair value change and loss on redemption of convertible bonds		–	(1,813)
Fair value change of contingent consideration receivable		4,807	4,080
Fair value change of contingent consideration payable		(8,638)	60
Finance income		294	298
Finance costs		(6,091)	(2,263)
Share of (losses)/profits of associates		(216)	3,899
Share of losses of a joint venture		(231)	(224)
Loss on deregistration of a joint venture		(24)	–
Loss before tax		(111,677)	(166,453)
Income tax (expense)/credit	5	(6,919)	26,179
Loss for the year from continuing operations		(118,596)	(140,274)

	2017 HK\$'000	2016 HK\$'000
DISCONTINUED OPERATION:		
Profit/(loss) for the year from discontinued operation	<u>4,075</u>	<u>(1,602)</u>
Loss for the year	<u>(114,521)</u>	<u>(141,876)</u>
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Net movement in available-for-sale investment reserve in respect of available-for-sale financial assets:		
Net changes in fair value of available-for-sale financial assets	(88,565)	(12,340)
Reclassification adjustments for amounts transferred to profit or loss:		
Impairment loss	89,643	–
Realised loss upon redemption of available-for-sale financial assets	6,571	–
	96,214	–
Release of translation reserve upon disposal of subsidiary	(29)	–
Currency translation differences	<u>41</u>	<u>(708)</u>
Other comprehensive income/(loss) for the year, net of tax	7,661	(13,048)
Total comprehensive loss for the year	<u><u>(106,860)</u></u>	<u><u>(154,924)</u></u>
Loss attributable to owners of the Company:		
– from continuing operations	(118,403)	(139,973)
– from discontinued operation	<u>4,075</u>	<u>(817)</u>
Loss for the year attributable to owners of the Company	<u><u>(114,328)</u></u>	<u><u>(140,790)</u></u>
Loss attributable to non-controlling interests:		
– from continuing operations	(193)	(301)
– from discontinued operation	<u>–</u>	<u>(785)</u>
Loss for the year attributable to non-controlling interests	<u><u>(193)</u></u>	<u><u>(1,086)</u></u>

		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		(106,667)	(153,852)
Non-controlling interests		(193)	(1,072)
		<u>(106,860)</u>	<u>(154,924)</u>
Total comprehensive loss attributable to owners of the Company arises from:			
Continuing operations		(110,713)	(153,050)
Discontinued operation		4,046	(802)
		<u>(106,667)</u>	<u>(153,852)</u>
Loss per share attributable to owners of the Company for the year (expressed in HK\$):			
From continuing and discontinued operation			(Restated)
– basic	6	<u>(0.211)</u>	<u>(0.863)</u>
– diluted	6	<u>(0.211)</u>	<u>(0.863)</u>
From continuing operations			
– basic	6	<u>(0.218)</u>	<u>(0.858)</u>
– diluted	6	<u>(0.218)</u>	<u>(0.858)</u>

CONSOLIDATED BALANCE SHEET

		As at 30th June 2017 HK\$'000	As at 30th June 2016 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,702	6,224
Investment properties		25,560	25,560
Goodwill		28,064	59,447
Other intangible assets		23,583	14,231
Film rights and films in progress		41,073	54,278
Interests in associates		19,393	25,730
Interests in joint ventures		251	482
Loans receivable		45,500	20,000
Loan to an associate		2,940	–
Loan receivable from a joint venture		8,595	8,364
Film related deposits		45,284	31,592
Deposits paid		191	363
Deferred tax assets		6,447	365
Contingent consideration receivable		–	10,930
Available-for-sale financial assets		155,693	85,802
		406,276	343,368
Current assets			
Inventories		10,066	14,304
Accounts receivable	8	333,859	224,739
Loans receivable		30,400	23,163
Loan to an associate		5,000	5,000
Amount due from an associate		964	–
Deposits paid, prepayments and other receivables		100,674	68,492
Financial assets at fair value through profit or loss		232,629	247,444
Contingent consideration receivable		15,737	–
Tax recoverable		93	–
Bank balances and cash			
– trust accounts		93,014	116,667
Cash and cash equivalents		228,222	101,173
		1,050,658	800,982
Assets associated with disposal group classified as held for sale		–	6,381
Total current assets		1,050,658	807,363
Total assets		1,456,934	1,150,731

		As at 30th June 2017 HK\$'000	As at 30th June 2016 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to the owners of the Company			
Share capital		8,533	1,778
Share premium		893,345	532,910
Other reserves		67,867	67,301
Retained earnings		43,614	151,162
		<u>1,013,359</u>	<u>753,151</u>
Non-controlling interests		168	(1,230)
Total equity		<u>1,013,527</u>	<u>751,921</u>
LIABILITIES			
Non-current liabilities			
Borrowings		10,000	–
Obligations under a finance lease		28	63
Deferred tax liabilities		13,413	2,229
		<u>23,441</u>	<u>2,292</u>
Current liabilities			
Accounts payable	9	92,447	254,722
Amount due to an associate		–	1,941
Other payables and accrued charges		234,560	64,121
Contingent consideration payable		19,568	–
Borrowings		43,063	9,200
Deposits received		22,645	43,813
Obligations under a finance lease		35	35
Taxation payable		7,648	9,068
Bank overdrafts		–	4,020
		<u>419,966</u>	<u>386,920</u>
Liabilities associated with disposal group classified as held for sale		–	9,598
Total current liabilities		<u>419,966</u>	<u>396,518</u>
Total liabilities		<u>443,407</u>	<u>398,810</u>
Total equity and liabilities		<u>1,456,934</u>	<u>1,150,731</u>
Net current assets		<u>630,692</u>	<u>410,845</u>
Total assets less current liabilities		<u>1,036,968</u>	<u>754,213</u>

NOTES:

1. GENERAL INFORMATION

Universe International Financial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in securities brokerage and margin financing, money lending, leasing of investment properties, securities investment, video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, and trading, wholesaling and retailing of optical, watches and jewellery products in Hong Kong and the People’s Republic of China (the “PRC”).

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 (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, contingent consideration receivable, financial assets at fair value through profit or loss, contingent consideration payable and investment properties, which are carried at fair value.

Disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

3. ACCOUNTING POLICY

Application of new or revised HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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, watches and jewellery products
- Leasing of investment properties
- Securities investments
- Money lending
- Securities brokerage and margin financing
- 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 profit/(loss), which is a measure of profit/(loss) before tax from continuing operations. The profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that gain on step acquisition of a subsidiary, fair value change and loss on redemption of convertible bonds, fair value change of contingent consideration receivable, fair value change of contingent consideration payable, impairment loss of interest in an associate, impairment loss of available-for-sale financial assets, impairment loss of other receivable, finance income, finance costs, share of profit/loss of associates, share of loss of and loss on deregistration of a joint venture, realised loss upon redemption of available-for-sale financial assets, dividend income from available-for-sale financial assets and unallocated corporate expenses.

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

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 30th June 2017 and 2016 is set out below:

	2017								
	Continuing operations								
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical, watches and jewellery products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Securities brokerage and margin financing HK\$'000	Entertainment business HK\$'000	Elimination HK\$'000	Total for continuing operations HK\$'000
Segment revenue									
External revenue and income	138,805	46,607	1,058	–	5,859	35,927	3,388	–	231,644
Inter-segment sales	–	–	–	–	1,890	7	–	(1,897)	–
	<u>138,805</u>	<u>46,607</u>	<u>1,058</u>	<u>–</u>	<u>7,749</u>	<u>35,934</u>	<u>3,388</u>	<u>(1,897)</u>	<u>231,644</u>
Segment results	31,315	(27,768)	877	11,985	322	11,570	(1,984)	–	26,317
Fair value change of contingent consideration receivable									4,807
Fair value change of contingent consideration payable									(8,638)
Impairment loss of interest in an associate									(3,227)
Impairment loss of available-for-sale financial assets									(89,643)
Impairment loss of other receivables									(1,532)
Finance income									294
Finance costs									(6,091)
Realised loss upon redemption of available-for-sale financial assets									(6,571)
Share of losses of associates									(216)
Share of losses of a joint venture									(231)
Loss on deregistration of a joint venture									(24)
Unallocated corporate expenses									(26,922)
Loss before tax from continuing operations									<u>(111,677)</u>
Assets									
Segment assets	235,633	24,276	25,595	233,064	81,832	482,685	14,263	–	1,097,348
Interests in associates									19,393
Interests in joint ventures									251
Available-for-sale financial assets									155,693
Contingent consideration receivable									15,737
Deferred tax assets									6,447
Tax recoverable									93
Loan receivable from a joint venture									8,595
Loan to an associate									2,940
Amount due from an associate									964
Unallocated other intangible assets									11,358
Unallocated cash and cash equivalents									129,574
Unallocated corporate assets									<u>8,541</u>
Total consolidated assets									<u>1,456,934</u>

