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寰宇

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2016

RESULTS

The board of directors (the “Directors”) of Universe International Financial Holdings Limited (the “Company”) (the “Board”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30th June 2016, together with comparative figures for the year ended 30th June 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30th June	
		2016	2015
	Note	HK\$'000	HK\$'000
CONTINUING OPERATIONS:			
Revenue			
Sales of goods		72,320	6,877
Income on film exhibition, licensing and sub-licensing of film rights		45,563	34,234
Income from other businesses		33,150	29,154
Total revenue	4	151,033	70,265
Income			
Fair value change of financial assets at fair value through profit or loss		(143,564)	229,943
Total revenue and income		7,469	300,208
Cost of revenue			
Cost of inventories sold		(38,000)	(4,803)
Related cost on film exhibition, licensing and sub-licensing of film rights		(13,129)	(18,917)
Cost from other businesses		(3,775)	(21,829)
Total cost of revenue		(54,904)	(45,549)

	<i>Note</i>	Year ended 30th June	
		2016	2015
		HK\$'000	HK\$'000
Selling expenses		(18,275)	(3,234)
Administrative expenses		(72,240)	(49,117)
Other income		22,872	834
Other gains/(losses) – net		151	(248)
Other operating (expenses)/income		(4,429)	826
Gain on disposal of a subsidiary		–	6
Gain on step acquisition of a subsidiary		1,571	–
Fair value change of investment properties		–	500
Impairment loss of film rights		(4,226)	(5,818)
Fair value change and loss on redemption of convertible bonds		(1,813)	–
Fair value change of contingent consideration receivable		4,080	–
Fair value change of contingent consideration payable		60	–
Impairment loss of goodwill		(29,923)	–
Impairment loss on investment in an associate		(18,421)	–
Amortisation of other intangible assets		(135)	–
Finance income		298	314
Finance cost		(2,263)	(170)
Share of profits/(losses) of associates		3,899	(38)
Share of loss of a joint venture		(224)	(218)
(Loss)/profit before tax		(166,453)	198,296
Income tax credit/(expenses)	5	26,179	(37,366)
(Loss)/profit for the year from continuing operations		(140,274)	160,930
DISCONTINUED OPERATION:			
Loss for the year from discontinued operation	12	(1,602)	–
(Loss)/profit for the year		(141,876)	160,930
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		(12,340)	8,347
Currency translation differences		(708)	(18)
Other comprehensive (loss)/income for the year, net of tax		(13,048)	8,329
Total comprehensive (loss)/income for the year		(154,924)	169,259

	<i>Note</i>	Year ended 30th June	
		2016	2015
		HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company:			
– from continuing operations		(139,973)	160,930
– from discontinued operation		(817)	–
		<u> </u>	<u> </u>
(Loss)/profit for the year attributable to owners of the Company		<u>(140,790)</u>	<u>160,930</u>
(Loss)/profit attributable to non-controlling interests:			
– from continuing operations		(301)	(1,026)
– from discontinued operation		(785)	–
		<u> </u>	<u> </u>
(Loss)/profit for the year attributable to non-controlling interests		<u>(1,086)</u>	<u>(1,026)</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(153,852)	170,285
Non-controlling interests		(1,072)	(1,026)
		<u> </u>	<u> </u>
		<u>(154,924)</u>	<u>169,259</u>
Total comprehensive (loss)/income attributable to owners of the Company arises from:			
Continuing operations		(153,050)	170,285
Discontinued operation		(802)	–
		<u> </u>	<u> </u>
		<u>(153,852)</u>	<u>170,285</u>
(Loss)/earnings per share attributable to the owners of the Company for the year			
(expressed in HK\$)			(Restated)
From continuing and discontinued operations			
– basic	6	<u>(0.980)</u>	<u>6.227</u>
– diluted	6	<u>(0.980)</u>	<u>6.146</u>
From continuing operations			
– basic		<u>(0.974)</u>	<u>6.227</u>
– diluted		<u>(0.974)</u>	<u>6.146</u>

CONSOLIDATED BALANCE SHEET

		As at 30th June	
		2016	2015
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,224	5,229
Investment properties		25,560	25,560
Goodwill		59,447	1,314
Other intangible assets		14,231	1,858
Film rights and films in progress		54,278	17,906
Interests in associates		25,730	5,022
Interests in joint ventures		482	706
Loans receivable	7	20,000	–
Loan receivable from a joint venture		8,364	8,140
Film related deposits		31,592	38,195
Deposits paid		363	6,204
Deferred tax assets		365	380
Contingent consideration receivable		10,930	–
Available-for-sale financial assets		85,802	88,415
		343,368	198,929
Current assets			
Inventories		14,304	5,841
Accounts receivable	9	224,739	14,183
Loans receivable	7	23,163	37,000
Loan to an associate		5,000	–
Amount due from a joint venture		–	10
Deposits paid, prepayments and other receivables		68,492	65,722
Financial assets at fair value through profit or loss		247,444	315,109
Bank balances and cash – trust accounts		116,667	–
Cash and cash equivalents		101,173	102,834
		800,982	540,699
Assets associated with disposal group classified as held-for-sale	12	6,381	–
Total current assets		807,363	540,699
Total assets		1,150,731	739,628

		As at 30th June	
		2016	2015
	Note	HK\$'000	HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		1,778	2,984
Share premium		532,910	213,630
Other reserves		67,301	148,463
Retained earnings		151,162	206,943
		<u>753,151</u>	<u>572,020</u>
Non-controlling interests		(1,230)	247
		<u>751,921</u>	<u>572,267</u>
Total equity		751,921	572,267
LIABILITIES			
Non-current liabilities			
Borrowings		–	9,200
Obligations under finance lease		63	97
Deferred tax liabilities		2,229	29,813
		<u>2,292</u>	<u>39,110</u>
Current liabilities			
Accounts payable	10	254,722	4,189
Amount due to an associate		1,941	–
Other payables and accrued charges		64,121	52,869
Borrowings		9,200	–
Deposits received		43,813	56,726
Obligations under finance lease		35	35
Taxation payable		9,068	14,432
Bank overdrafts		4,020	–
		<u>386,920</u>	<u>128,251</u>
Liabilities associated with disposal group classified as held-for-sale	12	9,598	–
		<u>396,518</u>	<u>128,251</u>
Total current liabilities		396,518	128,251
		<u>398,810</u>	<u>167,361</u>
Total liabilities		398,810	167,361
Total equity and liabilities		1,150,731	739,628
Net current assets		410,845	412,448
Total assets less current liabilities		754,213	611,377

NOTES:

1. GENERAL INFORMATION

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

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to a special resolution passed by the shareholders of the Company on 29th June 2016, the Company’s name was changed from “Universe International Holdings Limited” to “Universe International Financial Holdings Limited” with effect from 3rd August 2016.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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

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

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

3. ACCOUNTING POLICY

(i) Application of new and revised HKFRSs

There is no new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) effective for the first time in the current year.

