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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)

INSIDE INFORMATION –
CESSATION OF BUSINESS OF A SUBSIDIARY:
CHINA JIANXIN FINANCIAL SERVICES LIMITED

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders that China Jianxin Financial, an indirect wholly-owned subsidiary of the Company, is intended to cease its business in securities brokerage and margin financing with effect from 30th June 2018. China Jianxin Financial will commence notifying its clients of the cessation of business and will return to them the funds and assets held or managed on their behalf. In accordance with the SFO, China Jianxin Financial will also notify the SFC and request the revocation of its licenses to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO.

As at the date of this announcement and based on the information currently available to the Board, the Board believes that the cessation of the business of China Jianxin Financial will not have any material effect on the operation of the Group.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

This announcement is made by Company pursuant to Rule 13.09 of the Listing Rules and the provisions under Part XIVA of the SFO.

The Group is principally engaged in securities brokerage and margin financing, money lending, leasing of investment properties and securities investment, video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, trading, wholesaling and retailing of optical products, watches and jewellery products. The Company engaged in the provision of brokerage services and securities margin financing to clients (the “Securities Brokerage Segment”) through its indirect wholly-owned subsidiary China Jianxin Financial, a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. For the year ended 30th June 2017, the revenue from the Securities Brokerage Segment was approximately HK\$35.9 million (for the year ended 30th June 2016: approximately HK\$16.1 million), it accounted for approximately 15.5% (for the year ended 30th June 2016: approximately 10.6%) of the Group’s revenue for the year ended 30th June 2017. The segment profit of the Securities Brokerage Segment was approximately HK\$11.6 million (for the year ended 30th June 2016: approximately HK\$4.0 million) during the year ended 30th June 2017.

References are made to the Company’s 2017 annual report dated 29th September 2017 and the Company’s 2017/2018 interim report dated 27th February 2018, in which it was mentioned that, among other things, in late June 2017, there was a sharp decline in the share price of certain stocks held by China Jianxin Financial as collateral security for its margin clients, with the percentage decline in share price of such stocks ranging from 35% to approximately 89% (the “June Incident”). As a result of the June Incident, a number of China Jianxin Financial’s accounts receivable arising from securities brokerage and margin financing business became under collateralised and its excess liquid capital also decreased. China Jianxin Financial thus made margin calls with its margin loan clients. Following the June Incident and the deterioration of China Jianxin Financial’s margin loans during and after the June Incident and the related significant drop in its liquid capital, China Jianxin Financial received a letter from the SFC, wherein the SFC, among other things, had identified certain deficiencies of China Jianxin Financial’s margin loan operations and its failure to comply with certain requirements under the Code of Conduct. In this connection, the SFC had instructed China Jianxin Financial to refrain from providing further margin lending or other form of financial accommodation to clients until it had fully complied with the applicable Code of Conduct requirements. The SFC had also instructed China Jianxin Financial to prevent further deterioration of its financial position, including maintaining sufficient cash reserves to maintain its business operations for a reasonable amount of time, ceasing to apply imprudent margin lending practices, and tightening and formalising its margin lending policy. China Jianxin Financial undertook 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 including the imposition of conditions on China Jianxin Financial’s licence.

As a result, the accounts receivable from securities brokerage and margin financing business significantly decreased from approximately HK\$257.9 million as at 30th June 2017 to approximately HK\$37.0 million as at 31st December 2017. Due to the decrease in margin financing facilities granted to clients, the commission income from securities dealing and brokerage services and the revenue derived from placing and underwriting services also decreased. Consequentially, based on the unaudited management accounts of the Group for the six months ended 31st December 2017, the revenue from the Securities Brokerage Segment decreased by approximately 41.3% to HK\$7.7 million for the six months ended 31st December 2017 as compared to approximately HK\$13.1 million in the same period last year. It accounted for approximately 13.3% (for the six months ended 31st December 2016: approximately 17.8%) of the Group's revenue during the six months ended 31st December 2017. Unaudited segmental loss of approximately of HK\$6.5 million was recorded during the six months ended 31st December 2017 (for the six months ended 31st December 2016: segmental profit of approximately HK\$4.9 million) for the Securities Brokerage Segment.