	Continuing operations								
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical, watches and jewellery products <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total for continuing operations <i>HK\$'000</i>
Liabilities									
Segment liabilities	239,996	7,145	249	15,163	–	83,825	8,295	–	354,673
Taxation payable									7,648
Unallocated borrowings									37,900
Deferred tax liabilities									13,413
Contingent consideration payable									19,568
Unallocated corporate liabilities									10,205
Total consolidated liabilities									443,407
Other information									
Additions of property, plant and equipment	–	37	30	–	–	106	–	–	173
Additions of unallocated property, plant and equipment									1,185
Total additions of property, plant and equipment									1,358
Additions of film rights and films in progress	10,138	–	–	–	–	–	–	–	10,138
Additions of film related deposits	15,332	–	–	–	–	–	–	–	15,332
Depreciation	786	583	5	–	400	466	25	–	2,265
Amortisation of film rights	23,343	–	–	–	–	–	–	–	23,343
Amortisation of brand name	–	148	–	–	–	–	–	–	148
Unallocated depreciation									686
Total depreciation and amortisation from continuing operations									26,442
Impairment loss of goodwill	–	22,980	–	–	–	–	–	–	22,980
Impairment loss of accounts receivable	116	1,394	–	–	–	8,960	–	–	10,470

	Continuing operations								
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical, watches and jewellery products <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total for continuing operations <i>HK\$'000</i>
Segment revenue									
External revenue and income	56,171	61,712	1,026	–	8,450	16,072	7,602	–	151,033
Inter-segment sales	–	–	–	–	–	27	–	(27)	–
	<u>56,171</u>	<u>61,712</u>	<u>1,026</u>	<u>–</u>	<u>8,450</u>	<u>16,099</u>	<u>7,602</u>	<u>(27)</u>	<u>151,033</u>
Segment results	8,563	(24,929)	812	(143,586)	745	3,994	834	–	(153,567)
Gain on step acquisition of a subsidiary									1,571
Fair value change and loss on redemption of convertible bonds									(1,813)
Fair value change of contingent consideration receivable									4,080
Fair value change of contingent consideration payable									60
Impairment loss of interest in an associate									(18,421)
Finance income									298
Finance costs									(2,263)
Dividend income from available-for-sale financial assets									20,473
Share of profits of associates									3,899
Share of losses of a joint venture									(224)
Unallocated corporate expenses									<u>(20,546)</u>
Loss before tax from continuing operations									<u>(166,453)</u>
Assets									
Segment assets	151,345	54,118	25,570	252,898	49,317	368,073	9,014	–	910,335
Interests in associates									25,730
Interests in joint ventures									482
Available-for-sale financial assets									85,802
Contingent consideration receivable									10,930
Deferred tax assets									365
Loan receivable from a joint venture									8,364
Assets associated with disposal group classified as held for sale									6,381
Unallocated other intangible assets									1,858
Unallocated cash and cash equivalents									80,108
Unallocated corporate assets									<u>20,376</u>
Total consolidated assets									<u>1,150,731</u>

	Continuing operations								
	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights <i>HK\$'000</i>	Trading, wholesaling, and retailing of optical, watches and jewellery products <i>HK\$'000</i>	Leasing of investment properties <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage and margin financing <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total for continuing operations <i>HK\$'000</i>
Liabilities									
Segment liabilities	94,259	3,778	198	–	–	256,306	6,815	–	361,356
Taxation payable									9,068
Unallocated borrowings									9,200
Deferred tax liabilities									2,229
Liabilities associated with disposal group classified as held for sale									9,598
Unallocated corporate liabilities									7,359
									<u>398,810</u>
Total consolidated liabilities									<u>398,810</u>
Other information									
Additions of property, plant and equipment	136	816	3	–	–	92	15	–	1,062
Additions of unallocated property, plant and equipment									570
									<u>1,632</u>
Total additions of property, plant and equipment									<u>1,632</u>
Additions of film rights and films in progress	49,489	–	–	–	–	–	–	–	49,489
Additions of film related deposits	7,044	–	–	–	–	–	–	–	7,044
Additions of goodwill through acquisitions of subsidiaries	–	46,021	–	–	–	28,064	–	–	74,085
Additions of property, plant and equipment through acquisitions of subsidiaries	–	1,169	–	–	–	1,554	–	–	2,723
Additions of other intangible assets through acquisitions of subsidiaries	–	1,108	–	–	–	11,400	–	–	12,508
									<u>12,508</u>
Depreciation	854	880	2	–	400	434	34	–	2,604
Amortisation of film rights	8,891	–	–	–	–	–	–	–	8,891
Amortisation of brand name	–	135	–	–	–	–	–	–	135
Unallocated depreciation									500
									<u>500</u>
Total depreciation and amortisation from continuing operations									<u>12,130</u>
Impairment loss of goodwill	–	24,355	–	–	–	–	–	–	24,355
Impairment loss of film rights and films in progress	4,226	–	–	–	–	–	–	–	4,226
									<u>4,226</u>

b) Geographical information

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

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

	2017	
	Revenue	Non-current assets (other than financial instruments and deferred tax assets)
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Hong Kong (place of domicile)	85,507	184,106
Macau	21	251
PRC and other asian countries (other than Hong Kong and Macau)	144,191	2,744
North America	779	–
Europe	982	–
Others	164	–
	231,644	187,101
	2016	
	Revenue	Non-current assets (other than financial instruments and deferred tax assets)
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Hong Kong (place of domicile)	83,778	214,397
Macau	209	482
PRC and other asian countries (other than Hong Kong and Macau)	66,855	2,555
North America	28	–
Europe	67	–
Others	96	–
	151,033	217,434

c) Information about major customers

For the years ended 30th June 2017 and 2016, there are no single customer contributed 10% or more of the Group's revenue.

5. INCOME TAX EXPENSES/(CREDIT) (RELATING TO CONTINUING OPERATIONS)

Continuing operations:

	2017 HK\$'000	2016 HK\$'000
Current tax		
Hong Kong Profits Tax		
Charge for the year	1,381	1,390
Under provision in prior year	336	–
PRC Enterprise Income Tax	100	–
Deferred tax		
Origination and reversal of temporary differences	5,102	(27,569)
Total	<u>6,919</u>	<u>(26,179)</u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

The provision for PRC Enterprise Income Tax (the “EIT”) is calculated at 10% of the capital gains regarding transfer in an indirect equity of a PRC subsidiary following the disposal of AP Group Investment Holdings Limited (“AP Group”) in accordance with the relevant tax rules and regulations of the PRC. Except for the EIT arising from the capital gains regarding the disposal of AP Group, no other provision for EIT has been made in the consolidated financial statements as the Group has no assessable profits under EIT for the year ended 30th June 2017 (2016: Nil).

No provision for profits tax in Bermuda and the British Virgin Islands has been made as the Group has no income or profit assessable for tax in these jurisdictions for the years ended 30th June 2017 and 2016.

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.

	2017 HK\$'000	2016 HK\$'000 (As previously stated)
Loss attributable to owners of the Company (HK\$'000)		
– from continuing operations	(118,403)	(139,973)
– from discontinued operation	4,075	(817)
– from continuing and discontinued operation	<u>(114,328)</u>	<u>(140,790)</u>
Weighted average number of ordinary shares in issue	<u>543,123,874</u>	<u>143,724,624</u>
Basic loss per ordinary share (HK\$)		
– from continuing and discontinued operation	(0.211)	(0.980)
– from continuing operations	<u>(0.218)</u>	<u>(0.974)</u>

2016
(Restated)

Loss attributable to owners of the Company (HK\$'000)	
– from continuing and discontinued operations	(140,790)
– from continuing operations	(139,973)
	<u><u> </u></u>
Weighted average number of ordinary shares in issue	163,086,490
	<u><u> </u></u>
Basic loss per ordinary share (HK\$)	
– from continuing and discontinued operations	(0.863)
– from continuing operations	(0.858)
	<u><u> </u></u>

For the years ended 30th June 2017 and 2016, the weighted average number of ordinary shares for the purpose of basic loss per ordinary share has been adjusted with the effect of bonus element of the rights issue in October 2016 on the basis of two rights share for every one existing ordinary share.

(b) Diluted

The computation of diluted loss per ordinary share for the year ended 30th June 2017 does not assume the exercises of the Company's outstanding share options during the year ended 30th June 2017 since their exercise prices are higher than the average market prices of the shares during the year. Accordingly, diluted loss per ordinary share is the same as basic loss per ordinary share for the year.

Diluted loss per ordinary share for the year ended 30th June 2016 was the same as the basic loss per ordinary share because the exercises of the Company's share options, warrants and convertible bonds outstanding during the year would have an anti-dilutive effect.

7. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 30th June 2017 (2016: Nil).