(ii) New Hong Kong Companies Ordinance (Cap. 622)

The Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

(iii) New standards and amendments to standards not yet adopted

The following new standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1st July 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual Improvement Project	Annual Improvements 2012-2014 Cycle	1st January 2016
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	a date to be determined
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception	1st January 2016
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKAS 1 Amendments	Disclosure Initiative	1st January 2016
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKAS 7 Amendments	Disclosure Initiative	1st January 2017
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKAS 16 and HKAS 38 Amendments	Clarification of HKFRS 15 Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants	1st January 2016
HKAS 27 Amendments	Equity Method in Separate Financial Statements	1st January 2016
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 15 Amendments	Clarifications to Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

The following is analysis of the Group's revenue for the year ended 30th June 2016:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations:		
Revenue		
Film exhibition, licensing and sub-licensing of film rights	45,563	34,234
Sales of goods – video distribution, optical, watches and jewellery products	72,320	6,877
Leasing of investment properties	1,026	989
Money lending	8,450	5,224
Securities brokerage and margin financing	16,099	–
Others	7,575	22,941
	151,033	70,265

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,439	12,307
	1,439	12,307
Deferred tax (credit)/expenses	(27,618)	25,059
Income tax (credit)/expenses	(26,179)	37,366

The provision of Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

No provision for PRC Enterprise Income Tax (the "EIT") has been made in the consolidated financial statements as the Group has no assessable profits for the year ended 30th June 2016 (2015: Nil).

No provision for profits tax in Bermuda and the British Virgin Islands have been made as the Group has no income or profit assessable for tax in these jurisdictions for the years ended 30th June 2016 and 2015.

6. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per ordinary share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015 (Restated)
(Loss)/profit attributable to owners of the Company (HK\$'000)		
– from continuing and discontinued operations	(140,790)	160,930
– from continuing operations	(139,973)	160,930
	<u>(139,973)</u>	<u>160,930</u>
Weighted average number of ordinary shares in issue	<u>143,724,624</u>	<u>25,844,856</u>
Basic (loss)/earnings per ordinary share (HK\$)		
– from continuing and discontinued operations	(0.980)	6.227
– from continuing operations	(0.974)	6.227
	<u>(0.974)</u>	<u>6.227</u>

(b) Diluted

Diluted loss per ordinary share for the year ended 30th June 2016 was the same as the basic loss per ordinary share because the exercises of the Company's share options, warrants and convertible notes would result in a decrease in loss per ordinary share for that year.

	2015 (Restated)
Profit attributable to owners of the Company (HK\$'000)	
and used to determine diluted earnings per ordinary share (HK\$'000)	
– from continuing and discontinued operations	160,930
– from continuing operations	160,930
	<u>160,930</u>
Weighted average number of ordinary shares in issue	25,844,856
Adjustment for share options	339,818
	<u>26,184,674</u>
Weighted average number of ordinary shares for diluted earnings per ordinary share	<u>26,184,674</u>
Diluted earnings per ordinary share (HK\$)	
– from continuing and discontinued operations	6.146
– from continuing operations	6.146
	<u>6.146</u>

The computation of diluted earnings per ordinary share for the year ended 30th June 2015 did not assume the conversion of the Company's warrants because the exercise prices of the Company's warrants were higher than the average market prices of the Company's shares during the year.

For the year ended 30th June 2015, the weighted average number of ordinary shares for the purpose of basic and diluted earning per ordinary share has been restated and adjusted with (i) the effect of shares consolidation (10 shares consolidated into 1 share) in March 2016; and (ii) the effect of bonus element of the rights issue in August 2015 on the basis of 2 rights share for every 1 existing ordinary share, which occurred during the current year.

7. LOANS RECEIVABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans to customers	<u>43,163</u>	<u>37,000</u>
As at 30th June 2016 and 2015, the maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	20,000	–
– Current	<u>23,163</u>	<u>37,000</u>
	<u>43,163</u>	<u>37,000</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired		
– Unsecured loans	<u>43,163</u>	<u>37,000</u>

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

The loans receivable are neither impaired nor overdue as at 30th June 2016 (2015: same).

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

8. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 30th June 2016 (2015: Nil).

9. ACCOUNTS RECEIVABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts receivable arising from securities brokerage and margin financing business:		
– clearing house and cash clients	188,157	–
– margin clients	16,250	–
	<u>204,407</u>	<u>–</u>
Accounts receivable arising from other businesses:		
Accounts receivable – others	20,474	14,325
Less: Provision for impairment of accounts receivable	(142)	(142)
	<u>20,332</u>	<u>14,183</u>
Accounts receivable – net	<u><u>224,739</u></u>	<u><u>14,183</u></u>

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

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	132,375	–
Less than 1 month past due	23,713	–
More than 1 month past due	32,069	–
	<u><u>188,157</u></u>	<u><u>–</u></u>

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
1 to 90 days	10,963	13,800
91 days to 180 days	7,026	211
Over 180 days	2,343	172
	20,332	14,183

Sales of videogram products are with credit terms of 7 days to 60 days. Sales from film exhibition, licensing and sub-licensing of film rights are on open account terms. Sales to retail customers are made in cash or via major credit cards. Training and coaching fees are received in advance. 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.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers, and are internationally dispersed.

No provision was recognised by the Group for the impairment of its accounts receivable during the year ended 30th June 2016 (2015: Nil). During the year ended 30th June 2016, no provision (2015: Nil) was written off from the allowance account.

As at 30th June 2016, except for the margin clients of securities brokerage and margin financing business, the Group does not hold any collateral as security (2015: Nil). Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. As at 30th June 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients were HK\$92,620,000.

10. ACCOUNTS PAYABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	231,264	–
– margin clients	19,056	–
	<u>250,320</u>	<u>–</u>
Accounts payable arising from other businesses	4,402	4,189
	<u>254,722</u>	<u>4,189</u>

The settlement terms of accounts payable from cash client, except for margin loans, arising from the business of dealing in securities, are two days after trade date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

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

Included in accounts payable, amounts of HK\$100,147,000 as at 30th June 2016 (2015: Nil) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payables with the deposits placed.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
1 to 90 days	1,416	1,761
91 days to 180 days	130	97
Over 180 days	2,856	2,331
	<u>4,402</u>	<u>4,189</u>

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

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

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

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the said claim made against UEL will have no material financial impact to the Group for the year ended 30th June 2016.

