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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST DECEMBER 2016

The board of directors (the "Director(s)") (the "Board") of Universe International Financial Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31st December 2016 (the "Period") as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue			
Sales of goods – video distribution, optical, watches and jewellery products		**33,027**	42,372
Income on film exhibition, licensing and sub-licensing of film rights		**22,787**	22,738
Income from other businesses		**17,911**	9,853
Total revenue	*4*	**73,725**	74,963

	Note	For the six months ended 31st December **2016** *HK$'000*	2015 *HK$'000*
Cost of revenue			
Cost of inventories sold		**(24,004)**	(18,261)
Related cost on film exhibition, licensing and sub-licensing of film rights		**(6,895)**	(8,098)
Cost from other businesses		**(254)**	(477)
Total cost of revenue	*5*	**(31,153)**	(26,836)
Selling expenses	*5*	**(6,925)**	(9,735)
Administrative expenses	*5*	**(43,116)**	(34,309)
Other operating income/(expenses)		**29**	(425)
Gain on disposal of a subsidiary	*11*	**3,197**	–
Gain on step acquisition of a subsidiary		**–**	1,764
Impairment loss of available-for-sale financial assets		**(45,585)**	–
Amortisation of other intangible assets		**(74)**	–
Other income		**870**	1,744
Gains/(losses):			
Fair value change on financial assets at fair value through profit or loss		**18,230**	(132,328)
Fair value change on contingent consideration receivable		**7,190**	–
Fair value change on contingent consideration payable		**(7,190)**	–
Fair value change on convertible bonds		**–**	6,878
Other (losses)/gains – net		**(3,105)**	81
Finance income		**145**	2,970
Finance costs		**(2,109)**	(543)
Share of profits of associates		**680**	753
Share of loss of a joint venture		**(115)**	(112)
Loss before income tax		**(35,306)**	(115,135)
Income tax (expense)/credit	*6*	**(4,300)**	20,217
Loss for the period		**(39,606)**	(94,918)

	Note	For the six months ended 31st December 2016 HK$'000	2015 HK$'000
Loss for the period		**(39,606)**	(94,918)
Other comprehensive 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:			
– Changes in fair value recognised during the period		**(46,782)**	(10,274)
– Reclassification adjustments for amounts transferred to profit or loss: impairment loss		**45,585**	–
		(1,197)	(10,274)
Currency translation differences		**486**	172
Other comprehensive loss for the period, net of tax		**(711)**	(10,102)
Total comprehensive loss for the period		**(40,317)**	(105,020)
Loss for the period attributable to:			
Owners of the Company		**(39,496)**	(94,645)
Non-controlling interests		**(110)**	(273)
		(39,606)	(94,918)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(40,207)**	(104,747)
Non-controlling interests		**(110)**	(273)
		(40,317)	(105,020)
Loss per share attributable to the owners of the Company during the period ***(expressed in HK$)***			(restated)
– basic and diluted	*7*	**0.11**	0.65

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31st December 2016 *HK$'000***	Audited As at 30th June 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,867**	6,224
Investment properties		**25,560**	25,560
Goodwill		**51,044**	59,447
Other intangible assets		**14,157**	14,231
Film rights and films in progress		**47,444**	54,278
Interests in associates		**27,150**	25,730
Interests in joint ventures		**367**	482
Loans receivable	*8(a)*	**16,500**	20,000
Loan receivable from a joint venture		**8,479**	8,364
Film related deposits		**32,779**	31,592
Deposits paid		**1,044**	363
Deferred tax assets		**383**	365
Contingent consideration receivable		**18,120**	10,930
Available-for-sale financial assets		**104,717**	85,802
		353,611	343,368
Current assets			
Inventories		**12,524**	14,304
Accounts receivable	*9*	**208,672**	224,739
Loans receivable	*8(a)*	**58,600**	23,163
Loan to an associate	*8(b)*	**5,000**	5,000
Amount due from an associate		**3,667**	–
Deposits paid, prepayments and other receivables		**62,785**	68,492
Financial assets at fair value through profit or loss		**244,811**	247,444
Bank balances and cash – trust accounts		**160,678**	116,667
Cash and cash equivalents		**159,912**	101,173
		916,649	800,982
Non-current assets held for sale		**3,535**	–
Assets associated with disposal group classified as held for sale		**–**	6,381
Total current assets		**920,184**	807,363
Total assets		**1,273,795**	1,150,731

	Note	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**5,333**	1,778
Share premium		**736,283**	532,910
Other reserves		**59,466**	67,301
Retained earnings		**118,735**	151,162
		919,817	753,151
Non-controlling interests		**(139)**	(1,230)
Total equity		**919,678**	751,921
LIABILITIES			
Non-current liabilities			
Borrowings		**15,900**	–
Obligations under finance lease		**47**	63
Contingent consideration payable		**18,120**	–
Deferred income liabilities		**2,315**	2,229
		36,382	2,292
Current liabilities			
Accounts payable	*10*	**175,025**	254,722
Amount due to an associate		**–**	1,941
Other payables and accrued charges		**67,804**	64,121
Borrowings		**39,173**	9,200
Deposits received		**27,202**	43,813
Obligations under finance lease		**35**	35
Taxation payable		**8,496**	9,068
Bank overdrafts		**–**	4,020
		317,735	386,920
Liabilities associated with disposal group classified as held for sale		**–**	9,598
Total current liabilities		**317,735**	396,518
Total liabilities		**354,117**	398,810
Total equity and liabilities		**1,273,795**	1,150,731
Net current assets		**602,449**	410,845
Total assets less current liabilities		**956,060**	754,213

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in securities brokerage and margin financing, money lending, leasing of investment properties and securities investment, video distribution and exhibition, licensing and sub-licensing of film rights, trading, wholesaling and retailing of optical products, watches and jewellery products.