8. ACCOUNTS RECEIVABLE

	2017 HK\$'000	2016 HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:		
– Clearing house and cash clients	69,560	188,157
Less: Impairment loss	(827)	–
Net (<i>note a</i>)	<u>68,733</u>	<u>188,157</u>
– Margin clients	197,284	16,250
Less: Impairment loss	(8,133)	–
Net (<i>note b</i>)	<u>189,151</u>	<u>16,250</u>
	<u>257,884</u>	<u>204,407</u>
Accounts receivable arising from other businesses:		
Accounts receivable – others	77,627	20,474
Less: Impairment loss	(1,652)	(142)
Net (<i>note c</i>)	<u>75,975</u>	<u>20,332</u>
Accounts receivable – net	<u><u>333,859</u></u>	<u><u>224,739</u></u>

The carrying amounts of accounts receivable approximate their fair values.

Note a: Accounts receivable arising from clearing house and cash clients

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	59,500	132,375
Less than 1 month past due	411	23,713
More than 1 month past due	8,822	32,069
	<u>68,733</u>	<u>188,157</u>

The normal settlement terms of accounts receivable from clearing house and cash clients, which arise from the securities brokerage and margin financing business, are two days after trade date. Accounts receivables from cash clients are repayable on demand subsequent to the settlement date.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

Note b: Accounts receivable arising from margin clients

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

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

Note c: Accounts receivable arising from other business

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

	2017 HK\$'000	2016 HK\$'000
1 to 90 days	65,682	10,963
91 days to 180 days	1,926	7,026
Over 180 days	8,367	2,343
	<u>75,975</u>	<u>20,332</u>

9. ACCOUNTS PAYABLE

	2017 HK\$'000	2016 HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	61,928	231,264
– margin clients	19,692	19,056
	<u>81,620</u>	<u>250,320</u>
Accounts payable arising from other businesses	<u>10,827</u>	<u>4,402</u>
	<u>92,447</u>	<u>254,722</u>

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

As at 30th June 2017 and 2016, the ageing analysis of the accounts payable arising from other businesses based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
1 to 90 days	513	1,416
91 days to 180 days	34	130
Over 180 days	10,280	2,856
	<u>10,827</u>	<u>4,402</u>

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

10. PENDING LITIGATIONS

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

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

Pursuant to an Order (the “Order”) made by the High Court on 21st February 2003, UEL was ordered and had paid to Star a sum of HK\$5,495,700, being part of the 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 issued a Writ of Summons 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, issued a Writ of Summons against Star for the latter’s infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all losses and damages suffered by ULV as a result of the said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the said claim made against UEL will have no material financial impact to the Group for the year ended 30th June 2017.

- (b) On 1st September 2008, Koninklijke Philips Electronics N.V. (“KPE”) issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), in respect of damages arising from the alleged infringement of the patent rights 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.

- (c) On 8th January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), in respect of damages arising from the alleged infringement of the patent rights regarding Digital Video Disc owned by KPE.

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

No additional provision has been made in the consolidated financial statements for the year ended 30th June 2017. 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”) commenced Court of First Instance Action against Kwong Ling and Oriental Prosperous Int’l Entertainments Limited (collectively the “Defendants”) on 30th June 2014 claiming inter alia for a declaration that UAM is entitled to extend/renew the term of the Artist Management Contract of the Defendants with UAM (the “Artist Management Contract”) for 5 years as from 3rd May 2014 to 2nd May 2019.

The Defendants filed their defence and counterclaim 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.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against UAM. The Board considers that the amounts of counterclaim by the Defendants against UAM is insignificant to the Group as a whole.

Save as disclosed above, as at 30th June 2017, no 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

The Group recorded a net loss of approximately HK\$114.5 million for the year ended 30th June 2017 (“Year”), representing a decrease of approximately 19.3% as compared to the net loss of approximately HK\$141.9 million for the same period last year, which was mainly due to the net effect of (i) a fair value gain arising from financial assets at fair value through profit or loss of approximately HK\$12.7 million for the Year compared to a fair value loss arising from financial assets at fair value through profit or loss of approximately HK\$143.6 million for the same period last year; (ii) total impairment losses on the available-for-sale-financial assets of approximately HK\$89.6 million (2016: Nil); (iii) impairment losses on the goodwill attributable to the trading, wholesaling and retailing of optical products, watches and jewellery products business of approximately HK\$23.0 million (2016: approximately HK\$24.4 million); and (iv) the increase of the segmental profit from video distribution, film distribution and exhibition, licensing and sub-licensing of film rights from approximately HK\$8.6 million for the year ended 30th June 2016 to approximately HK\$31.3 million for the Year.

The Group’s audited consolidated revenue for the Year was approximately HK\$231.6 million, representing an increase of approximately 53.4% as compared to the revenue of approximately HK\$151.0 million for the same period last year. The increase in revenue was mainly due to the net effect of (i) the increase of revenue of approximately HK\$19.8 million from the securities brokerage and margin financing business; (ii) the decrease in revenue of approximately HK\$15.1 million from trading, wholesale and retail of optical products, watches and jewellery products; (iii) the increase in income of approximately HK\$82.6 million from films distribution and exhibition, licensing and sub-licensing of film rights; (iv) the decrease in revenue (excluded inter-segment sales) of approximately HK\$2.6 million from money lending business; and (v) the decrease in revenue of approximately HK\$4.2 million from entertainment business.

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

Revenue from this business segment during the Year was approximately HK\$138.8 million, representing an increase of approximately 147.0% as compared to approximately HK\$56.2 million in the same period last year. It accounted for approximately 59.9% (2016: approximately 37.2%) of the Group’s revenue during the Year. The increase in revenue was mainly due to satisfactory box office figures for the new films released during the Year, in particular the film titled “Shock Wave” (拆彈專家).

Segmental profit from this business segment during the Year was approximately HK\$31.3 million, representing an increase of approximately 264.0% as compared to approximately HK\$8.6 million in the same period last year. The increase in segmental profit was mainly due to the encouraging results of Shock Wave (拆彈專家). Despite the satisfactory results of Shock Wave (拆彈專家), films are produced on a project basis and the revenue generated thereunder are not stable, thus causing the fluctuation of the revenue and also the profitability of this business segment in the coming years. As reported by the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (“PRC”), the

total box office revenue of PRC in 2016 was approximately RMB45.71 billion, representing an increase of approximately 3.73% as compared to the corresponding period in 2015. The film exhibition industry in China continues to grow but in a slow pace and the competition is very keen. In such challenging environment, the Group will continue to adopt a cautious approach towards in producing and investment in new films in the future.

As disclosed in the Company's announcement dated 9th January 2017 and the Company's circular dated 24th February 2017, Universe Films Distribution Company Limited, an indirect wholly-owned subsidiary of the Company, and an independent third party purchaser entered into a sale and purchase agreement ("Film Library Disposal Agreement") to dispose of 202 feature films ("Film Library") conditionally at a consideration of approximately RMB178,895,000, subject to possible adjustment as set out in the Film Library Disposal Agreement (the "Disposal"). The cost of the Film Library had almost been fully amortised in previous years and the carrying value of the Film Library was approximately HK\$3.7 million as at 30th June 2017. The Company considers that the Disposal, if materialised, and after deducting other related expenses, would allow the Group to realise a one-off gain of approximately HK\$173.77 million from the Disposal and provide the Group with the opportunity to capture the residual value of the old films. The Film Library Disposal Agreement was completed on 21st September 2017.

Trade, wholesale and retail of optical products, watches and jewellery products

Revenue from this business segment during the Year was approximately HK\$46.6 million, representing a decrease of approximately 24.5% as compared to approximately HK\$61.7 million in the same period in last year. Revenue from this business segment included the revenue of approximately HK\$6.9 million (2016: approximately HK\$7.4 million) from trading, wholesaling and retailing of optical products from 2 (2016: 2) optical retail shops under the name of "茂昌眼鏡 Hong Kong Optical" in Hong Kong ("Optical Business") and the revenue of approximately HK\$39.7 million (2016: approximately HK\$54.3 million) from Winston Asia Limited ("Winston"), which are principally engaged in trading, wholesaling and retailing of watches and jewellery products and are operating 13 (2016: 17) retail shops in Hong Kong and the PRC. It accounted for approximately 20.1% (2016: approximately 40.9%) of the Group's revenue during the Year.

During the Year, performance of this business segment was affected by the following key factors:

- (i) persistent slowdown in economic growth in Hong Kong and PRC

The gross domestic product of the PRC has been growing at a slower pace, from a year-on-year growth of approximately 7.7% in 2013 to that of approximately 6.7% in 2016. This reflects the decreased growth in income of consumers in the PRC and implies that the retail market in the PRC is following a slowing growth trend in 2017.

In addition, with reference to the Reports on Monthly Survey of Retail Sales released by the Census and Statistics Department of Hong Kong, the average value index of retail sales of jewellery, watches and clocks, and valuable gifts was approximately 78.6 for the year ended 31st December 2016, representing a decrease of approximately 17.2% as compared with the same index for the year ended 31st December 2015. This reflected a decreasing trend in the retail sales of those of jewellery products, watches and optical products in Hong Kong in 2016. However, the market showed a sign of stabilisation in the first half of 2017 in Hong Kong. The average value index of retail sales of jewellery products, watches and clocks, and valuable gifts in the first half of 2017 was approximately 77.4 and increased by approximately 0.8% as compared to the same index in the first half of 2016.