- (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 consolidated financial statements.

- (c) On 8th January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), 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 consolidated financial statements for the year ended 30th June 2016. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

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

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

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

Save as disclosed above, as at 30th June 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.

12. DISCONTINUED OPERATION

The Group’s discontinued operation represented the training and coaching segment operated by AP Group Investment Holdings Limited (“AP Group”).

On 13th June 2016, Fragrant River Entertainment Culture (Holdings) Limited, a direct wholly-owned subsidiary of the Company and the Company as a guarantor entered into a sales and purchase agreement with an independent third party vendor to dispose 51% equity interest of AP Group for a consideration of HK\$20,400,000 (subject to downward adjustment in respect of the guaranteed profit as described in the sale and purchase agreement). The disposal of AP Group has been completed on 1st July 2016.

The results of AP Group under the segment of training and coaching has been presented as discontinued operation during the year ended 30th June 2016 and AP Group was classified as disposal group held-for-sale on the consolidated balance sheet.

The loss for the period from 14th December 2015 (date of acquisition) to 30th June 2016 from discontinued operation is analysed as follows:

	AP Group <i>HK\$'000</i>
Revenue	10,429
Cost of revenue	(3,136)
	7,293
Administrative expenses	(8,477)
Other income	11
Other losses	(9)
Finance income	2
Loss before tax	(1,180)
Income tax expenses	(422)
Loss for the period	<u>(1,602)</u>

The major classes of assets and liabilities of AP Group classified as held for sale as at 30th June 2016 are as follows:

	AP Group <i>HK\$'000</i>
Assets	
Property, plant and equipment	2,134
Accounts receivables	103
Amounts due to directors	27
Deposits paid, prepayments and other receivables	2,758
Cash and cash equivalents	1,359
Assets associated with disposal group classified as held for sale	<u>6,381</u>
Liabilities	
Other payables and accrued charges	1,345
Deposits received	7,566
Taxation payable	687
Liabilities associated with disposal group classified as held for sale	<u>9,598</u>
Net liabilities associated with disposal group classified as held for sale	<u>(3,217)</u>

The net cash flows incurred by AP Group for the period from 14th December 2015 (date of acquisition) to 30th June 2016 are as follows:

	AP Group <i>HK\$'000</i>
Net cash outflow from operating activities	(264)
Net cash inflow from investing activities	–
Net cash inflow from financing activities	–
Net cash outflow	(264)
	<i>HK\$</i>
Loss per share:	
– Basic, from the discontinued operation	0.006
– Diluted, from the discontinued operation	0.006

13. EVENTS AFTER THE BALANCE SHEET DATE

- 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% of the 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. The results of AP Group under the business segment of training and coaching has been presented as discontinued operation during the year ended 30th June 2016 and AP Group was classified as disposal group held for sale on the consolidated balance sheet.

- 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 ("Second Rights Shares") at the subscription price of HK\$0.60 per Second Rights Shares on the basis of two (2) Second Rights Shares for every one (1) share in issue held on the 8th September 2016 ("Second Rights Issue").

The Second Rights Issue was not completed yet. The Company will announce the result of the Second Rights Issue in early October 2016.

3. Pursuant to the Company's announcement dated 15th July 2016, the Group acquired 240 million shares of Interactive Entertainment China Cultural Technology Investments Limited ("IE China"), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on GEM (Stock Code: 8081) at the average purchase price of HK\$0.105 per share of IE China. The aggregate consideration of this acquisition was HK\$25.2 million (excluding stamp duty and related expenses).

Prior to this acquisition, the Group held an aggregate of 63,000,000 shares of IE China. Upon settlement of this acquisition, the Group held an aggregate of 303 million shares of IE China. All shares of IE China are held by the Group as long-term investment, representing approximately 6.15% of the total issued share capital of IE China on 15th July 2016.

4. On 24th June 2016, Honest Novel Holdings Limited ("Honest Novel"), an indirect wholly owned subsidiary and the independent third party vendors entered into a sale and purchase agreement to acquire 100% issued shares of Ample Capital Limited ("Ample") at a total consideration of HK\$30,000,000. The consideration shall be settled by way of (i) the Company issuing the promissory note in the aggregate principal amount of HK\$18,291,025 to one of the vendors upon completion; and (ii) Honest Novel accepting the novation of the amount advanced by Ample to the vendors prior to the date of the sale and purchase agreement and remains outstanding as at the date of this announcement, amounting to HK\$11,708,975. The acquisition was not completed up to the date of this announcement.

BUSINESS AND OPERATIONAL REVIEW

Overall Group Results

The Group is principally engaged in securities brokerage and margin financing, money lending, properties and securities investment, film distribution and exhibition, licensing and sub-licensing of film rights, trade, wholesale and retail of optical products, watch and jewellery products.

During the year ended 30th June 2016 (the “Year”) the Group has successfully acquired two new businesses, namely, (i) Winston Asia Limited (“Winston”), which are principally engaged in trading, wholesaling and retailing of watches and jewellery products in July 2015; and (ii) Win Fung Securities Limited (“Win Fung”), a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in November 2015. The principal activities of Win Fung are provision of brokerage services and securities margin financing to clients.

It is the intention of the Group to leverage on the expertise of the management in Win Fung to further develop the securities brokerage and margin financing and money lending business of the Group. To better reflect the Group’s direction of future development, the Group has changed its English company name from “Universe International Holdings Limited” to “Universe International Financial Holdings Limited” and changed the secondary name in Chinese from “寰宇國際控股有限公司”, to “寰宇國際金融控股有限公司” by passing a special resolution on 29th June 2016.

The Group recorded a net loss of approximately HK\$141.9 million for the Year, as compared with a net profit of approximately HK\$160.9 million for the year ended 30th June 2015. The Board attributes such loss mainly to (i) the fair value loss arising from the investment securities of approximately HK\$143.6 million during the Year. For the year ended 30th June 2015, the Group recorded a fair value gain arising from the investment securities of approximately HK\$229.9 million; (ii) the impairment loss of goodwill of approximately HK\$29.9 million (2015: Nil); and (iii) the impairment loss of investment in associate of approximately HK\$18.4 million (2015: Nil).

The Group’s revenue for the Year from continuing operating was approximately HK\$151.0 million, representing an increase of approximately 114.8% as compared to the revenue of approximately HK\$70.3 million for the same period last year. The increase in revenue was mainly due to the completion of the acquisition of 79.99% equity interest of Winston, which are principally engaged in trading, wholesaling and retailing of watches and jewellery products, in July 2015 and the completion of the acquisition of 100% equity interest of Win Fung, which are principally engaged in securities brokerage and margin financing, in Nov 2015. The Group recorded revenue from Winston and Win Fung of approximately HK\$54.3 million and approximately HK\$16.1 million respectively during the Year.