Based on the unaudited management accounts of the Group for the nine months ended 31st March 2018, the revenue from the Securities Brokerage Segment further decreased by approximately 63.6% to HK\$9.1 million for the nine months ended 31st March 2018 as compared to approximately HK\$25.0 million in the same period last year. It accounted for approximately 12.4% (for the nine months ended 31st March 2017: approximately 23.4%) of the Group's revenue during the nine months ended 31st March 2018. Unaudited segmental loss of approximately of HK\$8.6 million was recorded during the nine months ended 31st March 2018 (for the nine months ended 31st March 2017: segmental profit of approximately HK\$13.1 million) for the Securities Brokerage Segment.

The management of China Jianxin Financial has already commenced addressing some of the identified deficiencies and risk concerns of the SFC and is currently awaiting the further response from the SFC. Nevertheless, given the current restrictions imposed by the SFC on China Jianxin Financial, and the consequential loss of clientele, significant drop in its business and revenue and the continuing increase in the segmental loss of the Securities Brokerage Segment, the Board has decided to cease the business of China Jianxin Financial and wishes to inform the Shareholders that the cessation of the business of China Jianxin Financial in securities brokerage and margin financing is intended to take effect as from 30th June 2018.

In connection with the cessation of business of China Jianxin Financial, steps will be taken to notify the SFC and request the revocation of its licenses to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO as soon as reasonably practicable and in any event not later than 7 business days before the Cessation Date as required by section 135(1) of the SFO.

China Jianxin Financial will commence to notify its clients of the cessation of business and will return to them the funds and assets held or managed on their behalf in due course, and terminate all relevant existing contracts between China Jianxin Financial and its clients in accordance with the relevant provisions of such contracts.

As a result of the cessation of the Securities Brokerage Segment, the goodwill of approximately HK\$28.1 million and intangible assets of approximately HK\$11.4 million in relation to the Securities Brokerage Segment will be written off and charged as expenses to the consolidated income statement of the Group for the year ending 30th June 2018. The total amount of other expenses to be incurred in connection with the cessation of business of China Jianxin Financial will be assessed, and the relevant information will be included in the audited financial statements of China Jianxin Financial which will be submitted to the SFC within 4 months after the Cessation Date.

The information contained in this announcement is only based on the preliminary assessment by the Board according to the unaudited management accounts of China Jianxin Financial currently available which has not been confirmed or reviewed by the auditor of China Jianxin Financial. The Company will continue to evaluate the impact of the cessation of business of China Jianxin Financial.

As at the date of this announcement and based on the information currently available to the Board, the Board believes that the cessation of the business of China Jianxin Financial will not have any material effect on the operation of the Group.

In light of the above and the cessation of the Securities Brokerage Segment will enable the Group to better utilise its resources to the Group's current business, potential new business and other usage as the Board may consider as appropriate, the Board believes that the cessation of business of China Jianxin Financial is in the best interest of the Company and the Shareholders as a whole.

The Company will keep the Shareholders and potential investors of the Company informed of any material developments in connection with the above by way of further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Cessation Date”	the date of cessation of the business of China Jianxin Financial, which is intended to be 30th June 2018
“China Jianxin Financial”	China Jianxin Financial Services Limited 中國建信金融服務有限公司, a company incorporated under the Laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC
“Company”	Universe International Financial Holdings Limited 寰宇國際金融控股有限公司, a company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended or revised from time to time
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	the share(s) of HK\$0.01 (each) in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

On behalf of the Board
Universe International Financial Holdings Limited
Lam Shiu Ming, Daneil
Chairman and executive Director

Hong Kong, 17th May 2018

As at the date of this announcement, the executive Directors are Mr. Lam Shiu Ming, Daneil, Mr. Hung Cho Sing and Mr. Lam Kit Sun, and the independent non-executive Directors are Mr. Choi Wing Koon, Mr. Lam Chi Keung, Mr. Tang Yiu Wing, Mr. Chong Ki Ming and Mr. Wong Cheuk Wai Jason.