(ii) keen competition from online sales

Technological changes that impact the operating environment, consumer behavior of the retail industry in Hong Kong and China. The online sales amounts are increasing and more and more shoppers are now preferring to research and purchase online. The keen competition from online sales is affecting the growth of the sales amount and the profitability of the offline shops operated by the Group in Hong Kong and China.

(iii) continued slowdown in growth of spending by Mainland Chinese tourists in Hong Kong

The retail sales of optical products, watches and jewellery products in Hong Kong have been a major beneficiary of the Individual Traveller Scheme first launched in 2003. The one-trip-per-week restriction imposed in 2015 on Shenzhen residents for Hong Kong travel and Hong Kong's strong currency has also made it difficult to attract tourists for shopping during the Year. These factors impacted the performance of this business segment as the demand of our key products – optical products, watches and jewellery products is elastic.

Consequently, segmental loss from this business segment during the Year was approximately HK\$27.8 million, representing an increase of approximately 11.6% as compared to segmental loss of approximately HK\$24.9 million in the same period last year. The increase in segmental loss was mainly due to (i) the decrease in revenue by approximately 24.5% as compared to the same period in last year; (ii) the decrease in gross profit margin from approximately 47.7% for the year ended 30th June 2016 to approximately 39.5% for the year ended 30th June 2017; and (iii) impairment losses on the goodwill attributable to Winston and the Optical Business of approximately HK\$21.7 million (2016: approximately HK\$24.4 million) and HK\$1.3 million (2016: Nil) respectively was recorded during the Year.

Apart from the Optical Business, the Group also owned a 28% (2016: 28%) equity interest of Hong Kong Optical Company Limited (“HK Optical”) which is principally engaged in trading, wholesaling and retailing of optical products and operated 11 (2016: 9) retail shops in Hong Kong as at 30th June 2017. Impairment loss on the interests in associate of approximately HK\$3.2 million (2016: Nil) attributable to HK Optical was recognised during the Year.

The business outlook of this segment as a whole is very challenging and the Group will adopt tight cost controls, continue to close non-performing retail shops, negotiate better leasing terms, rearrange the product mix and introduce a new line of products to improve the profitability of this business segment.

Securities brokerage and margin financing

The Company engages in securities brokerage and margin financing through its wholly owned subsidiary China Jianxin Financial Services Limited (“China Jianxin”). China Jianxin is a company licensed under the Securities and Future Ordinance to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the principal activities of which are provision of brokerage services and securities margin financing to clients.

Revenue from this business segment recorded a remarkable growth during the Year. The revenue increased by approximately 123.0% from approximately HK\$16.1 million for the year ended 30th June 2016 to HK\$35.9 million for the Year. It accounted for approximately 15.5% (2016: approximately 10.6%) of the Group’s revenue during the Year. The segment profit of this business segment was approximately HK\$11.6 million (2016: approximately HK\$4.0 million) during the Year. The increase in revenue and profit were mainly due to (i) only around 7 months of the operational results of China Jianxin was included in the Group’s consolidated result for the year ended 30th June 2016 as China Jianxin was acquired by the Group in November 2015 while full year operation results of China Jianxin was included in the Group’s consolidated result for the Year; (ii) the increase of the revenue derived from placing and underwriting services from approximately HK\$2.5 million for the year ended 30th June 2016 to approximately HK\$10.2 million for the Year, representing an increase of approximately 4.08 times. Such increase was mainly due to the increase in the number of placing and underwriting engagements that China Jianxin has participated during the Year; (iii) the increase of the interest income from the margin financing business from approximately HK\$5.2 million for the year ended 30th June 2016 to approximately HK\$18.3 million for the Year, representing an increase of approximately 3.52 times. Such increase was attributable to the keen demand for margin financing from customers and the expansion of funds available for margin financing business from the fund raising activities of the Group conducted during the Year; and (iv) the increase of the commission from securities dealing and brokerage services from approximately HK\$3.0 million for the year ended 30th June 2016 to approximately HK\$7.4 million for the Year, representing an increase of approximately 2.47 times. Such increase was due to the increase in the transaction amount of customers’ securities trading.

However, in late June 2017, there was a sharp decline in the share price of certain stocks held by China Jianxin as collateral security for its margin clients, with the percentage declines in share price of such stocks ranging from 35% to approximately 89% (“June Incident”). As a result of the June Incident, a number of China Jianxin’s accounts receivable arising from securities brokerage and margin financing business became under-collateralised and its excess liquid capital has also decreased. China Jianxin thus made margin calls with its margin loan clients. As a result of June Incident, an impairment loss of approximately HK\$9.0 million (2016: Nil) was provided for the accounts receivable from cash clients and margin clients

arising from securities brokerage and margin financing business of approximately HK\$266.8 million (2016: approximately HK\$204.4 million) as at 30th June 2017.

Following the June Incident and the deterioration of China Jianxin's margin loans during and after the June Incident and the related significant drop in its liquid capital, China Jianxin received a letter from the Securities and Futures Commission ("SFC"), wherein the SFC, among other things, had identified certain deficiencies of China Jianxin's margin loan operations and its failure to comply with certain requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("Code of Conduct").

In such connection, the SFC had instructed China Jianxin to refrain from providing further margin lending or other form of financial accommodation to clients until it has fully complied with the applicable Code of Conduct requirements. The SFC had also instructed China Jianxin to prevent further deterioration of its financial position, including maintaining sufficient cash reserves to maintain its business operations for a reasonable amount of time, cease to apply imprudent margin lending practices, and tighten and formalise its margin lending policy. China Jianxin had undertaken to the SFC to implement the measures required by the SFC to address the identified deficiencies and risk concerns satisfactorily within a reasonable period of time, failure of which would result in the SFC taking further action which may include the imposition of conditions on China Jianxin's licence.

The management of China Jianxin is currently working towards addressing such deficiencies and concerns.

Following the launch of the Shanghai and Shenzhen-Hong Kong Stock Connect Program in 2014 and 2016, respectively, it was believed that the financial services industry of Hong Kong would continue to grow. The Group will strengthen its internal control policy and take a prudent approach to develop the securities brokerage and margin financing business to reduce the credit risk from the margin clients.

Securities investments

Below is the list of the financial assets at fair value through profit or loss which the Directors consider as material held by the Group as at 30th June 2017:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 30th June 2017	Market value as at 30th June 2017	Percentage to the Group's total assets as at 30th June 2017	Percentage to the Group's net assets as at 30th June 2017	Percentage to the Group's total financial assets at fair value through profit or loss as at 30th June 2017	Unrealised gain/(loss) on change in fair value for the Year	Dividend income for the Year
				(Note 1)	(approximate HK\$'000)	(approximate %)	(approximate HK\$'000)	(approximate %)	(approximate HK\$'000)	(approximate HK\$'000)
First Credit Finance Group Limited	2	Bermuda	150,000,000	4.13	88,500.0	6.1%	8.7%	38.0%	52,200.0	–
Leap Holdings Group Ltd.	3	Cayman Islands	173,600,000	3.30	36,976.8	2.5%	3.7%	15.9%	(26,387.2)	–
Xinhua News Media Holdings Ltd.	4	Cayman Islands	67,502,000	4.68	32,738.5	2.2%	3.2%	14.1%	18,833.1	–
Jiu Rong Holdings Ltd.	5	Cayman Islands	163,000,000	2.98	31,459.0	2.2%	3.1%	13.5%	6,194.0	–
					189,674.3	13.0%	18.7%	81.5%	50,839.9	–

Notes:

- The percentage is calculated with reference to the then latest monthly return as at 30th June 2017 of the investee company publicly available on the website of the Stock Exchange (where applicable).
- First Credit Finance Group Limited (“First Credit”) and its subsidiaries are principally engaged in money lending business and securities trading business. The shares of First Credit (stock code: 8215) are listed on the Growth Enterprise Market of the Stock Exchange (the “GEM”). As disclosed in the latest annual report of First Credit, First Credit recorded an audited consolidated profit attributable to the owners of First Credit of approximately HK\$33.6 million for the year ended 31st December 2016.

As disclosed in the latest interim report of First Credit for the six months period ended 30th June 2017, in view of the competitive money lending market in Hong Kong, First Credit actively pursued other opportunities in other industries in order to broaden the source of revenue and diversify business risk with the aim to enhance its shareholder value. First Credit has acquired an indirect equity interest in Asia Wealth Securities Limited, which holds the licence to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). It is expected that the development of the securities related business would enhance the potential return of business of First Credit. First Credit is proactively exploring further potential investment opportunities, including but not limited to investments in bonds, debt instruments, listed equity securities or project-based investments, subject to the prevailing market condition and taking into account the interest of First Credit and its shareholders as a whole.

In connection with the re-focusing of the Group's business operations as announced on 25th May 2016, the Company decided to change the purpose of holding First Credit from short-term trading to long-term investments. For the purpose of complying with the applicable accounting standards, the securities investments of First Credit are included in financial assets at fair value through profit or loss as current assets in the consolidated balance sheet for the accounting purpose despite the purpose of holding is long-term investment.