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

Revenue from this business segment during the Year was approximately HK\$56.2 million, representing an increase of approximately 36.7% as compared to approximately HK\$41.1 million in the same period last year. It accounted for approximately 37.2% (2015: approximately 58.5%) of the Group's revenue from continuing operation during the Year.

The growth of revenue from this business segment was mainly due to the increase in the number of new titles of films/television series distributed in various videogram formats during the Year.

The performance of this segment improved. Segmental profit of approximately of HK\$8.6 million was recorded during the Year against a segmental loss of approximately HK\$9.6 million for the same period last year, which is mainly due to (i) the increase in the number of new titles of films/television series distributed in various videogram formats during the Year and (ii) higher gross contribution from film exhibition, licensing and sub-licensing of film rights business as a result of the stringent production cost control during the Year.

Due to high production, advertising and distribution cost and keen competition, the business environment of this segment is more challenging than before and the Group will continue to adopt a cautious and prudent approach to identify new opportunities and streamline the cost structure of this business segment.

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

Revenue from this business segment during the Year was approximately HK\$61.7 million (2015: approximately HK\$0.6 million), which included the revenue of approximately HK\$7.4 million (2015: approximately HK\$0.6 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\$54.3 million (2015: Nil) from Winston, which are principally engaged in trading, wholesaling and retailing of watches and jewellery products in Hong Kong and the People's Republic of China (“PRC”). It accounted for approximately 40.9% (2015: approximately 0.9%) of the Group's revenue from continuing operation during the Year.

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 9.80% for the second quarter of 2013 to that of approximately 7.24% for the second 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 13.3% for July 2013 to approximately 10.2% for July 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.

With reference to the Reports on Monthly Survey of Retail Sales released by the Census and Statistics Department of Hong Kong in August 2016, the value of total retail sales in June 2016, provisionally estimated at \$33.7 billion, decreased by 8.9% compared with the same month in 2015. The revised estimate of the value of total retail sales in May 2016 decreased by 8.3% compared with a year earlier. For the first half of 2016, the value of total retail sales decreased by 10.5% compared with the same period in 2015. Analysed by broad type of retail outlet in descending order of value of sales and comparing June 2016 with June 2015, the value of sales of jewellery, watches and clocks, and valuable gifts decreased by 20.4% and optical shops decreased by 5.5%. This reflects a decreasing trend in the retail sales of those of jewellery, watches and optical products in Hong Kong.

Due to the weakening of the retails market in Hong Kong and PRC in first half of 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 review the performance of each retail shops and close down those shops with lower profitability in order to maintain the competitiveness of this business segment. In particular, the number of retail shops for watches and jewellery products have been reduced from around 31 shops to around 16 shops in the PRC, and from two shops to one shop in Hong Kong during the Year.

Consequently, segmental loss of approximately HK\$439,000 (2015: segmental loss of approximately HK\$32,000) was recorded during the Year.

The impairment loss on the goodwill of approximately HK\$25.8 million attributable to Winston was recorded during the Year as a result of the continuing weakening of the retailing market of watches and jewellery in Hong Kong and PRC in the first half of 2016.

Securities investments and leasing of investment properties

As at 30th June 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\$247.4 million (30th June 2015: approximately HK\$315.1 million). It included the Group's investment portfolio and consists of twelve (30th June 2015: seven) investment items, all of which are shares of companies listed on the Stock Exchange. Five of the aforesaid investment items held by the Group, i.e., the shares of (i) Leap Holdings Group Ltd. ("Leap") valued at approximately HK\$80.3 million as at 30th June 2016; (ii) China Jicheng Holdings Limited ("China Jicheng") valued at approximately HK\$39.2 million as at 30th June 2016; (iii) First Credit Finance Group Ltd. ("First Credit") valued at approximately HK\$36.3 million as at 30th June 2016; (iv) Convoy Global Holdings Ltd. ("Convoy") valued at approximately HK\$33.1 million as at 30th June 2016; and (v) Jiu Rong Holdings Limited ("Jiu Rong") valued at approximately HK\$27.9 million as at 30th June 2016, which represented approximately 7.0%, approximately 3.4%, approximately 3.2%, approximately 2.9% and approximately 2.4% of the Group's total asset value as at 30th June 2016 respectively and approximately 32.5%, approximately 15.8%, approximately 14.7%, approximately 13.4% and approximately 11.3% of the value of the Group's financial assets at fair value through profit or loss as at 30th June 2016 respectively.

As at 30th June 2016, the total market value of the aforesaid five investment items was approximately HK\$216.8 million, representing (i) approximately 18.8% of the Group's total asset value and (ii) approximately 87.6% 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 30th June 2016, the Group held 110,000,000 shares of Leap, representing approximately 4.48% of the total issued shares of Leap of 2,456,000,000 shares.

China Jicheng and its subsidiaries are principally engaged in manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. As at 30th June 2016, the Group held 191,250,000 shares of China Jicheng, representing approximately 0.3% of the total issued shares of China Jicheng of 75,000,000,000 shares.

First Credit and its subsidiaries are principally engaged in money lending business. As at 30th June 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.

Convoy and its subsidiaries are principally engaged in independent financial advisory business, money lending business, proprietary investment business, asset management business and corporate finance advisory services. As at 30th June 2016, the Group held 93,336,000 shares of Convoy, representing approximately 0.6% of the total issued shares of Convoy of 14,938,896,000 shares.

Jiu Rong and its subsidiaries are principally engaged in (i) design, assembly and installation of water meter; and (ii) TV business. As at 30th June 2016, the Group held 180,000,000 shares of Jiu Rong, representing approximately 4.7% of the total issued shares of Jiu Rong of 3,800,000,000 shares.

The Group's recorded fair value loss on changes on investment securities of approximately HK\$143.6 million (2015: fair value gain of approximately HK\$229.9 million) during the Year. Such loss was mainly attributable to the volatile and unfavourable market sentiment in the stock market in Hong Kong during the Year which lead to the substantial decrease in the market price of the investments of the Group.

The investments in the shares of Jiu Rong, China Jicheng and Convoy recorded fair value loss of approximately HK\$43.2 million, approximately HK\$40.4 million and approximately HK\$30.3 million respectively, and together contributed to approximately 79.3% of the total fair value loss on changes on investment securities of the Group for the Year.

As at 30th June 2016, the Group's securities investments portfolio included the shares of companies listed on the Stock Exchange and engaged in different industries such as entertainment, manufacturing, financial advisory business, asset management, solar energy, money lending, construction, interior design and improvement, financial printing services, natural resources trading and forestry and agricultural business etc. The Group will continue reviewing its investment portfolios, so as to achieve a better return to the Group.