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 Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. This unaudited condensed consolidated interim financial information was authorised for issue by the Board on 27th February 2017.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30th June 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The unaudited condensed interim financial information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34 "Interim Financial Reporting" has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's unaudited condensed consolidated interim financial information as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated interim financial information.

Amendments to HKAS 16 and HKAS 38, clarification of acceptable methods of depreciation and amortisation

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets and film rights. The amendments are applied prospectively. The amendments have had no significant impact on the financial position or performance of the Group.

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 identified 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

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

	Unaudited For the six months ended 31st December 2016								
	Video distribution, film 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 businesses *HK$'000*	Others *HK$'000*	Group *HK$'000*
Segment revenue									
External revenue	26,797	29,491	516	–	2,303	13,111	1,293	220	73,731
Inter segment sales	–	–	–	–	–	(6)	–	–	(6)
	26,797	29,491	516	–	2,303	13,105	1,293	220	73,725
Segment results	1,512	(1,555)	387	17,990	652	4,932	(2,447)	–	21,471
Gain on disposal of a subsidiary									3,197
Fair value change on contingent consideration receivable									7,190
Fair value change on contingent consideration payable									(7,190)
Impairment loss of available-for-sale financial assets									(45,585)
Amortisation of other intangible assets									(74)
Finance income									145
Finance costs									(2,109)
Share of profits of associates									680
Share of loss of a joint venture									(115)
Unallocated corporate expenses									(12,916)
Loss before income tax									(35,306)

	Unaudited For the six months ended 31st December 2015								
	Video distribution, film 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 businesses *HK$'000*	Others *HK$'000*	Group *HK$'000*
Segment revenue									
External revenue	28,566	36,544	510	–	3,833	694	2,697	2,119	74,963
Inter segment sales	–	–	–	–	–	–	–	–	–
	28,566	36,544	510	–	3,833	694	2,697	2,119	74,963
Segment results	5,019	8,465	401	(132,871)	1,331	535	(623)	(123)	(117,866)
Other operating expense									(425)
Gain on step acquisition of a subsidiary									1,764
Fair value change on financial assets at fair value through profit or loss									683
Fair value change on convertible bonds									6,878
Finance income									1,818
Finance costs									(469)
Share of profit of an associate									753
Share of loss of a joint venture									(112)
Unallocated corporate expenses									(8,159)
Loss before income tax									(115,135)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax. The profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax from except that gain on disposal of a subsidiary, fair value change on contingent consideration receivable, fair value change on contingent consideration payable, impairment loss of available-for-sale financial assets, impairment loss of goodwill, amortisation of other intangible assets, finance income, finance costs, share of profits of associates, share of loss of a joint venture and unallocated corporate expenses.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. EXPENSES BY NATURE

Expenses included in cost of revenue, selling expenses and administrative expenses are analysed as follows:

	Unaudited For the six months ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Amortisation of film rights	**1,354**	5,838
Amortisation of other intangible assets	**74**	–
Depreciation	**1,588**	1,659
Write-off of inventories	**1**	132
Provision for inventories	**–**	310
Employee benefits expenses including directors' emoluments	**20,805**	17,481
Cost of inventories sold	**24,004**	18,261

6. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period (2015: 16.5%).

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

	Unaudited For the six months ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong profits tax – current	**(4,222)**	(673)
Deferred income tax relating to the origination and reversal of temporary differences	**(78)**	1,170
Deferred income tax relating to unrealised fair value loss on investment securities	**–**	19,720
	(4,300)	20,217

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity owners of the Company during the period is based on the following data:

	Unaudited For the six months ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Loss for the period attributable to the owners of the Company	**(39,496)**	(94,645)

	Number of shares (in thousand)	
	2016	2015 (restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**360,322**	146,658

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the rights issue on 5th October 2016.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the conversion prices of these share options were higher than the average market price of shares in both period.

8. LOANS RECEIVABLE

(a) Loans receivable from third party customers

	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
Loans to third party customers	**75,100**	43,163

As at 31st December 2016 and 30th June 2016, the maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	**16,500**	20,000
– Current	**58,600**	23,163
	75,100	43,163

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

	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
Neither past due nor impaired		
– Unsecured loans	**75,100**	43,163

The Group's loans receivable from third party customers, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars.

(b) Loan to an associate

The loan to an associate is unsecured, bear interest at 7% per annum and repayable on 23rd March 2017. The loan was granted to the associate through the normal procedures of the money lending business of the Group during the year ended 30th June 2016.

The loans receivable are neither impaired nor overdue as at 31st December 2016. (As at 30th June 2016: same).

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

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

Loans receivable are interest-bearing at rates ranging from 7% to 11% per annum (At 30th June 2016: 7% to 12% per annum).

Interest income of approximately HK$2,303,000 (2015: approximately HK$3,833,000) has been recognised in "revenue" in the unaudited condensed consolidated statement of comprehensive income during the period.