3. Leap Holdings Group Ltd. (“Leap”) and its subsidiaries are principally engaged in provision of foundation works and ancillary services; and construction wastes handling services in Hong Kong. The shares of Leap (stock code: 1499) are listed on the Main Board of the Stock Exchange (the “Main Board”). As disclosed in the latest annual report of Leap, Leap recorded an audited consolidated profit attributable to the owners of Leap of approximately HK\$8.4 million for the year ended 31st March 2017.

As disclosed in the latest annual report of Leap for the year ended 31st March 2017, the construction industry in Hong Kong is facing keen market competition with the increase in the number of competitors leading to the dilution in the profit margin of awarded contracts. Furthermore, the number of capital works projects dropped due to the filibustering in the Legislative Council causing delay in funding approval for public works. Despite the fact that the construction industry in Hong Kong is facing such uncertainties, Leap expects that the construction industry is under temporary adjustment and looks forward to the rebound from the downturn of the market. Leap’s outlook still remains positive towards the construction industry and will proactively look for opportunities to create maximum returns to the shareholders of Leap. Leap will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised financial markets in the overseas with a view to generate additional income and enhance the capital use of Leap.

4. Xinhua News Media Holdings Ltd. (“Xinhua”) and its subsidiaries are principally engaged in the provision of cleaning and related services, medical waste treatment service, waste treatment service and television screen broadcast business. The shares of Xinhua (stock code: 309) are listed on the Main Board. As disclosed in the latest annual report of Xinhua, Xinhua recorded an audited consolidated loss attributable to the owners of Xinhua of approximately HK\$18.0 million for the year ended 31st March 2017.

As disclosed in the latest annual report of Xinhua for the year ended 31st March 2017, for the television screen broadcast business, Xinhua will hold the exclusive broadcasting news rights by Xinhua News Agency Asia Pacific Bureau for another four years. Xinhua is also still under contract with Hong Kong MTR for the rights of Hung Hom Train Station and the KTT train. This is still a solid foundation to which the Xinhua can build upon. In the coming year, Xinhua plans to grow through mergers and acquisition channel rather than organically. The mergers and acquisitions route will not only enable Xinhua to grow at a faster rate, but also acquire sought after LED locations as well as talent expertise. As always, Xinhua will take a prudent but opportunistic approach when considering potential investments. For the cleaning and related services, most of the cleaning service contracts are for periods of two to three years, which is a general practice in Hong Kong. Some of Xinhua’s contracts will experience renewal cycles within the second half of the year and will be offered for open tender again by the customers. With cautious confidence Xinhua shall strive to bid for and win the contracts. However, there can be no assurance that the contracts can be regained. Should Xinhua be unsuccessful in any one of them, Xinhua’s service revenue may inevitably be adversely affected.

5. Jiu Rong Holdings Ltd. (“Jiu Rong”) and its subsidiaries are principally engaged in manufacturing and sales of digital television, high definition liquid crystal display digital television and set-top box as well as provision of application of solutions regarding integration of telecommunication digital television and internet in the digital video industry (“Digital Video Business”); and the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems (“New Energy Vehicles Business”). The shares of Jiu Rong (stock code: 2358) are listed on the Main Board. As disclosed in the latest annual report of Jiu Rong, Jiu Rong recorded an audited consolidated loss attributable to the owners of Jiu Rong of approximately HK\$35.3 million for the year ended 31st December 2016.

As disclosed in the latest interim report of Jiu Rong for the six months period ended 30th June 2017, the Digital Video Business is still facing a lot of challenges. For the New Energy Vehicles Business, Jiu Rong has already established 10 electric vehicles charging facilities stations in Hangzhou with a total of approximately 1,300 electric vehicles charging piles in operation, and intelligent parking of approximately 10,000 m² with new energy vehicles charging facilities and intelligent management system in Shangcheng District, Hangzhou. Jiu Rong will continue to invest in the new energy vehicles business with the aim to be one of the largest new energy vehicles charging facilities operator in the PRC.

Jiu Rong also has commenced the cloud data business, the management of Jiu Rong believes that the co-operation with the local authorities of West Lake District and Yunqi Cloud Town as well as famous cloud computing enterprises such as Aliyun (阿里雲) and West Lake Electric (西湖電子) to establish big data industrial park is with substantial growth potential. Jiu Rong will continue to (1) closely evaluate the performance of the above mentioned businesses; (2) actively explore new businesses or investments; and (3) consider fund raising opportunities which can strengthen the financial position of Jiu Rong in order to enhance the value of Jiu Rong which will be in the interests of Jiu Rong and its shareholders as a whole.

The Group had recorded a fair value gain arising from the change in fair value of financial assets at fair value through profit or loss of approximately HK\$12.7 million for the Year while the Group recorded a fair value loss arising from the change in fair value of financial assets at fair value through profit or loss of approximately HK\$143.6 million for the same period in last year. Such improvement was mainly attributable to the good performance of certain investments during the Year. In particular, the investments in the shares of First Credit, Xinhua and Jiu Rong recorded fair value gain of approximately HK\$52.2 million, HK\$18.8 million and HK\$6.2 million, respectively, and is partially offset by the fair value loss arising from investments in the share of Leap and Convoy Global Holdings Ltd., (the shares of which are listed on the Main Board with stock code 1019) of approximately HK\$34.5 million (the sum of unrealised loss of approximately HK\$26.4 million and realised loss of approximately HK\$8.1 million) and HK\$31.8 million respectively during the Year.

As a result, the overall segment profit of the securities investment segment was approximately HK\$12.0 million (2016: segment loss of approximately HK\$143.6 million) during the Year. The Group will continue reviewing its investment portfolios, so as to achieve a better return to the Group.

Available-for-sale financial assets

Below is the list of the available-for-sale financial assets which the Directors consider as material held by the Group as at 30th June 2017:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 30th June 2017 (Note 1) (approximate %)	Market/Fair value as at 30th June 2017 (approximate HK\$'000)	Percentage to total assets as at 30th June 2017 (approximate %)	Percentage to net assets as at 30th June 2017 (approximate %)	Percentage to total available-for-sale financial assets as at 30th June 2017 (approximate %)	Change in fair value recognised in other comprehensive income/(loss) for the Year (approximate HK\$'000)	Dividend income for the Year (approximate HK\$'000)
Cassia Investment Limited Partnership II	2	Cayman Islands	n/a	n/a	57,333.8	3.9%	5.7%	36.8%	(2,574.5)	-
GET Holdings Limited	3	Bermuda	74,074,500	16.67	42,963.2	3.0%	4.2%	27.6%	4,490.4	-
China New Economy Fund Limited	4	Cayman Islands	132,400,000	17.00	23,832.0	1.6%	2.4%	15.3%	(14,481.9)	-
					124,129.0	8.5%	12.3%	79.7%	(12,566.0)	-

Notes:

1. The percentage is calculated with reference to the then latest monthly return as at 30th June 2017 of the investee company publicly available on the website of the Stock Exchange (where applicable).
2. Cassia Investment Limited Partnership II (“Cassia II”) is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law of Cayman Islands offering limited partnership interests for the purpose of obtaining capital appreciation through making private equity investments mainly in the consumer sector across Greater China and South East Asia, as well as in non-Asian enterprises that have a strong exposure to Asian consumers market. Cassia II intends to target companies that it believes will benefit from the growing disposable income of the Asian middle class and can capture the behavioural consumer trends that follow such growing household wealth and structured equity transactions primarily in Greater China, Thailand, Indonesia, Vietnam and the Philippines. Cassia II will have a target size of US\$60,000,000 (approximately HK\$465.0 million) and the Group has committed to subscribe the limited partnership interest of Cassia II of US\$9,000,000 (approximately HK\$69.7 million). Up to 30th June 2017, the Group has subscribed for the limited partnership interest of Cassia II of approximately US\$7.9 million (approximately HK\$61.2 million).
3. GET Holdings Limited (“GET”) and its subsidiaries are principally engaged in research, development, distribution of personal computer performance software, anti-virus software, mobile phone applications & toolbar advertisement (“Software Business”); investment in securities; money lending; provision of corporate management solutions and I.T. contract services. The shares of GET (stock code: 8100) are listed on GEM. As disclosed in the latest annual report of GET, GET recorded an audited consolidated profit attributable to owners of GET of approximately HK\$17.1 million for the year ended 31st December 2016.

As disclosed in the latest interim report of GET for the six months period ended 30th June 2017, GET considers that the Software Business will continue to become one of the principal sources of income of GET in the future. In the face of the ever-changing I.T. environment, GET will closely monitor the I.T. trend and continuously upgrade its existing products and enhance its product mix to suit the market needs and customers’ expectation. Besides, market diversification is the GET’s key marketing strategy in the second half of 2017. Under the strategy, GET will continue to maintain its market presence in the U.S. and Europe markets and try to expand its sales channels and strengthen its presence in Asian countries by introducing products to potential customers. Looking forward, the market is expected to remain volatile and competitive. In response to the challenging environment, GET will continue to strive on its diverse business territories and further advance the development of all business segments to further diversify its business portfolio by adhering to prudent business development strategies. GET will also continue to maintain a healthy and conservative level of liquidity and closely monitor the market situation and keep an eye on opportunities in the increasingly competitive operating environment to enhance GET’s profitability and its shareholders’ value in the long run.