The rental income from leasing of investment properties remained stable during the Year. The Group recorded rental income of approximately HK\$1.0 million (2015: approximately HK\$1.0 million) during the Year.

The overall segment loss of this business segment was approximately HK\$122.3 million (2015: segment profit of approximately HK\$225.0 million) during the Year.

Available-for-sale financial assets

As at 30th June 2016, the available-for-sale financial assets of the Group was approximately HK\$85.8 million (30th June 2015: approximately HK\$88.4 million) consisted of five (30th June 2015: four) investment items in non-listed funds or companies. One of the aforesaid investment items held by the Group, named “Hydra Capital SPC – Class A #1 Share” (“Hydra Capital”) valued at approximately HK\$60.7 million as at 30th June 2016 which represented (i) approximately 5.3% of the Group’s total asset value as at 30th June 2016 and (ii) approximately 70.7% of the value of the Group’s available-for-sale financial assets as at 30th June 2016.

Hydra Capital is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolios where its principal investments are internet related and mobile application in Asia.

As at 30th June 2016, the Group held 5,500 shares in Hydra Capital, representing approximately 24.6% of the total issued shares of Hydra Capital of 22,400 shares.

The Group recorded a decrease in the carrying value of the available-for-sale financial assets of approximately HK\$12.3 million (2015: increase in value of approximately HK\$8.3 million) in the other comprehensive (loss)/income during the Year. In view of the negative trend of the financial market and business outlook for the available-for-sale financial assets, including factors such as industry and sector performance as well as operational and financing cash flow, it was determined that the carrying value of the available-for-sale financial assets was depreciated.

Money lending business

The Group engaged in money lending business in Hong Kong during the Year. As at 30th June 2016, the Group had (i) loans receivable of approximately HK\$43.2 million, and (ii) loan to an associate of HK\$5.0 million; totally HK\$48.2 million loans receivable under the money lending business (As at 30th June 2015: approximately HK\$37.0 million) and recognised interest income of approximately HK\$8.5 million (2015: approximately HK\$5.2 million). Loans receivable are interest-bearing at rates ranging from 7% to 12% per annum (2015: 8% to 15% per annum). It accounted for approximately 5.6% (2015: approximately 7.4%) of the Group’s revenue from continuing operation during the Year. There was no default event happened in respect of the Group’s loans receivable during the Year (2015: Nil). The segment profit of this business segment was approximately HK\$0.7 million (2015: approximately HK\$2.5 million) during the Year. The decrease in segment profit is mainly due to the increase in selling and administrative expenses to promote and develop the money lending business as compared to the same period last year.

It is expected that the money lending market in Hong Kong will continue to grow in the near future. As disclosed in the report named “Monthly Statistical Bulletin” published by the Hong Kong Monetary Authority in July 2016, the total loans and advances of all authorized money lending institutions in Hong Kong increased from approximately HK\$2,467.8 billion in 2006 to approximately HK\$7,534.5 billion in 2015, representing a CAGR of approximately 13.2%. The increasing trend of total loans and advances indicates a rising demand in the money lending market in Hong Kong. Accordingly, the Group intends to continue to expand the money lending business, including potential acquisition of listed and unlisted shares of money lending companies, to effectively utilise the Group’s cash resources and to increase the income sources of the Group.

Securities brokerage and margin financing

The Group completed the acquisition of 100% equity interest in Win Fung in November 2015. Win Fung is a licensed corporation under the SFO with the following regulated activities: (i) Type 1: Dealing in securities; and (ii) Type 4: Advising on securities. The principal activities of Win Fung are provision of securities brokerage services and securities margin financing to clients.

Revenue from this business segment during the Year was approximately HK\$16.1 million (2015: Nil). It accounted for approximately 10.6% (2015: Nil) of the Group’s revenue from continuing operations during the Year. The segment profit of this business segment was approximately HK\$4.0 million (2015: Nil) during the Year.

The acquisition of Win Fung during the Year enabled the Company to diversify its business into the financial services industry and broaden revenue sources of the Group in the coming financial periods.

As disclosed in the report named “Financial Review of the Securities Industry” for the year ended 31st December 2015 and the report named “Yearly Financial Review of the Securities Industry” in relation to the year of 2006 published by the Securities and Futures Commission of Hong Kong, the total number of active margin clients in Hong Kong increased from approximately 80,000 in 2006 to approximately 242,000 in 2015, representing a compound annual growth rate (“CAGR”) of approximately 13.1% and the amount receivable from margin clients in Hong Kong increased from approximately HK\$20.6 billion in 2006 to approximately HK\$145.3 billion in 2015, representing a CAGR of approximately 24.2%. The upward trend 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.

Furthermore, Shenzhen-Hong Kong Stock Connect Program will be launched soon and cross-border investment activities will be further encouraged. The Company is of the view that the securities brokerage services and margin financing business in Hong Kong is expected to have a strong growth in the future.

Other Income

Other income for the Year increased by approximately 27.5 times to approximately HK\$22.9 million as compared to approximately HK\$834,000 in the same period last year. The increase in other income was mainly due to the dividend income HK\$20.4 million from the available-for-sale financial assets was recorded during the Year (2015: Nil).

Selling expenses

Selling expenses for the Year increased by approximately 5.7 times to approximately HK\$18.3 million as compared to approximately HK\$3.2 million in the same period last year. The increase in selling expenses was mainly due to the inclusion of the selling expenses of Winston of approximately HK\$12.7 million in the new business of trading, wholesaling and retailing of watches and jewellery products during the Year.

Administrative expenses

Administrative expenses for the Year increased by approximately 47.0% to approximately HK\$72.2 million as compared to approximately HK\$49.1 million in the same period last year.

The increase in administrative expenses was mainly due to (i) the inclusion of the administrative expenses of Winston of approximately HK\$9.3 million in the new business of trading, wholesaling and retailing of watches and jewellery products during the Year and (ii) the increase of legal and professional fee of approximately HK\$2.4 million which was mainly due to the acquisitions conducted by the Group during the Year.

Income tax credit

The Group recorded income tax credit of approximately HK\$26.2 million during the Year (2015: income tax expenses of approximately HK\$37.4 million), which was mainly attributable to the deferred income tax credit of approximately HK\$29.4 million arising from the fair value loss on investment securities during the Year.

DISCONTINUED OPERATION

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.

During the Year, AP Group contributed approximately HK\$10.4 million revenue (2015: Nil) to the Group and incurred a segmental loss of approximately HK\$1.2 million (2015: Nil).

