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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 2017**

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 2017 (the “Period”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

		For the six months ended	
		31st December	
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Revenue			
Sales of goods – video distribution, optical, watches and jewellery products		19,829	33,027
Income on film distribution and exhibition, licensing and sub-licensing of film rights		24,631	22,787
Income from other businesses		13,513	17,911
Total revenue	4	57,973	73,725

		For the six months ended	
		31st December	
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Cost of revenue			
Cost of inventories sold		(13,434)	(24,004)
Related cost on film distribution and exhibition, licensing and sub-licensing of film rights		(13,657)	(6,895)
Cost from other businesses		(217)	(254)
Total cost of revenue		(27,308)	(31,153)
Selling expenses		(6,330)	(6,925)
Administrative expenses		(91,529)	(43,116)
Other operating income		3,896	29
Gain on disposal of a subsidiary		249	3,197
Gain on disposal of film library	11	182,050	–
Impairment loss of available-for-sale financial assets		(12,553)	(45,585)
Impairment loss of accounts receivable		(1,873)	–
Amortisation of other intangible assets		(74)	(74)
Other gains/(losses) – net		2,531	(3,105)
Other income		1,075	870
Gains/(losses):			
Fair value change on financial assets at fair value through profit or loss		(104,189)	18,230
Fair value change on contingent consideration receivable		15	7,190
Fair value change on contingent consideration payable		(340)	(7,190)
Finance income		33	145
Finance costs		(1,673)	(2,109)
Share of (losses)/profits of associates		(411)	680
Share of losses of a joint venture		(31)	(115)
Loss on deregistration of a subsidiary		(35)	–
Profit/(loss) before tax	5	1,476	(35,306)
Income tax expense	6	(7,546)	(4,300)
Loss for the period		(6,070)	(39,606)

		For the six months ended 31st December	
		2017	2016
		HK\$'000	HK\$'000
Note			
	Loss for the period	(6,070)	(39,606)
	Other comprehensive loss:		
	<i>Items that may be reclassified to profit or loss:</i>		
	Net movement in available-for-sale investment reserve in respect of available-for-sale financial assets:		
	Net changes in fair value of available-for-sale financial assets	(19,623)	(46,782)
	Reclassification adjustments for amounts transferred to profit or loss:		
	Impairment loss	12,553	45,585
	Realised gain upon disposal of available-for-sale financial assets	(2,608)	–
		(9,678)	(1,197)
	Release of translation reserve upon deregistration of a subsidiary	34	–
	Currency translation differences	450	486
	Other comprehensive loss for the period, net of tax	(9,194)	(711)
	Total comprehensive loss for the period	(15,264)	(40,317)
	Loss for the period attributable to:		
	Owners of the Company	(6,028)	(39,496)
	Non-controlling interests	(42)	(110)
		(6,070)	(39,606)
	Total comprehensive loss for the period attributable to:		
	Owners of the Company	(15,222)	(40,207)
	Non-controlling interests	(42)	(110)
		(15,264)	(40,317)
	Loss per share attributable to the owners of the Company for the period (expressed in HK cents per share)		
	– basic and diluted	(0.69)	(10.96)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st December 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		4,240	3,702
Investment properties		25,560	25,560
Goodwill		28,064	28,064
Other intangible assets		23,509	23,583
Film rights and films in progress		30,096	41,073
Interests in associates		18,982	19,393
Interests in joint ventures		–	251
Loans receivable	8(a)	29,000	45,500
Loan to an associate	8(b)	2,940	2,940
Loan receivable from a joint venture		–	8,595
Film related deposits		41,261	45,284
Deposits paid		199	191
Deferred tax assets		392	6,447
Available-for-sale financial assets		129,518	155,693
		333,761	406,276
Current assets			
Inventories		9,999	10,066
Accounts receivable	9	128,656	333,859
Loans receivable	8(a)	51,054	30,400
Loan to an associate	8(b)	5,000	5,000
Amount due from an associate		1,852	964
Deposits paid, prepayments and other receivables		170,038	100,674
Financial assets at fair value through profit or loss		80,980	232,629
Contingent consideration receivable		15,752	15,737
Tax recoverable		1,229	93
Bank balances and cash – trust accounts		66,065	93,014
Cash and cash equivalents		469,629	228,222
Total current assets		1,000,254	1,050,658
Total assets		1,334,015	1,456,934