4. China New Economy Fund Limited (“CNEF”) is principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan. The shares of CNEF (stock code: 80) are listed on the Main Board. As disclosed in the latest annual report of CNEF, CNEF recorded an audited consolidated profit attributable to the owners of CNEF of approximately HK\$47.9 million for the year ended 31st December 2016. As disclosed in the latest interim report of CNEF for the six months period ended 30th June 2017, CNEF invested two new private equities and one bond fund, making a total of seven unlisted investments in its diversified portfolio during six months period ended 30th June 2017. CNEF believed they would bring a potential return alongside with listed investments in the long-run. CNEF would explore more investment opportunities toward private equities and other unlisted investments. As global economy and politics are facing more risk, CNEF expected that the US Federal Reserve would be more cautious to raise interest rate and possibly one more hike by the end of 2017. In addition, the PRC Government has lowered its GDP growth target, focusing on quality over quantity as it overhauls its growth model. Therefore, CNEF remained cautiously optimistic on the prospects of securities market in China and Hong Kong. CNEF would continue to deploy an investment strategy focusing on Greater China and closely monitor changes in the global markets. With its professional investment and risk management team, CNEF was confident to capture valuable investment opportunities to maximize profit for its shareholders. As disclosed in the announcement of CNEF dated 13th September 2017, the unaudited net asset value per share of CNEF was approximately HK\$0.41.

The Group recorded a decrease of the carrying value of the available-for-sale financial assets of approximately HK\$88.6 million (2016: decrease of the carrying value of approximately HK\$12.3 million) in the other comprehensive loss during the Year. The decrease was mainly attributed by the decrease in the fair value of the investment in “Hydra Capital SPC – Class A #1 Share” (“Hydra Capital”), Interactive Entertainment China Cultural Technology Inv Ltd. (“IE China”) and CNEF by approximately HK\$53.7 million, HK\$25.6 million and HK\$14.5 million respectively during the Year.

Hydra Capital is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolios where its principal investments are internet related and mobile application in Asia. As at 30th June 2017, the Group held 5,500 shares (30th June 2016: same) in Hydra Capital, representing approximately 24.6% of the total issued shares of Hydra Capital of 22,400 shares.

One of the significant investments of Hydra Capital is the holding of approximately 20.2% equity interest in a company, which is carrying on the business to publish self-developed mobile games, mobile games licensed from third-party game distributors and/or developers in PRC as well as overseas locations including Hong Kong, Taiwan, Malaysia, Singapore, Japan and Republic of Korea (the “Mobile Game Company”). In view of the negative trend of the business outlook of Mobile Game Company, including factors such as lower customers loyalty, high turnover rate of customers, decrease in revenue and increase in research and development expenses, the fair value of the investment in Hydra Capital decreased by approximately HK\$53.7 million.

IE China and its subsidiaries are principally engaged in mobile internet cultural business and provision of IT services; provision of hospitality and related services in Australia; provision of medical diagnostic and health check services; money lending business; and assets investments business. The shares IE China (stock code: 8081) are listed on GEM. As at 30th June 2017, the Group held 303,000,000 shares of IE China, representing approximately 5.7% of the total issued shares of IE China of 5,336,235,108 shares as disclosed in its monthly return for the month ended 30th June 2017. As disclosed in the latest annual report of IE China, IE China recorded an audited consolidated loss attributable to the owners of IE China of approximately HK\$344.6 million for the year ended 31st December 2016. As disclosed in the latest interim report of IE China for the six months ended 30th June 2017, IE China has been dedicating its focus on the development of its hospitality business. Riding on the growing popularity in spending holidays and joining cultural immersion activities in Australia, IE China will continue to boost its overall operational capacity and enhance its competitiveness to further improve the attractiveness of the hospitality and related services it provides in Australia through the Resort and the Grange Group. Meanwhile, given that IE China has established proprietary software development and operation infrastructures and is much experienced in providing professional tailor-made information technology services to sizeable corporate clients, it is expected that the IE China’s provision of IT services will continue to perform well.

Total impairment loss of approximately HK\$89.6 million were recognised during the Year (2016:Nil), which was mainly due to the significant decrease in the fair value of the investment in Hydra Capital, IE China and CNEF, impairment losses attributable to IE China, CNEF and Hydra Capital of approximately HK\$25.6 million, HK\$14.5 million and HK\$48.0 million respectively.

The value of the financial assets at fair value through profit or loss and the available-for-sale investments of the Group were affected by the volatile investment market during the Year. Looking forward, the global financial markets is expected to be volatile and overshadowed by the recent unstable political environment in the Asian region, uncertain monetary and interest rates policy of United States, and the expected continuing slowdown of the China economy. The Directors expect that the stock market in Hong Kong will continue to be volatile in the coming year and such investment environment may affect the value of both financial assets at fair value through profit or loss and available-for-sale investments of the Group. The Group will closely monitor the market/fair value and trading volume of these financial assets at fair value through profit or loss and the available-for-sale investments held by the Group as well as its fundamentals and will adjust our position to respond to market changes in order to optimise our return.

Money lending business

The Group engaged in money lending business in Hong Kong during the Year. As at 30th June 2017, the Group had (i) loans receivable of approximately HK\$75.9 million, and (ii) loan to an associate of HK\$5.0 million; approximately HK\$80.9 million in loans receivable under the money lending business (as at 30th June 2016: approximately HK\$48.2 million) and recognised interest income (excluded inter-segment sales) of approximately HK\$5.9 million (2016: approximately HK\$8.5 million). The decrease in interest income was mainly due to the decrease in the average loan portfolio amount during the Year. It accounted for approximately 2.5% (2016: approximately 5.6%) of the Group's revenue during the Year. Loans receivable are interest-bearing at rates ranging from 7% to 20% per annum (2016: 7% to 12% per annum). The segment profit of this business segment was approximately HK\$322,000 (2016: approximately HK\$745,000) during the Year. The decrease in segmental profit was mainly due to the increase in operating expenses to expand potential customers base during the Year. No default event happened in respect of the Group's loans receivable during the Year (2016: Nil).

It is expected the money lending market in Hong Kong will be stable and continue to grow in the near future. The Group will continue to expand the money lending business to effectively utilise the Group's cash resources and to diversify the sources of the Group's income.

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 (2016: approximately HK\$1.0 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% (2016: approximately 0.7%) of the Group's revenue during the Year.

The segment profit of this business segment was approximately HK\$877,000 (2016: approximately HK\$812,000) during the Year.

There were no additions of disposals of the investment properties during the Year.

Entertainment business

This segment primarily relates to the artiste and model management and organisation of concerts. Revenue from this business segment during the Year was approximately HK\$3.4 million (2016: approximately HK\$7.6 million). It accounted for approximately 1.5% (2016: approximately 5.0%) of the Group's revenue during the Year. The decrease in revenue was mainly due to the keen competition and the decrease in investment amount in the organisation of concert during the Year. Segmental loss of approximately of HK\$2.0 million was recorded during the Year (2016: segmental profit of approximately HK\$834,000). The increase in loss from this segment was due to the decrease in turnover and decrease in gross profit during the Year.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 63.1% (2016: approximately 44.5%) of the Group's revenue during the Year.

Selling expenses

Selling expenses for the Year decreased by approximately 24.6% to approximately HK\$13.8 million as compared to approximately HK\$18.3 million in the same period last year. The decrease in selling expenses was mainly due to the decrease of the selling activities and expenses of trade, wholesale and retails of watches and jewellery products by approximately HK\$3.8 million during the Year.

Administrative expenses

Administrative expenses for the Year increased by approximately 54.2% to approximately HK\$111.3 million as compared to approximately HK\$72.2 million in the same period last year. The increase in administrative expenses was mainly due to (i) the provision of staff bonus of HK\$22.0 million (2016: Nil) to the management of the films distribution and exhibition, licensing and sub-licensing of film rights business segment for the encouraging performance during the Year; (ii) the increase of the administrative expense of China Jianxin

by approximately HK\$7.6 million for the expansion of the securities brokerage and margin financing business during the Year.

Update on the adjustment to the consideration of Glory International Entertainment Limited

On 27th August 2015, the Group entered into a sale and purchase agreement (as varied and supplemented by the supplemental agreement dated 5th May 2016 and entered into by the same parties) with an independent third party vendor (the “Vendor”), pursuant to which the Group acquired 49% equity interest in Glory International Entertainment Limited (“Glory International”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability and, together with its subsidiaries, was principally engaged in advertising, promotion, provision of public relations services, holding and sponsoring stage performance, concerts, film production and other cultural events, at an initial cash consideration of HK\$36,750,000 (the “Initial Consideration”) (the “Glory Acquisition”).