9. ACCOUNTS RECEIVABLE

	Unaudited As at 31st December 2016 ***HK$'000***	Audited As at 30th June 2016 *HK$'000*
Accounts receivable arising from securities brokerage and margin financing business:		
– clearing house and cash clients	**39,913**	188,157
– margin clients	**137,800**	16,250
	177,713	204,407
Accounts receivable arising from other businesses:		
Accounts receivable – others	**31,101**	20,474
Less: Provision for impairment of accounts receivable – others	**(142)**	(142)
	30,959	20,332
Accounts receivable – net	**208,672**	224,739

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

As at 31st December 2016, the ageing analysis of the accounts receivable from securities brokerage and margin financing business, arising from clearing house and cash clients, was presented as follows based on trade date which approximates revenue recognition date:

	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
Current	**178**	132,375
Less than 1 month past due	**636**	23,713
More than 1 month past due	**39,099**	32,069
	39,913	188,157

The settlement terms of accounts receivable from clearing house, cash clients and margin clients which arising from the securities brokerage and margin financing business, are two days after trade date.

As at 31st December 2016, the ageing analysis of the accounts receivable arising from other businesses based on invoice date and net of provision for impairment of accounts receivables was as follows:

	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
1 to 90 days	**13,459**	10,963
91 days to 180 days	**14,994**	7,026
Over 180 days	**2,506**	2,343
	30,959	20,332

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

10. ACCOUNTS PAYABLE

	Unaudited As at 31st December 2016 ***HK$'000***	Audited As at 30th June 2016 *HK$'000*
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	**135,750**	231,264
– margin clients	**25,124**	19,056
	160,874	250,320
Accounts payable arising from other business:	**14,151**	4,402
	175,025	254,722

The settlement terms of accounts payable to cash client, except for margin loans, arising from securities brokerage and margin financing business are two days after trade date.

Accounts payable to cash clients and margin clients arising from securities brokerage and margin financing business bear variable interest at commercial rates, and repayable on demand subsequent to settlement dates.

No ageing analysis is disclosed in respect of accounts payable to cash clients and margin clients arising from securities brokerage and margin financing business as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

Included in accounts payable, amounts of HK$132,738,000 as at 31st December 2016 (30th June 2016: HK$100,147,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

As at 31st December 2016, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	Unaudited As at 31st December 2016 *HK$'000*	Audited As at 30th June 2016 *HK$'000*
Current to 90 days	**11,750**	1,416
91 days to 180 days	**28**	130
Over 180 days	**2,373**	2,856
	14,151	4,402

11. DISPOSAL OF A SUBSIDIARY

Pursuant to the Company's announcement dated 13th June 2016, Fragrant River Entertainment Culture (Holdings) Limited, a direct wholly owned subsidiary of the Company, the Company as a guarantor and a purchaser entered into a sale and purchase agreement ("AP Disposal Agreement") on 13th June 2016 to dispose 51% equity interest of AP Group Investment Holdings Limited ("AP Group") at a consideration of HK$20,400,000, subject to a downward adjustment in respect of the guaranteed profit as described in the AP Disposal Agreement. The AP Disposal Agreement was completed on 1st July 2016.

	Unaudited For the six months ended 31st December 2016 ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**2,134**
Accounts receivables	**103**
Amounts due from directors	**27**
Deposits paid, prepayments and other receivables	**2,758**
Cash and cash equivalents	**1,359**
Amounts due to a fellow subsidiary	**(59)**
Other payables and accrued charges	**(1,345)**
Deposits received	**(7,566)**
Taxation payable	**(687)**
Goodwill	**8,403**
	5,127

	Unaudited For the six months ended 31st December 2016 *HK$'000*
Release of cumulative exchange differences on translation	**(29)**
Non-controlling interest	**1,175**
	1,146
	6,273
Gain on disposal	**3,197**
	9,470
Satisfied by:	
Available-for-sale financial assets	**20,400**
Contingent consideration payable at date of disposal	**(10,930)**
	9,470
An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:	
Cash and cash equivalents disposed of	**(1,359)**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(1,359)**

12. PENDING LITIGATIONS

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

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

Pursuant to an Order (the "Order") made by the High Court on 21st February 2003, UEL was ordered and had paid to Star a sum of HK$5,495,700, being part of the licence fee of the Movie received by UEL from Miramax Films (being the licencee 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 loss and damages suffered by ULV as a result of the said infringement.

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

(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), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Video Compact Disc owned by KPE.

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

(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), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Digital Video Disc owned by KPE.

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

(d) Universe Artiste Management Limited ("UAM") 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 31st December 2016, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

13. EVENTS AFTER THE BALANCE SHEET DATE

1. Disposal of Film Library

Pursuant to the Company's announcement dated 9th January 2017 and 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") on 9th January 2017 to dispose 202 feature films ("Film Library") conditionally at a consideration of RMB178,895,064, subject to possible adjustment as set out in the Film Library Disposal Agreement (the "Disposal"). The cost of the Film Library has been almost fully amortised in previous years and the carrying value of the Film Library is approximately HK$3.5 million. The Company considers that the Disposal, if materialised, would allow the Group to realise a one-off gain of approximately HK$173.77 million from the Disposal.

The Film Library Disposal Agreement was not completed yet up to the date of this announcement and is subject to the shareholders' approval and other conditions. The special general meeting will be convened and held on 17th March 2017 for the purposes of considering and, if through fit, approving the Film Library Disposal Agreement.