Due to unsatisfactory operation result of AP Group during the Year, the impairment loss on the goodwill of approximately HK\$4.1 million attributable to AP Group was recorded during the Year.

On 13th June 2016, the Group and Lucky Famous Limited (the “Purchaser”), a company incorporated in the British Virgin Islands (“BVI”) and a wholly-owned subsidiary of GET Holdings Limited entered into a disposal agreement (the “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”) will be determined in accordance with the formula set out below:

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

Where:

“A” means the amount of Adjustment Amount in HK\$; and

“NP” means the FY 2016 & 2017 Net Profit. Where the FY 2016 & 2017 Net Profit is a negative figure, “NP” shall be deemed to be zero.

The FY 2016 & 2017 Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards and audited, at the cost of 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 Win Fung 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 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 and therefore the operation of AP Group was reclassified as discontinued operation for the Year.

ACQUISITION OF 49% EQUITY INTEREST 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 Group”), a company incorporated in BVI with limited liability 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:

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

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 Group for the Relevant Period (as defined below) (the “Relevant Period Net Profit”), being the audited consolidated profit after tax of the Glory Group attributable to owners of the Glory Group for the period from 1st July 2015 to 30th September 2016 (“Relevant Period”) as shown in the audited consolidated financial statements of the Glory Group (“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 Group).

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.

Glory Group has well-established business in advertising production, provision of public relations services, holding and sponsoring stage performance, concerts, film production and other culture events in Hong Kong, Taiwan and the PRC, and the Glory Acquisition will enable the Group to complement its existing film production business to similar advertising production business, as well as provision of public relations services in relation to, among others, promotion of films through various events. In addition, the directors of the Glory Group and other shareholders of the Glory Group have years of experience in the advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and film production, and

the close alliance between the Group and the Glory Group may have synergetic effect which will be beneficial to the Group. Therefore the Board considers that the terms of the Glory Acquisition are fair and reasonable so far as the Company and the shareholders are concerned, and the Glory Acquisition is in the interests of the Company and the shareholders as a whole.

The Group recorded the share of profit of the associates from Glory Group of approximately HK\$4.5 million for the Year (2015: Nil).

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

However, due to the unsatisfactory ticket box office of the first self-produced film of Glory Group called "Kidnap Ding Ding Don" in Hong Kong which was first released in late June 2016, the Group has reduced the expected operational result of Glory Group in the future and therefore the Group recorded an impairment loss of approximately HK\$18.4 million during the Year.

NEW/POTENTIAL INVESTMENTS AND OUTLOOK

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. The Target 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 report.

In addition, 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 and therefore maximising the return to its shareholders.

FINANCIAL RESOURCES/LIQUIDITY

The Group's financial position remained healthy. As at 30th June 2016, the Group had cash balances of approximately HK\$101.2 million (2015: approximately HK\$102.8 million).

As at 30th June 2016, the Group had total assets of approximately HK\$1,150.7 million (2015: approximately HK\$739.6 million).

The Group's gearing ratio as at 30th June 2016 is 1.77% (2015: 1.63%), which was calculated on the basis of the total debt (including borrowings, obligations under finance lease and bank overdraft) divided by total equity of the Group.

Finance cost for the Year is approximately HK\$2.3 million (2015: approximately HK\$170,000). The significant increase of finance cost is mainly due to the increase of the Group's borrowing outstanding during the Year for the acquisition and development of new/current business of the Group.

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

CAPITAL REORGANISATION AND CAPITAL STRUCTURE

1. Pursuant to the Company's announcement dated 26th May 2015, Company's circular dated 24th June 2015 and Company's prospectus dated 24th July 2015, the Company proposed to raise not less than approximately HK\$120.55 million and not more than approximately HK\$134.36 million before expenses by issuing not less than 596,760,614 and not more than 665,160,614 new shares ("First Rights Shares") at the subscription price of HK\$0.202 ("First Subscription Price") per First Rights Share on the basis of two (2) First Rights Shares for every one (1) share in issue held on the 23rd July 2015 ("First Rights Issue").

The First Subscription Price of HK\$0.202 per First Rights Share represented:

- (i) a discount of 74.75% to the closing price of HK\$0.8 per share as quoted on the Stock Exchange on 26th May 2015, being the last trading day of the announcement of First Rights Issue;
- (ii) a discount of approximately 49.66% to the theoretical ex-rights price of approximately HK\$0.4013 per share based on the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 26th May 2015; and
- (iii) a discount of approximately 72.78% to the average closing price of approximately HK\$0.742 per share for the last five consecutive trading days immediately prior to 26th May 2015.

The First Subscription Price was arrived at after arm's length negotiations between the Company and the underwriter with reference to the market price of the shares and the prevailing market conditions.

The First Rights Issue was completed on 13th August 2015 and an aggregated of 596,760,614 First Rights Shares have been issued. The net proceeds from the First Rights Issue were approximately HK\$114.8 million and were used as following up to 31st August 2016:

Intended use of proceeds

Actual use of proceeds

Approximately HK\$114.8 million, of which: The Group has applied as intended:

- | | |
|--|---|
| <ol style="list-style-type: none">(i) not more than approximately HK\$50.0 million was intended for the development of money lending business; and(ii) not more than approximately HK\$43.4 million for the existing business of holding and sponsoring stage performance, concerts and other cultural events as well as the entertainment business in Hong Kong and PRC. | <ol style="list-style-type: none">(i) approximately HK\$50.0 million for the development of money lending business; and(ii) approximately HK\$43.4 million for the film production in Hong Kong and PRC. |
|--|---|

Intended use of proceeds**Actual use of proceeds**

(iii) not less than approximately HK\$21.4 million for the working capital of the Group.

(iii) approximately HK\$16.2 million for the general working capital of the Group.

The remaining unutilised proceeds of approximately HK\$5.2 million will be utilised as intended.

2. Pursuant to the Company's announcement dated 26th May 2015 and Company's circular dated 24th June 2015, the Company entered into a placing agreement (the "First Placing Agreement") pursuant to which the Company appointed a placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 586,350,000 new shares of the Company ("First Placing Shares") at a price of HK\$0.3411 per First Placing Share ("First Placing"). The placing price of HK\$0.3411 per First Placing Share represented:

- (i) a discount of approximately 57.36% to the closing price of HK\$0.8 per share as quoted on the Stock Exchange on 26th May 2015, being the last trading date of the announcement of the First Placing Agreement;
- (ii) a discount of approximately 15.00% to the theoretical ex-rights price of approximately HK\$0.4013 per share based on the closing price of HK\$0.8 per share as quoted on the Stock Exchange on 26th May 2015 (taking into account the effect of the First Rights Issue); and
- (iii) a discount of approximately 54.03% to the average of the closing price per share of HK\$0.742 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 26th May 2015.