The final amount of the consideration (the “Final Consideration”) for the Glory Acquisition was determined in accordance with the following revised formula:

$$FC = NP \times (12/15) \times 7.5 \times 49\%$$

Where:

“FC” meant the amount of the Final Consideration subject to a cap of HK\$36,750,000;

“NP” meant the net profit of Glory International for the Relevant Period (as defined below) (the “Relevant Period Net Profit”), being the audited consolidated profit after tax of Glory International attributable to owners of Glory International for the period from 1st July 2015 to 30th September 2016 (“Relevant Period”) as shown in the audited consolidated financial statements of Glory International (“Relevant Period Audited Accounts”) for the Relevant Period (which would only include income or gain generated by activities in the ordinary and usual course of business of Glory International).

Where the Relevant Period Net Profit was a negative figure, “NP” should be deemed to be zero.

The Group and the Vendor shall, in good faith, determine the Final Consideration in accordance with the above formula within 75 days after the Relevant Period Audited Accounts were available. Within 10 Business Days after the Final Consideration is determined, where the Final Consideration was less than the amount of the Initial Consideration, the Vendor should pay in cash (or by way of cheque) to the Group a sum equal to such difference.

For the avoidance of doubt, where the Final Consideration was equal to or more than the Initial Consideration, neither the Group was required to pay any additional sum to the Vendor nor was the Vendor required to refund any part of the initial consideration to the Group.

Please refer to the Company's announcement dated 27th August 2015 and 5th May 2016 for the details of the Glory Acquisition.

According to the Relevant Period Audited Accounts delivered to the Group on 22nd February 2017, net profit of the Glory Group (NP) was approximately HK\$12.9 million. In accordance with the above formula, the Final Consideration (FC) was approximately HK\$37.9 million. As the Final Consideration was capped at HK\$36,750,000 (which is equal to the amount of the Initial Consideration which had already been paid), the Group was not required to pay any additional sum to the Vendor and the Vendor was not required to refund any part of the Initial Consideration to the Group.

The Group recorded the share of profit of the associates from Glory International of approximately HK\$1,294,000 for the Year (2016: approximately HK\$4.5 million).

Discontinued operation – disposal of AP Group Investment Holdings Limited

On 12th October 2015, the Group entered into a sale and purchase agreement with two independent third party vendors and their respective ultimate beneficial owners to acquire 51% equity interest of AP Group Investment Holdings. Limited ("AP Group") at a consideration of HK\$20,400,000 (subject to downward adjustment in respect of the guaranteed profit as described in the sale and purchase agreement) (the "AP Acquisition"). AP Group and its subsidiaries were principally engaged in provision of education and training programs in relation to self-improvement and self-enhancement in Hong Kong and the PRC. The AP Acquisition was completed on 14th December 2015.

On 13th June 2016, the Group and Lucky Famous Limited (the "Purchaser"), an independent third party entered into a disposal agreement (the "AP Disposal Agreement") pursuant to which the Group had sold to the Purchaser the 51% of the equity interest of AP Group at the consideration of HK\$20,400,000 (the "Consideration") subject to downward adjustments as described below (the "AP Disposal"). Completion of the AP Disposal took place on 1st July 2016.

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

The adjustment amount (the "Adjustment Amount" or the "Contingent Consideration Payable") will be determined in accordance with the formula set out below:

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

Where:

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

The FY 2016 & 2017 Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards and audited, at the cost of AP Group, by an accounting firm as approved by the Purchaser, adjusted for any non-recurring items. Further announcement will be made by the Company in relation to the FY 2016 & 2017 Net Profit and the Adjustment Amount when the Adjustment Amount is ascertained.

Such adjustment mechanism is the same with the adjustment mechanism in respect of the AP Acquisition from the original owners. Details of such acquisition are set out in the Company’s announcement dated 12th October 2015.

It is the intention of the Group to re-focus the Group’s business operations, leverage on the expertise of the management in the China Jianxin to further develop the securities brokerage and margin financing and money lending business of the Group, and to dispose of other non-core business for better resources management.

Notwithstanding the downward adjustment mechanism of the Consideration depending on the actual performance of the AP Group for FY 2016 & 2017, with reference to the announcement of the Company dated 12th October 2015 in relation to the AP Acquisition, the consideration for the AP Acquisition and the adjustment mechanism for such consideration are the same as those under the Disposal Agreement. In the event there is a shortfall between the FY 2016 & 2017 Net Profit and the target profit of the AP Group for FY 2016 & 2017 of HK\$16,000,000, the adjustment amount (“Contingent Consideration Receivable”) is required to be paid by Very Easy Limited and City Link Consultancy Limited, being the vendors under the AP Acquisition, to the Group within seven (7) Business Days after the FY 2016 & 2017 Audited Accounts are available, and by the Group to the Purchaser within 14 Business Days after the FY 2016 & 2017 Audited Accounts are available. The original vendors’ obligations to pay such adjustment amount to the Group are guaranteed by their respective beneficial owners. Accordingly, theoretically, the financial consequence from such adjustment to consideration would not have any material adverse influence on the financial position of the Group and return of the AP Disposal is protected in this regard.

As at 30th June 2017, the fair value of the Contingent Consideration Receivable and Contingent Consideration Payable, are of approximately HK\$15.7 million and approximately HK\$19.6 million respectively, which is based on the best estimation of the directors of the Company taking into account the operation result of AP Group in 2016 and first half of 2017.

Further announcement in this regard will be made by the Company as and when appropriate.

Outlook

Due to the keen competition in PRC and Hong Kong market, it is expected the business prospect of the films distribution and exhibition, licensing and sub-licensing of film rights and the trade, wholesale and retail of optical products, watches and jewellery products will be very challenging and the Group will continue to adopt a cautious and prudent approach in operating these two business segments in the coming years.

Despite the recent unstable political environment in the Asian region, uncertain monetary and interest rates policy of the United States, and the expected continuing slowdown of the China economy, the Group remains cautiously optimistic on the prospects of the securities brokerage and margin financing, money lending and other financial services business following the launch of the Shanghai and Shenzhen-Hong Kong Stock Connect Program.

Nevertheless, the Group will continue to identify and capture different investment opportunities in other business sectors with enormous potentials to further diversify its businesses and broaden the income sources of the Group.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group's financial position remained healthy. As at 30th June 2017, the Group had cash balances of approximately HK\$228.2 million (2016: approximately HK\$101.2 million).

As at 30th June 2017, the Group had total assets of approximately HK\$1,456.9 million (2016: approximately HK\$1,150.7 million).

The Group's gearing ratio as at 30th June 2017 is approximately 5.2% (2016: approximately 1.8%), which was calculated on the basis of the total debt (including borrowings, obligations under finance lease and bank overdraft) divided by total equity of the Group.

Finance cost for the Year is approximately HK\$6.1 million (2016: approximately HK\$2.3 million). The significant increase of finance cost was mainly due to the increase of the Group's borrowing outstanding during the Year for the acquisition and development of new and current business of the Group.

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

As at 30th June 2016, the Group had shareholders' capital of approximately HK\$8.5 million (30th June 2016: approximately HK\$1.8 million). The shareholders' capital of the Company is constituted of 853,302,276 shares (30th June 2016: 177,774,092 shares).

The Group conducted a rights issue, a placing of new shares under general mandate and a placing of new shares under specific mandate to increase the shareholders' base and capital during the Year, the details of which are as follows:

Rights issue

As disclosed in the Company's announcement dated 12th July 2016, the Company's circular dated 12th August 2016 and Company's prospectus dated 9th September 2016, the Company proposed to raise not less than approximately HK\$213.3 million and not more than approximately HK\$221.8 million before expenses by issuing not less than 355,548,184 and not more than 369,594,576 new shares ("Rights Shares") at the subscription price of HK\$0.60 per Rights Shares on the basis of two (2) Rights Shares for every one (1) share in issue held on the 8th September 2016 ("Rights Issue").

The subscription price of HK\$0.60 per Rights Share represented: (i) a discount of 25.00% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 12th July 2016, being the last trading day before the publication of the announcement of Rights Issue ("Last Trading Day"); and (ii) a discount of approximately 24.24% to the average closing price of approximately HK\$0.792 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.

The Group intended to strengthen its existing businesses and continued to identify different investment opportunities in various business sectors with enormous potentials to further diversify its business and broaden the income sources to maximise the return to the shareholders. It was the intention of the Group to expand its revenue and income stream through further development of securities brokerage and margin financing and money lending business of the Group. In view of the above, the Board considered that the Rights Issue would enable the Group to strengthen its capital base for future expansion of its existing business and enhanced its financial position. Furthermore, the Rights Issue would offer the qualifying shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Company. As such, the Directors considered that the terms of the Rights Issue were fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Rights Issue was completed on 5th October 2016 and an aggregate of 355,548,184 Rights Shares were issued at the subscription price of HK\$0.60 per Rights Shares. The net proceeds from the Rights Issue were approximately HK\$204.9 million. Up to the date of this announcement, the Group has applied:

- (i) approximately HK\$9.2 million for the repayment of the unsecured loan notes with principal amount of HK\$9.2 million issued on 8th April 2015;
- (ii) approximately HK\$150.0 million for the expansion of margin financing business; and
- (iii) approximately HK\$45.7 million for the expansion of money lending business.