		Unaudited As at 31st December 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,066	8,533
Share premium		928,358	893,345
Other reserves		56,715	67,867
Retained earnings		39,594	43,614
		1,033,733	1,013,359
Non-controlling interests		126	168
Total equity		1,033,859	1,013,527
LIABILITIES			
Non-current liabilities			
Borrowings		10,000	10,000
Obligations under a finance lease		18	28
Deferred tax liabilities		13,695	13,413
		23,713	23,441
Current liabilities			
Accounts payable	10	70,523	92,447
Other payables and accrued charges		138,230	234,560
Contingent consideration payable		19,908	19,568
Borrowings		15,900	43,063
Deposits received		23,731	22,645
Obligations under a finance lease		18	35
Taxation payable		8,133	7,648
Total current liabilities		276,443	419,966
Total liabilities		300,156	443,407
Total equity and liabilities		1,334,015	1,456,934
Net current assets		723,811	630,692
Total assets less current liabilities		1,057,572	1,036,968

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in securities brokerage and margin financing, money lending, leasing of investment properties, securities investment, video distribution, film distribution and exhibition, licensing and sub-licensing of film rights and trading, wholesaling and retailing of optical, watches and jewellery products in Hong Kong and the People's Republic of China ("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 Company's shares are 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 has been approved for issue by the Board on 27th February 2018.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information has been prepared on 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.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial information for the six months ended 31st December 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30th June 2017.

Equity-settled share-based payments for share options granted to eligible participant other than employees

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the counterparties render services, unless the services qualify for recognition as assets.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, 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.

The unaudited condensed consolidated interim financial information contains selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30th June 2017. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs").

3. CHANGE IN ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Chairman of the Company, being the Group's chief operating decision maker ("CODM") for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

- Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights
- Trading, wholesaling and retailing of optical, watches and jewellery products
- Leasing of investment properties
- Securities investments
- Money lending
- Securities brokerage and margin financing
- Entertainment business

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

	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical, watches and jewellery products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Securities brokerage and margin financing HK\$'000	Entertainment businesses HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended									
31st December 2017									
(Unaudited):									
Segment revenue									
External revenue	27,097	17,105	537	-	3,685	7,822	1,861	-	58,107
Inter-segment sales	-	-	-	-	-	(134)	-	-	(134)
	<u>27,097</u>	<u>17,105</u>	<u>537</u>	<u>-</u>	<u>3,685</u>	<u>7,688</u>	<u>1,861</u>	<u>-</u>	<u>57,973</u>
Segment results	<u>141,458</u>	<u>(5,319)</u>	<u>454</u>	<u>(105,029)</u>	<u>2,739</u>	<u>(6,529)</u>	<u>420</u>	<u>-</u>	<u>28,194</u>
Gain on disposal of a subsidiary									249
Fair value change on contingent consideration receivable									15
Fair value change on contingent consideration payable									(340)
Impairment loss of available-for-sale financial assets									(12,553)
Realised gain upon disposal of available-for-sale financial assets									2,608
Finance income									33
Finance costs									(1,673)
Share of loss of an associate									(411)
Share of loss of a joint venture									(31)
Loss on deregistration of a subsidiary									(35)
Unallocated equity-settled share-based payment expenses									(3,353)
Unallocated corporate expenses									(11,227)
Profit before tax									<u>1,476</u>
As at 31st December 2017									
(Unaudited):									
Reportable segment assets	304,199	20,209	25,594	122,702	85,054	361,431	7,941	-	927,130
Reportable segment liabilities	148,259	1,074	198	-	-	70,100	9,201	-	228,832