Assuming the maximum number of the First Placing Shares was placed, the gross proceeds from First Placing would be approximately HK\$200.0 million and the net proceeds would be approximately HK\$192.5 million. On such basis, the net issue price would be approximately HK\$0.3283 per First Placing Share.

The First Placing Price of HK\$0.3411 was arrived at after arm's length negotiations between the Company and the placing agents with reference to the theoretical ex-rights price of approximately HK\$0.4013 (taking into account the effect of the First Rights Issue) with a discount of approximately 15.00%.

The First Placing Agreement was completed on 28th July 2015 and an aggregated of 586,350,000 First Placing Shares have been successfully placed to not less than six placees. The net proceeds from the issuance of the First Placing Shares were approximately HK\$192.5 million and were used as following up to 31st August 2016:

Intended use of proceeds

Actual use of proceeds

Approximately HK\$192.5 million, of which:

The Group has applied as intended:

- | | |
|--|---|
| <p>(i) approximately HK\$20.0 million was intended for the development of its existing business in trading, wholesale and retail of watch and jewellery products, or if the acquisition of 79.99% of the enlarged share capital of Winston Asia Limited is not approved by the Shareholders or does not proceed, for the money lending business of the Group;</p> | <p>(i) approximately HK\$20.0 million for the development of its existing business in trading, wholesale, and retail of watch and jewellery products;</p> |
| <p>(ii) not less than approximately HK\$36.75 million was intended for the possible acquisition of a target company principally engaged in film and advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and other cultural events in Hong Kong, Taiwan and the PRC. If such acquisition does not proceed, the Company would seek other investment opportunities in the same industry;</p> | <p>(ii) approximately HK\$36.75 million to acquire 49% of the issued share capital of Glory International Entertainment Limited principally engaged in film and advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and other cultural events in Hong Kong, Taiwan and the PRC as disclosed in the Company's announcement dated 27th August 2015;</p> |
| <p>(iii) not less than approximately HK\$55.0 million was intended for the possible acquisition of a group of companies principally engaged in the production of frames for eyeglasses and optical products. If such acquisition does not proceed, the Company would seek for other investment opportunities in the same industry;</p> | <p>(iii) approximately HK\$55.0 million to Cassia Investments Limited Partnership I, with the option granted to the Group to subscribe up to 15.45% of the issued capital of Cassia Optical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which owned 85% equity interest in a group of companies which are principally engaged in the production, supply and distribution of frames for eyeglasses and other optical products as announced on 5th October 2015;</p> |

Intended use of proceeds**Actual use of proceeds**

- | | |
|---|--|
| (iv) not more than approximately HK\$35.0 million was intended for the development of money lending business; and | (iv) approximately HK\$35.0 million for the development of money lending business; and |
| (v) approximately HK\$45.75 million was intended for the working capital of the Group. | (v) approximately HK\$45.75 million as general working capital of the Group. |

It was the goal of the Group to expand its revenue and income stream and stabilise its revenue and income through (i) the acquisition of new businesses, which are considered to have a relatively stable income stream, from other parties; and/or (ii) further expansion of the other existing business segments of the Group. As such, the Group conducted the First Placing and the First Rights Issue to finance the acquisition of new business and further expansion of other existing business segments of the Group. The Board also considered that the First Placing and the First Rights Issue represented a good opportunity to broaden the shareholders' base and the capital base of the Company.

3. Pursuant to the Company's announcement dated 29th January 2016 and Company's circular dated 23rd February 2016, the Company proposed to implement the reorganisation of the share capital of the Company ("Capital Reorganisation") involving (a) the consolidation of every 10 issued and unissued pre-consolidated shares of HK\$0.01 each in the share capital of the Company ("Pre-consolidated Shares") into 1 consolidated share of HK\$0.10 in the share capital of the Company ("Consolidated Share" and "Consolidated Shares" shall be construed accordingly; (b) the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; and (c) the sub-division of each of the authorised but unissued Consolidated Shares of HK\$0.10 each into 10 shares of HK\$0.01 each in the share capital of the Company ("Share" and "Shares" shall be construed accordingly). The Capital Reorganisation became effective on 18th March 2016.
4. As announced on 23rd March 2016, the Company entered into a placing agreement (the "Second Placing Agreement") pursuant to which the Company appointed a placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 29,625,000 new Shares of the Company ("Second Placing Shares") at a price of HK\$0.779 per Second Placing Share ("Second Placing"). The Second Placing price of HK\$0.779 per Second Placing Share represented:
 - (i) a discount of approximately 18.0% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on 23rd March 2016, being the date of the Second Placing Agreement; and

- (ii) a discount of approximately 11.7% to the average closing price of HK\$0.882 per Share (as adjusted as a result of the Capital Reorganisation) as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to 23rd March 2016.

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

Assuming the maximum number of the Second Placing Shares is placed under the Second Placing Agreement, the gross proceeds from the Second Placing will be approximately HK\$23.1 million and the net proceeds will be approximately HK\$22.2 million (after deduction of commission and other expenses of the Second Placing). On such basis, the net issue price will be approximately HK\$0.749 per Second Placing Share.

The Directors are of the view that the Second Placing can strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The Second Placing also represents good opportunities to broaden the shareholders' base and the capital base of the Company. The Directors consider that the Second Placing is in the interest of the Company and the shareholders as a whole.

The Second Placing Agreement was completed on 13th April 2016 and an aggregated of 29,625,000 Second Placing Shares have been successfully placed to not less than six places. The net proceeds from the issuance of the Second Placing Shares were approximately HK\$22.2 million and all such proceeds were utilised for general working capital for the Group.

- 5. Pursuant to the Company's announcement dated 12th July 2016, 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 ("Second Rights Shares") at the subscription price of HK\$0.60 ("Second Subscription Price") per Second Rights Share on the basis of two (2) Second Rights Shares for every one (1) share in issue held on the 8th September 2016 ("Second Rights Issue").

The Second Subscription Price represents:

- (a) a discount of 25.00% to the closing price of HK\$0.800 per share as quoted on the Stock Exchange on 12th July 2016, being the last trading date of the announcement of the Second Rights Issue;
- (b) a discount of approximately 24.24% to the average closing price of HK\$0.792 per share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to 12th July 2016;
- (c) a discount of approximately 25.19% to the average closing price of HK\$0.802 per share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to 12th July 2016;

- (d) a discount of approximately 10.04% to the theoretical ex-rights price of approximately HK\$0.667 based on closing price of HK\$0.800 per share as quoted on the Stock Exchange on 12th July 2016;
- (e) a discount of approximately 88.56% to the Group's unaudited consolidated net asset value of approximately HK\$5.247 per share ("NAV"), based on the unaudited consolidated net asset value of the Group of approximately HK\$777,318,000 as at 31st December 2015 as disclosed in the interim report of the Company for the six months ended 31st December 2015 and 1,481,490,921 Shares in issue as at 31st December 2015 taking into account the effect of Capital Reorganisation.