2. Placing of new shares

a. Pursuant to the Company's announcement dated 18th January 2017, the Company and Gransing Securities Company Limited (the "Placing Agent") entered into a placing agreement (the "GM Placing Agreement"), in which the Company has conditionally agreed to place through the Placing Agent, on a best endeavor basis, up to 106,660,000 new ordinary shares (the "GM Placing Shares") to not less than six placees who and whose ultimate beneficial owners are independent third parties at the placing price of HK$0.519 per GM Placing Share (the "GM Placing").

Completion of the GM Placing took place on 7th February 2017. An aggregate of 106,660,000 GM Placing Shares, which represent approximately 16.67% of the issued share capital of the Company immediately after completion of the GM Placing, have been successfully placed to not less than six placees, who and whose ultimate beneficial owners are independent third parties, at HK$0.519 per GM Placing Share.

b. Pursuant to the Company's announcement dated 18th January 2017, the Company and the Placing Agent entered into a placing agreement (the "SM Placing Agreement"), in which the Company has conditionally agreed to place through the Placing Agent, on a best endeavor basis, up to 213,320,000 new ordinary shares (the "SM Placing Shares") to not less than six places who and whose ultimate beneficial owners are independent third parties at the placing price of HK$0.519 per SM Placing Shares (the "SM Placing").

   The maximum number of 213,320,000 SM Placing Shares represents approximately 25.00% of the existing issued share capital of the Company as enlarged by the GM Placing and the SM Placing.

   The placing price of HK$0.519 per GM Placing Shares and SM Placing Shares was determined after arm's length negotiations between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the ordinary shares of the Company (the "Share(s)") and represents: i) a discount of 13.5% to the closing price of HK$0.60 per Shares as quoted on the Stock Exchange on 17th January 2017; 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 17th January 2017.

   The SM Placing was not completed yet up to the date of this announcement and is subject to the shareholders' approval and other conditions. The special general meeting will be convened and held on 17th March 2017 for the purposes of considering and, if thought fit, approving the SM Placing. Please refer to Company's circular dated 24th February 2017 for details.

3. Acquisition of the shares of China New Economy Fund Limited

Pursuant to the Company's announcement dated 7th February 2017 and 8th February 2017, the Group acquired 132.4 million shares of China New Economy Fund Limited ("CNEF"), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 80) at the average purchase price of approximately HK$0.2885 per share of CNEF from 3rd February 2017 to 8th February 2017 in the open market. The aggregate consideration of this acquisition was approximately HK$38.19 million (excluding stamp duty and related expenses). All shares of CNEF are held by the Group for long-term investment purpose, representing approximately 17.0% of the total issued share capital of CNEF on 8th February 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group recorded a net loss of approximately HK$39.6 million for the Period, representing a decrease of approximately 58.3% as compared to the net loss of approximately HK$94.9 million for the same period in last year, which is mainly due to the net effect of (i) Group had recorded a fair value gain arising from financial assets at fair value through profit or loss of approximately HK$18.2 million for Period while the Group recorded a fair value loss arising from financial assets at fair value through profit or loss of approximately HK$132.3 million for the same period in last year; (ii) an impairment loss of approximately HK$44.3 million on the available-for-sale-financial assets, named "Hydra Capital SPC-Class A Share" ("Hydra Capital") was recognised during the Period.

The Group's unaudited consolidated revenue for the Period was approximately HK$73.7 million, representing a slightly decrease of approximately 1.73% as compared to the revenue of approximately HK$75.0 million for the same period last year. The decrease in revenue was mainly due to the net effect of (i) the increase of revenue of approximately HK$12.4 million from the securities brokerage and margin financing business; (ii) the decrease in revenue of approximately HK$7.1 million from trading, wholesale and retails of watches and jewellery products; (iii) the decrease in revenue of approximately HK$1.8 million from films distribution and exhibition, licensing and sub-licensing of film rights; (iv) the decrease in revenue of approximately HK$1.5 million from money lending business; and (v) the decrease in revenue of approximately HK$1.4 million from entertainment business

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

Revenue from this business segment during the Period was approximately HK$26.8 million, representing a decrease of approximately 6.3% as compared to approximately HK$28.6 million in the same period in last year. It accounted for approximately 36.3% (2015: approximately 38.1%) of the Group's revenue during the Period. The revenue from this business segment is stable during the Period.

Segmental profit from this business segment during the Period was approximately HK$1.5 million, representing a decrease of approximately 70.0% as compared to approximately HK$5.0 million in the same period last year. The decrease in segmental profit is mainly due to the increase in promotional cost and the decrease in turnover and gross profit from video distribution business as a result of the decrease in the number of new titles of films/television series distributed in various videogram formats during the Period.

Pursuant to 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") on 9th January 2017 to dispose 202 feature films ("Film Library") conditionally at a consideration of RMB178,895,064, subject to possible adjustment as set out in the Film Library Disposal Agreement (the "Disposal"). The cost of the Film Library has been almost fully amortised in previous years and the carrying value of the Film Library is approximately HK$3.5 million. The Company considers that the Disposal, if materialised, would allow the Group to realise a one-off gain of approximately HK$173.77 million from the Disposal. The Film Library Disposal Agreement was not completed yet up to the date of this announcement.