The above use of proceeds was in line with the proposed use as set out in the public documents of the Company issued in connection with the Rights Issue.

Placing of new shares under general mandate

As announced on 18th January 2017, the Company entered into a placing agreement (the “GM Placing Agreement”) pursuant to which the Company appointed a placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 106,660,000 new Shares of the Company (“GM Placing Shares”) at a price of HK\$0.519 per GM Placing Share (“GM Placing”) under the general mandate of the Company.

GM Placing price of HK\$0.519 per GM Placing Share represented:

- (i) a discount of approximately 13.5% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on 18th January 2017, being the date of the GM Placing Agreement; and
- (ii) a discount of approximately 17.9% to the average closing price of HK\$0.632 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to 18th January 2017.

The GM Placing Price was determined after arm’s length negotiation between the Company and the placing agent with reference to, among other matters, the then prevailing market prices of the Shares.

The Directors were of the view that the GM Placing could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The GM Placing also represented a good opportunity to broaden the shareholders’ base and the capital base of the Company. The Directors considered that the GM Placing was in the interest of the Company and the shareholders as a whole.

The GM Placing Agreement was completed on 7th February 2017 and an aggregate of 106,660,000 GM Placing Shares have been successfully placed to not less than six placees. The net proceeds from the issuance of the GM Placing Shares were approximately HK\$53.2 million.

The net issue price of each GM Placing Share was HK\$0.499.

The net proceeds from the issuance of the GM Placing Shares were approximately HK\$53.2 million. The Group intended to utilize the net proceeds from issuance of the GM Placing Shares (“Proceeds Allocated for the Margin Financing Business”) for developing the margin financing business of the Group.

The Group has applied and lent out all the Proceeds Allocated for the Margin Financing Business during the period from May 2017 to June 2017 to its margin clients. However, due to the aforesaid June Incident, the Proceeds Allocated for the Margin Financing Business which were previously advanced to margin clients were repaid by such margin clients to the Group from July 2017 to September 2017 and the demand for the Group’s margin financing facilities subsequently decreased. The sum repaid to the Group was deposited in the Group’s bank accounts as at the date of this announcement.

Having considered the expected decrease in demand for the funding requirement in connection with the Group's margin financing business for the year ending 30th June 2018, the Board has resolved to re-allocate the Proceeds Allocated for the Margin Financing Business which have been repaid to the Group as (i) general working capital and/or (ii) funds for financing future potential investment opportunities of the Group, as a measure in response to the recent sudden change in market conditions. The Board believes that such re-allocation enables the Group to increase the efficiency in the use of the Group's cash resources so as to maximise its return. On such basis, the Board considers that such re-allocation is in the best interest of the Company and its shareholders as a whole.

Placing of new shares under specific mandate

As announced on 18th January 2017, the Company entered into a placing agreement (the "SM Placing Agreement") pursuant to which the Company appointed a placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 213,320,000 new Shares of the Company ("SM Placing Shares") at a price of HK\$0.519 per SM Placing Share ("SM Placing") under the special mandate of the Company.

SM Placing price of HK\$0.519 per SM Placing Share represented:

- (i) a discount of approximately 13.5% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on 18th January 2017, being the date of the SM Placing Agreement; and
- (ii) a discount of approximately 17.9% to the average closing price of HK\$0.632 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to 18th January 2017.

The SM Placing Price was determined after arm's length negotiation between the Company and the placing agent with reference to, among other matters, the then prevailing market prices of the Shares.

The Directors were of the view that the SM Placing could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The SM Placing also represented a good opportunity to broaden the shareholders' base and the capital base of the Company. The Directors considered that the SM Placing was in the interest of the Company and the shareholders as a whole.

The SM Placing Agreement was completed on 29th March 2017 and an aggregate of 213,320,000 SM Placing Shares have been successfully placed to not less than six placees. The net proceeds from the issuance of the SM Placing Shares were approximately HK\$106.1 million.

The net issue price of each SM Placing Share was HK\$0.497.

The net proceeds from the issuance of the SM Placing Shares were approximately HK\$106.1 million and the Group has applied (i) approximately HK\$9.5 million for the acquisition of membership of The Chinese Gold & Silver Exchange Society; and (ii) approximately HK\$86.1 million for developing the margin financing business of the Group as intended. The remaining unutilised proceeds of approximately HK\$10.5 million will be utilised as intended for developing the related business following the acquisition of the membership of The Chinese Gold & Silver Exchange Society.

THE PLEDGE OF GROUP'S ASSETS

At 30th June 2017, bank balances – (general accounts) with an aggregate value of approximately HK\$Nil (2016: HK\$3,000) were pledged as collaterals for bank overdrafts and bank borrowings of a subsidiary.

As at 30th June 2017 the margin loans payable are secured by the Group's listed equity investments recognised in available-for-sale investment and financial assets at fair value through profit or loss in the fair value of HK\$73,461,000 and HK\$59,566,000 respectively.

MATERIAL ACQUISITION OR DISPOSAL

Save as disclosed in the section headed "Business and Operation Review" in this announcement, the Group did not have any material acquisition or disposal of assets during the Year.

APPOINTMENT OF DIRECTORS AFTER THE REPORTING PERIOD

The Board passed the resolutions on 29th September 2017 (i) to appoint Mr. Hung Cho Sing as executive Director and (ii) to appoint Mr. Tang Yiu Wing as independent non-executive Director. Both appointments will take effect on 1st October 2017. Mr. Hung's and Mr. Tang's appointments will be subject to the retirement and rotation requirements in accordance with the bye-laws of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2017, the Group employed 117 staff (2016: 167). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits included discretionary bonus, medical insurance scheme and mandatory provident fund.

SHARE OPTION SCHEME

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

Particulars of the share options under the Share Option Scheme outstanding during the Year and as at 30th June 2017 were as follows:

Participants	Date of grant	Period during which share options are exercisable	Price per share on exercise of options HK\$	Number of share options outstanding at the beginning of the Year	Number of share options lapsed during the Year	Adjustment on the number of share options after right issue completed on 5th October 2016	Number of share options outstanding at the end of the Year	Market value per share on grant of share options HK\$
Executive directors								
Mr. Lam Shiu Ming, Daneil	21st July 2014	21st July 2014 to 20th July 2016	10.77	334,367	(334,367)	–	–	9.40
Mr. Lam Kit Sun	21st July 2014	21st July 2014 to 20th July 2016	10.77	334,367	(334,367)	–	–	9.40
	4th March 2016	4th March 2016 to 3rd March 2018	0.811*	1,481,400	–	199,103	1,680,503	0.68*
Other eligible participants								
	21st July 2014	21st July 2014 to 20th July 2016	10.77	1,431,775	(1,431,775)	–	–	9.40
	30th Sept 2015	30th Sept 2015 to 29th Sept 2017	1.489*	2,072,088	–	279,711	2,351,799	1.42*
	4th March 2016	4th March 2016 to 3rd March 2018	0.811*	8,297,900	–	1,115,254	9,413,154	0.68*
				<u>13,951,897</u>	<u>(2,100,509)</u>	<u>1,594,068</u>	<u>13,445,456</u>	

* The price per share on exercise of options and market value per share on grant of options have been adjusted after taking into account of the effect of the rights issue completed on 5th October 2016.

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

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

Code provision A.2.1 of the 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, Daniel, the Chairman, is also an executive Director, the Company has therefore deviated from this code provision.

Risk Management and Internal Control

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

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

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

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

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

During the Year, an external consultant was engaged to conduct a review on the internal control systems, which covers certain procedures on the provision of securities trading and margin financing services, and makes recommendations for improving and strengthening the internal control systems. In additions, reviews on the human resources function (including staff qualifications, experience and training programs) and accounting and financial reporting mechanism were conducted.

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

Taking the above into consideration, the Audit Committee reviews the effectiveness of the Group's internal controls and reports to the Board on such reviews. The Board concluded that no significant area of concern regarding risk management and internal control systems of the Group has been identified.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company has 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 with written terms of reference, which describe the authority and duties of the Audit Committee, and which 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 Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Choi Wing Koon (as chairman), Mr. Lam Chi Keung and Ms. Cheng Lo Yee. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company respectively.

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

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

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

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

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results 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 2017 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 International Financial Holdings Limited
Lam Shiu Ming, Daneil
Chairman and Executive Director

Hong Kong, 29th September 2017

As at the date of this announcement, the executive Directors are Mr. Lam Shiu Ming, Daneil, and Mr. Lam Kit Sun, and the independent non-executive Directors are Mr. Choi Wing Koon, Mr. Lam Chi Keung and Ms. Cheng Lo Yee.