The Second Subscription Price was determined after arm's length negotiations between the Company and the underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to 12th July 2016 and the theoretical ex-rights price; and (ii) the historical market prices of the Shares which have represented discounts to the NAV ranging from 77.13% to 89.33% for the recent six months prior to 12th July 2016, and in particular a discount of approximately 84.75% to the NAV as represented by the closing price of HK\$0.8 per Share on 12th July 2016; and (iii) the capital needs of the Group.

The gross proceeds of the Second Rights Issue will be approximately HK\$213.3 million before expenses. The estimated net proceeds of the Second Rights Issue, after deducting all relevant expenses, are estimated to be approximately HK\$204.9 million. Based on the net proceeds of approximately HK\$204.9 million, after deducting all relevant expenses relating to the Second Rights Issue, the net price per Second Rights Share is approximately HK\$0.58. The Company intends to apply the net proceeds from the Second Rights Issue as follows:

1. approximately HK\$150.00 million for expansion of margin financing business;
2. approximately HK\$45.7 million for expansion of money lending business, including potential acquisition of listed and unlisted shares of money lending companies; and
3. HK\$9.2 million for repayment of the principal of the coupon note or other loans of the Group (if applicable).

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

The Second Rights Issue was not completed yet. The Company will announce the results of Second Rights Issue in early October 2016.

THE PLEDGE OF GROUP'S ASSETS

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.

CAPITAL COMMITMENTS

The Group's capital commitment outstanding at 30th June 2016 was approximately HK\$62 million (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2016, the Group employed 167 staff (2015: 52). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits included discretionary bonus, medical insurance scheme and mandatory provident fund.

SHARE OPTION SCHEME

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

Particulars of the share options under the Share Option Scheme outstanding during the Year and as at 30th June 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 year	Adjusted number of share options after Right Issue	Number of share options granted during the year	Adjusted number of share options after Capital Reorganisation	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at the end of the year	Market value per share on grant of share options HK\$
Executive directors											
Mr. Lam Shiu Ming, Daneil	21st July 2014	21st July 2014 to 20th July 2016	10.77*	2,072,000	3,343,673	–	334,367	–	–	334,367	9.4*
Mr. Hung Cho Sing	21st July 2014	21st July 2014 to 20th July 2016	10.77*	2,072,000	3,343,673	–	334,367	–	–	334,367	9.4*
	4th March 2016	4th March 2016 to 3rd March 2018	0.92#	–	–	14,814,000	1,481,400	–	–	1,481,400	0.77#
Ms. Cheng Hei Yu	4th March 2016	4th March 2016 to 3rd March 2018	0.92#	–	–	14,814,000	1,481,400	–	–	1,481,400	0.77#
Mr. Lam Kit Sun	21st July 2014	21st July 2014 to 20th July 2016	10.77*	2,072,000	3,343,673	–	334,367	–	–	334,367	9.4*
	4th March 2016	4th March 2016 to 3rd March 2018	0.92#	–	–	14,814,000	1,481,400	–	–	1,481,400	0.77#
Non-executive directors											
Mr. Chan Shiu Kwong, Stephen	4th March 2016	4th March 2016 to 3rd March 2018	0.92#	–	–	14,814,000	1,481,400	–	–	1,481,400	0.77#
Other eligible participants	21st July 2014	21st July 2014 to 20th July 2016	10.77*	8,872,400	14,317,763	–	1,431,775	–	(334,367)	1,097,408	9.4*
	30th September 2015	30th September 2015 to 29th September 2017	1.69#	–	–	20,720,880	2,072,088	–	–	2,072,088	1.61#
	4th March 2016	4th March 2016 to 3rd March 2018	0.92#	–	–	38,537,000	3,853,700	–	–	3,853,700	0.77#
				15,088,400	24,348,782	118,513,880	14,286,264	–	(334,367)	13,951,897	

- * 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 (i) the rights issue (the “First Rights Issue”) pursuant to the Company’s announcement dated 26th May 2015, Company’s circular dated 24th June 2015 and Company’s prospectus dated 24th July 2015, which was completed on 13th August 2015; (ii) the capital reorganisation (the “Capital Reorganisation”) pursuant to the Company’s announcement dated 29th January 2016, Company’s circular dated 23rd February 2016 and became effective on 18th March 2016.
- # 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 Capital Reorganisation.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has, throughout the year ended 30th June 2016 (the “Year”), complied with the code provisions contained in the Codes 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 separated and should not be performed by the same individual. The Company does not at present have any officer holding the position of CEO. Mr. Lam Shiu Ming, Daneil is the founder and Chairman of the Company and has also carried out the responsibilities of CEO. Mr. Lam possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure to be more suitable to the Group because it can promote the efficient formulation and implementation of the Group’s strategies.

INTERNAL CONTROL

The Board has the overall responsibility for the internal control of the Group, including risk management, and sets appropriate policies having regard to the objectives of the Group. The Board, through the Audit Committee, conducted a review on the effectiveness of the Group’s system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review.

AUDIT COMMITTEE

The Company established an Audit Committee on 11th October 1999. The written terms of reference (amended on 29th February 2012), which describe the authority and duties of the Audit Committee, were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and in accordance with the Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Wing Tai (as chairman), Mr. Lam Chi Keung and Mr. Choi Wing Koon. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company respectively.

The annual results of the Group for the Year have been reviewed by the Audit Committee.

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

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

CHANGE OF COMPANY'S NAME

By a special resolution passed on 29th June 2016, the name of the Company was changed from "Universe International Holdings Limited" to "Universe International Financial Holdings Limited" and the secondary name in Chinese was changed from "寰宇國際控股有限公司", to "寰宇國際金融控股有限公司".

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uih.com.hk), respectively. The annual report for 2016 of the Company will be dispatched to the shareholders and will be available on the above websites in due course.

By Order of the Board
Universe International Financial Holdings Limited
Lam Shiu Ming, Daneil
Chairman

Hong Kong, 30th September 2016

As at the date of this announcement, the executive directors of the Company are Mr. Lam Shiu Ming, Daneil, Mr. Hung Cho Sing, Ms. Cheng Hei Yu and Mr. Lam Kit Sun, the non-executive director is Mr. Chan Shiu Kwong Stephen, and the independent non-executive Directors are Mr. Lam Wing Tai, Mr. Choi Wing Koon and Mr. Lam Chi Keung.