Apart from the Film Library, the Group still owns approximately 300 feature films, non-feature films, television series, documentaries and Chinese opera. The Group intends to continue its existing businesses including film exhibition, licensing and sub-licensing of film rights. The Company has two films in post production and one of which is expected to be released in April 2017. Further, the Company has several film projects on hand including one film in shooting and two films under the preparation of shooting. Further, the Group will continue the management of its operations in model and scale (such as number of staff) similar to that as before the Disposal. Hence, the Disposal will not result in significant scaling down nor cessation of the existing businesses of the Group. On the contrary, the Disposal will provide the Group with the opportunity to capture the residual value of the old films.

As the film market in People's Republic of China ("PRC") shows a good progress in its development, the Group will continue to adopt a cautious approach towards investment in large-scale film productions that enables broader and deeper market penetration.

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

Revenue from this business segment during the Period was approximately HK$29.5 million, representing a decrease of approximately 19.2% as compared to approximately HK$36.5 million in the same period in last year. Revenue from this business segment included the revenue of approximately HK$3.7 million (2015: approximately HK$3.7 million) from trading, wholesaling and retailing of optical products from 2 optical retail shops under the name of "茂昌眼鏡 Hong Kong Optical" in Hong Kong and the revenue of approximately HK$25.8 million (2015: approximately HK$32.8 million) from Winston Asia Limited ("Winston"), which are principally engaged in trading, wholesaling and retailing of watches and jewellery products in Hong Kong and the PRC. It accounted for approximately 40.0% (2015: approximately 48.7%) of the Group's revenue during the Period.

According to the latest statistics released by the National Bureau of Statistics of the PRC, (i) the accumulated gross domestic product of the PRC has been growing in a slower pace, from a year-on-year growth of approximately 10.16% for the fourth quarter of 2013 to that of approximately 7.99% for the fourth quarter of 2016; and (ii) the accumulated total retail sales of consumer goods (retail trades) has also experienced deceleration, with a year-on-year growth of approximately 13.1% for December 2013 to approximately 10.4% for December 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 2016.

In addition, with reference to the Reports on Monthly Survey of Retail Sales released by the Census and Statistics Department of Hong Kong in February 2017, the average value index of retail sales of jewellery, watches and clocks, and valuable gifts was approximately 79.8 for the year ended 31st December 2016, representing a decrease of approximately 17.3% as compared with the same index for the year ended 31st December 2015. This reflects a decreasing trend in the retail sales of those of jewellery, watches and optical products in Hong Kong in 2016. However, the market showed a sign of recovery in December 2016 in Hong Kong. The monthly value index of retail sales of "jewellery, watches and clocks and valuable gifts" of December 2016 only decreased 1.3% as compared to the same index in December 2015.

Consequently, the performance of this segment deteriorated. Segmental loss of approximately HK$1.6 million was recorded during the Period against a segmental profit of approximately HK$8.5 million for the same period in last year.

Due to the weakening of the retails market in Hong Kong and PRC in 2016, the business outlook of this segment is very challenging. In view of the downward trend of the retail market in Hong Kong and PRC in coming year, the Group will adopt a tight cost control. The Group will continue to review the performance of each retail shops and close down those shops with lower profitability in order to maintain the competiveness of this business segment.

Securities investments

As at 31st December 2016, the carrying value of the securities investments (recorded as the financial assets at fair value through profit or loss in the consolidated balance sheet) was approximately HK$244.8 million (30th June 2016: approximately HK$247.4 million). It included the Group's investment portfolio and consists of twenty one (30th June 2016: twelve) investment items, all of which are shares of companies or index-tracking funds listed on the Stock Exchange.

Three of the aforesaid investment items held by the Group, i.e., the shares of (i) Leap Holdings Group Ltd. ("Leap", Stock Exchange stock code 1499) valued at approximately HK$57.2 million as at 31st December 2016; (ii) First Credit Finance Group Ltd. ("First Credit", Stock Exchange stock code 8215) valued at approximately HK$69.8 million as at 31st December 2016; and (iii) Jiu Rong Holdings Limited ("Jiu Rong", Stock Exchange stock code 2358) valued at approximately HK$43.4 million as at 31st December 2016, which represented approximately 4.5%, approximately 5.5% and approximately 3.3%, of the Group's total asset value as at 31st December 2016 respectively and approximately 23.4%, approximately 28.5%, and approximately 17.3% of the value of the Group's financial assets at fair value through profit or loss as at 31st December 2016 respectively. As at 31st December 2016, the total market value of the aforesaid three investment items was approximately HK$169.3 million, representing (i) approximately 13.3% of the Group's total asset value and (ii) approximately 69.2% of the total financial assets at fair value through profit or loss of the Group respectively.

Leap and its subsidiaries are principally engaged in provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. As at 31st December 2016, the Group held 110,000,000 shares of Leap, representing approximately 4.18% of the total issued shares of Leap of 2,631,000,000 shares.

First Credit and its subsidiaries are principally engaged in money lending business. As at 31st December 2016, the Group held 150,000,000 shares of First Credit, representing approximately 4.1% of the total issued shares of First Credit of 3,628,800,000 shares. 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. In order to comply with the accounting standard, the securities investments of First Credit is 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.

Jiu Rong and its subsidiaries are principally engaged in (i) design, assembly and installation of water meter; and (ii) TV business. As at 31st December 2016, the Group held 163,000,000 shares of Jiu Rong, representing approximately 3.6% of the total issued shares of Jiu Rong of 4,560,000,000 shares.

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$18.2 million for Period 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$132.3 million for the same period in last year. Such improvement was mainly attributable to the good performance of certain investments during the Period. In particular, the investments in the shares of Jiu Rong and First Credit recorded fair value gain of approximately HK$19.0 million and approximately HK$33.5 million, respectively, and is partially offset by the fair value loss of Leap and others (net), of approximately HK$23.1 million and approximately HK$11.2 million respectively during the Period.

As a result, the overall segment profit of the securities investment segment was approximately HK$18.0 million (2015: segment loss of approximately HK$132.9 million) during the Period. The Group will continue reviewing its investment portfolios, so as to achieve a better return to the Group.

Available-for-sale financial assets

As at 31st December 2016, the available-for-sale financial assets of the Group of approximately HK$104.7 million (30th June 2016: approximately HK$85.8 million) consisted of six (30th June 2016: five) investment items in non-listed funds or listed/unlisted companies which held for long term investment purpose.

Three of the aforesaid investment items held by the Group, i.e., the shares of (i) GET Holdings Ltd. ("GET", Stock Exchange stock code 8100) valued at approximately HK$27.2 million as at 31st December 2016; (ii) Interactive Entertainment China Cultural Technology Inv Ltd. ("IE China", Stock Exchange stock code 8081) valued at approximately HK$32.4 million as at 31st December 2016; and (iii) Cassia Investments Limited Partnership II ("Cassia II") valued at approximately HK$16.6 million as at 31st December 2016, which represented approximately 2.1%, approximately 2.6% and approximately 1.3%, of the Group's total asset value as at 31st December 2016 respectively and approximately 25.9%, approximately 31.0%, and approximately 15.9% of the value of the Group's the available-for-sale financial assets as at 31st December 2016 respectively. As at 31st December 2016, the total market value of the aforesaid three investment items was approximately HK$76.2 million, representing (i) approximately 6.0% of the Group's total asset value and (ii) approximately 72.8% of the total available-for-sale financial assets of the Group respectively.

GET and its subsidiaries are principally engaged in research, develop & distribute software, applications & toolbar advertisement; website development, e-learning services; invest in securities; money lending; insurance & MPF schemes brokerage; corporate management solutions & IT contract. As at 31st December 2016, the Group held 49,383,000 shares of GET, representing approximately 16.7% of the total issued shares of GET of 296,298,825 shares.

IE China and its subsidiaries are principally engaged in mobile internet cultural business, provision of IT services, integral marketing services; medical diagnostic and health check services; hospitality and related services in Australia; money lending business; and assets investments business . As at 31st December 2016, 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.

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 exclusively 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 and the Group has committed to subscribe the limited partnership interest of US$9,000,000 in Cassia II. Up to the date of this announcement, the Group has subscribed the limited partnership interest of approximately US$2.2 million in Cassia II.

The Group recorded a decrease of the carrying value of the available-for-sale financial assets of approximately HK$46.8 million (2015: decrease of the carrying value of approximately HK$10.3 million) in the other comprehensive income/loss during the Period. The decrease is mainly attributed by the decrease of the fair value of one of the investment items held by the Group named "Hydra Capital SPC – Class A #1 Share" ("Hydra Capital") by approximately HK$44.3 million during the Period.

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 31st December 2016, 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 investment of Hydra Capital is holding 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 this Mobile

Game Company, including factors such as industry and sector performance, it was determined that the carrying value of Hydra Capital was impaired and an impairment loss of approximately HK$44.3 million was recognised during the Period.

Leasing of investment properties

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK$0.5 million (2015: approximately HK$0.5 million) during the Period.

The segment profit of this business segment was approximately HK$387,000 (2015: approximately HK$401,000) during the Period.

Money lending business

The Group engaged in money lending business in Hong Kong during the Period. As at 31st December 2016, the Group had (i) loans receivable of approximately HK$75.1 million, and (ii) loan to an associate of HK$5.0 million; totally approximately HK$80.1 million loans receivable under the money lending business (As at 30th June 2016: approximately HK$48.2 million) and recognised interest income of approximately HK$2.3 million (2015: approximately HK$3.8 million). It accounted for approximately 3.1% (2015: approximately 5.1%) of the Group's revenue during the Period.

There was no default event happened in respect of the Group's loans receivable during the Period (2015: Nil). The segment profit of this business segment was approximately HK$652,000 (2015: approximately HK$1.3 million) during the Period.

It is expected the money lending market in Hong Kong will be stable and continue to grow in the nearly 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.

Securities brokerage and margin financing

The Company has engaged in securities brokerage and margin financing since the acquisition of China Jianxin Financial Services Limited (formerly known as Win Fung Securities Limited) ("China Jianxin") in November 2015. 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 during the Period was approximately HK$13.1 million (2015: approximately HK$0.7 million). It accounted for approximately 17.8% (2015: approximately 0.9%) of the Group's revenue during the Period. The segment profit of this business segment was approximately HK$4.9 million (2015: approximately HK$0.5 million) during the Period.

Under the margin financing business segment, credit facilities are offered by China Jianxin to its clients under careful due diligence, including but not limited to whether they will take a bullish or bearish view on the Hong Kong stock market or other securities market around the world. In addition, China Jianxin would review and assess the volatility risk of the underlying assets to which clients are interested to purchase on the market on a margin basis. Such credit facilities offer funding flexibility to clients side by side bolstering China Jianxin's commission income at the end.

As disclosed in (i) the report named "Financial Review of the Securities Industry" for the half year ended 30th June 2016; and (ii) the report named "Half-Yearly Financial Review of the Securities Industry" for the half year ended 30th June 2006 published by the Securities and Futures Commission of Hong Kong, the total number of active margin clients in Hong Kong increased from approximately 78,000 as at 30th June 2006 to approximately 255,000 as at 30th June 2016, representing a compound annual growth rate ("CAGR") of approximately 12.6%, and the amounts receivable from margin clients in Hong Kong increased from approximately HK$17.6 billion as at 30th June 2006 to approximately HK$153.3 billion as at 30th June 2016, representing a CAGR of approximately 24.2%. The upward trends of both total number of active margin clients in Hong Kong and amount receivable from margin clients in Hong Kong indicate a continuous growing market for margin financing in Hong Kong. Accordingly, the Company is of the view that the margin financing market in Hong Kong is expected to grow in the future. There are also strong demand from the existing clients and other new clients of China Jianxin for margin financing facilities from China Jianxin. The Group will deploy more resources to this segment to further developing the securities brokerage and margin financing business.

Entertainment business

This segment primarily relate to the artiste and model management and organisation of concerts. Revenue from this business segment during the Period was approximately HK$1.3 million (2015: approximately HK$2.7 million). The decrease in revenue is mainly due to the keen competition and the decrease of the commission income from the artiste and model management business of approximately HK$1.4 million during the Period. Segmental loss of approximately of HK$2.4 million was recorded during the Period (2015: segmental loss of approximately HK$623,000). The increase in loss from this segment is due to the decrease in turnover and decrease in gross profit during the Period.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 46% (2015: approximately 45%) of the Group's revenue during the Period.

Selling expenses

Selling expenses for the Period decreased by approximately 28.9% to approximately HK$6.9 million as compared to approximately HK$9.7 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$2.2 million during the Period.

Administrative expenses

Administrative expenses for the Period increased by approximately 25.7% to approximately HK$43.1 million as compared to approximately HK$34.3 million in the same period last year. The increase in administrative expenses was mainly due to (i) the increase of staff costs of approximately HK$2.1 million due to medical benefits provided to staffs, (ii) the increase of office rent of approximately HK$1.0 million due to rental of new office for China Jianxin during the Period and (iii) the inclusion of administrative expense of China Jianxin of approximately HK$4.0 million in the new business of securities brokerage and margin financing.

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 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 is 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 shall be determined in accordance with the following revised formula:

FC = NP x (12/15) x 7.5 x 49%

Where:

"FC" means the amount of the Final Consideration subject to a cap of HK$36,750,000;

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

Where the Relevant Period Net Profit is a negative figure, "NP" shall 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 are available. Within 10 Business Days after the Final Consideration is determined, where the Final Consideration is less than the amount of the Initial Consideration, the Vendor shall 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 is equal to or more than the Initial Consideration, neither the Group required to pay any additional sum to the Vendor nor is 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 Glory Acquisition.

According to the Relevant Period Audited Accounts delivered to the Group on 22nd February 2017, net profit of the Glory Group (NP) is approximately HK$12.9 million. In accordance to the above formula, the Final Consideration (FP) is approximately HK$37.9 million. As the Final Consideration is equal to or more than the Initial Consideration, neither the Group required to pay any additional sum to the Vendor nor is the Vendor 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$1.3 million for the Period (2015: approximately HK$550,000).

Disposal of AP Group Investment Holdings Limited

On 12th October 2015, the Group, entered into a sale and purchase agreement with four independent third party vendors to acquire 51% equity interest of AP Group Investment Holdings Limited ("AP Group") for 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 are 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"), a company incorporated in BVI and a wholly-owned subsidiary of GET Holdings Limited entered into a disposal agreement (the "AP Disposal Agreement") pursuant to sell 51.0% 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").

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 will only include income or gain generated by activities in the ordinary and usual course of business of the AP Group) (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 "Contingent Consideration Payable") will be determined in accordance with the formula set out below:

A = HK$20,400,000.00 – (NP/2) x 5 x 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 the 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. Accordingly, the financial consequence from such shortfall of profit of the AP Group would not theoretically have any material adverse influence on the financial position of the Group and return of the AP Disposal is protected in this regard.

The AP Disposal was completed on 1st July 2016.

As at 31st December 2016, the fair value of the Contingent Consideration Receivable and Contingent Consideration Payable, which is equivalent to the Adjustment Amount as defined below, are of approximately HK$18.1 million, which is based on the best estimation of the directors of the Company taking into account the operation result of AP Group in 2016.

OUTLOOK

Following the launch of the Shanghai and Shenzhen – Hong Kong Stock Connect Program in 2014 and 2016, respectively, cross-border investment activities will be further encouraged. It is expected the securities brokerage and margin financing business in Hong Kong will have a strong grow in the future.

Pursuant to the Company's announcement dated 24th June 2016, the Group and the vendors entered into the sale and purchase agreement to acquire 100% equity interest of Ample Capital Limited (the "Ample") at the consideration of HK$30,000,000. Ample is licensed under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. The Directors considered the acquisition of the Ample as a further step to strengthen the Group's foothold in the financial services industry. The above acquisition is not completed yet as at the date of this announcement.

In addition, the Group is considering to acquire the membership of the Chinese Gold & Silver Exchange Society and to further diversify into commodity brokerage and trading business.

Nevertheless, the Group will continue to identify different investment opportunities in other business sectors with enormous potentials. This allows the Group to further diversify its businesses and broaden the income sources with the aim to maximise the return to its shareholders.

FINANCIAL RESOURCES/LIQUIDITY

As at 31st December 2016, the Group had cash balances of approximately HK$159.9 million (As at 30th June 2016: approximately HK$101.2 million).

As at 31st December 2016, the Group had total assets of approximately HK$1,273.8 million (As at 30th June 2016: approximately HK$1,150.7 million).

The Group's gearing ratio as at 31st December 2016 is approximately 6.0% (As at 30th June 2016: approximately 1.8%), which was calculated on the basis of the Group's total debt (including borrowings, obligations under finance lease and bank overdraft) divided by total equity of the Group.

The Group incurred financial cost of approximately HK$2.1 million (2015: HK$0.5 million).

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

As at 31st December 2016, current ratio (defined as total current assets divided by total current liabilities) was approximately 2.9 (As at 30th June 2016: approximately 2.0).

CAPITAL STRUCTURE

As at 31st December 2016, the Group had shareholders' capital of approximately HK$5.3 million (30th June 2016: approximately HK$1.8 million). The shareholders' capital of the Company is constituted of 533,322,276 shares.

Pursuant to 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$220.4 million before expenses by issuing not less than 355,548,184 and not more than 367,399,760 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 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 12th July 2016.

The Rights Issue was completed on 5th October 2016 and an aggregated of 355,548,184 Rights Shares have been 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 note with principal amounted to 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$23.3 million for the expansion of money lending business. The remaining unutilised proceeds of approximately HK$22.4 million will be utilized to further expansion of money lending business.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2016, no group assets were pledged (As at 30th June 2016: bank balances – (general accounts) with an aggregate value of approximately HK$3,000 were pledged as collaterals for bank overdrafts and bank borrowings of a subsidiary).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2016, the Group had 133 staff (As at 30th June 2016: 167). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits including 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 "2013 AGM"), 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:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant share options to selected Participants (as defined below) as incentive and/or rewards for their contributions and support to the Group and any invested entity.

(b) Participants of the Share Option Scheme

The Board may, at its discretion, invite any person belonging to any of the following classes of participants for their contributions and support to the Group and any invested entity (the "Participants" and individually, a "Participant") to take up share options to subscribe for shares.

(i) any full-time employee of the Company, any of its subsidiary or any invested entity, including (without limitation) any executive director of the Company, any of its subsidiary or invested entity (individually, an "Employee");

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiary or any invested entity;

(iii) any supplier of goods or services to any member of the Group or any invested entity;

(iv) any customer of the Group or any invested entity;

(v) any person or entity that provides research, development or other technical support to the Group or any invested entity;

(vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any invested entity; and

(viii) any joint venture partner or counter-party to business operation or business arrangements of the Group.

(c) Maximum number of share options available for issue under the Share Option Scheme

(i) The maximum number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit; and

(ii) The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Schemes is an amount equivalent to 10% of the shares of the Company in issue as at the dates of approval of the Share Option Schemes unless approval for refreshing the 10% limit from the Company's shareholders has been obtained.

(d) Maximum entitlement of each participant

The total number of shares issued upon exercise of the share options granted and to be granted to each grantee under the Share Option Scheme and any other schemes for the time being of the Company (including both exercised and outstanding share options) in any 12-month period up to the date of grant to each grantee must not exceed 1% of the aggregate number of shares for the time being in issue.

(e) Remaining life and exercisable period of the share options

There is no general requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular share option. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of 10 years commencing on the Date of Grant and expiring on the last day of the said 10-year period.

(f) Payment on acceptance of the share options offer

A sum of HK$1 is payable by the Participant on acceptance of the share option offer.

(g) Basis of determining the subscription price

The subscription price for shares under the Share Option Scheme should be a price notified by the Board to a Participant to whom any offer of the grant of a share option is made and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, provided that the subscription price should not be lower than the nominal value of a share.

Particulars of the share options under the Share Option Scheme outstanding during the Period and as at 31st December 2016 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 Period	Number of share options lapsed during the Period	Adjustment on the number of share options after Right Issue	Number of share options outstanding at the end of the Period	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. Hung Cho Sing	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*
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	1,097,408	(1,097,408)	–	–	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*	6,816,500	–	916,151	7,732,651	0.68*
				13,951,897	(2,100,509)	1,594,068	13,445,456	

* *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.*

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2016, complied with the code provisions contained in Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules except for the code provision A.2.1 of the Code for the separation of the roles of Chairman and Chief Executive Officer ("CEO") as described in the following.

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

AUDIT COMMITTEE

The Audit Committee was established on 11th October 1999. Its current members include three independent non-executive Directors, namely Mr. Choi Wing Koon (Chairman), Mr. Lam Chi Keung and Ms. Cheng Lo Yee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2016 with the management.

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

The Company has not redeemed any of its shares during the six months ended 31st December 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31st December 2016, the Company has adopted the Model Code as the code for dealing in securities of the Company by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code throughout the Period.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.uih.com.hk) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report will also be available on the same websites on or before 31st March 2017.

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

Hong Kong, 27th February 2017

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 and Ms. Cheng Lo Yee.