	Video distribution, film distribution and exhibition, licensing and sub-licensing of film rights HK\$'000	Trading, wholesaling, and retailing of optical, watches and jewellery products HK\$'000	Leasing of investment properties HK\$'000	Securities investments HK\$'000	Money lending HK\$'000	Securities brokerage and margin financing HK\$'000	Entertainment businesses HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended									
31st December 2016									
(Unaudited):									
Segment revenue									
External revenue	26,797	29,491	516	–	2,303	13,111	1,293	220	73,731
Inter-segment sales	–	–	–	–	–	(6)	–	–	(6)
	<u>26,797</u>	<u>29,491</u>	<u>516</u>	<u>–</u>	<u>2,303</u>	<u>13,105</u>	<u>1,293</u>	<u>220</u>	<u>73,725</u>
Segment results	<u>1,512</u>	<u>(1,555)</u>	<u>387</u>	<u>17,990</u>	<u>652</u>	<u>4,932</u>	<u>(2,447)</u>	<u>–</u>	<u>21,471</u>
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)
Finance income									145
Amortisation of other intangible assets									(74)
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 tax									<u>(35,306)</u>
As at 30th June 2017									
(Audited):									
Reportable segment assets	235,633	24,276	25,595	233,064	81,832	482,685	14,263	–	1,097,348
Reportable segment liabilities	239,996	7,145	249	15,163	–	83,825	8,295	–	354,673

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 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, realised gain upon disposal of available-for-sale financial assets, finance income, finance costs, share of profits/(losses) of associates, share of loss of a joint venture, loss on deregistration of a subsidiary, unallocated equity-settled share-based payment expenses and unallocated corporate expenses.

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

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

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

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	Unaudited For the six months ended 31st December	
	2017	2016
	HK\$'000	HK\$'000
Amortisation of film rights	5,076	1,354
Amortisation of other intangible assets	74	74
Depreciation of property, plant and equipment	1,232	1,588
Write-off of inventories	1	1
Employee benefits expenses including directors' emoluments	67,786	20,805
Equity-settled share-based payment expenses to a business partner	1,676	–
Cost of inventories sold	13,434	24,004
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period (for the six months ended 31st December 2016: 16.5%).

The amount of income tax expense charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Unaudited For the six months ended 31st December	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong Profits Tax – current	1,209	4,222
Deferred tax relating to the origination and reversal of temporary differences	6,337	78
	<u> </u>	<u> </u>
Total	<u>7,546</u>	<u>4,300</u>

7. LOSS PER SHARE

(a) Basic

Basic loss per ordinary share is calculated by dividing the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 31st December 2016 and 2017.

(i) Loss for the period attributable to owners of the Company

	Unaudited For the six months ended 31st December	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period attributable to the owners of the Company	<u>(6,028)</u>	<u>(39,496)</u>

(ii) *Weighted average number of ordinary shares in issue*

	Number of shares (in thousand)	
	2017	2016
Weighted average number of ordinary shares in issue at the end of the period	868,435	360,322

(b) **Diluted**

For the six months ended 31st December 2017, diluted loss per ordinary share was the same as the basic loss per ordinary share because the exercises of the Company's share options outstanding during the period would have an anti-dilutive effect.

For the six months ended 31st December 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.

8. LOANS RECEIVABLE

(a) **Loans receivable from third party customers**

	Unaudited As at 31st December 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
Loans to third party customers	80,054	75,900
As at 31st December 2017 and 30th June 2017, the maturity profile of the loans receivable, based on the maturity date is as follows:		
– Non-current	29,000	45,500
– Current	51,054	30,400
	80,054	75,900

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

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2017	2017
	HK\$'000	HK\$'000
Neither past due nor impaired		
– Unsecured loans	63,554	59,400
– Secured loans	16,500	16,500
	80,054	75,900

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.

Except for loans receivable of HK\$16,500,000 (as at 30th June 2017: HK\$16,500,000), which are secured by unconditional personal guarantees, bear interest and are repayable with fixed terms agreed with the customers, all loans receivable are unsecured, bear interest and are repayable with fixed terms agreed with customers.

(b) Loan to an associate

The loan to an associate, HK Optical Company Limited ("HK Optical"), in the amount of HK\$5,000,000 (as at 30th June 2017: HK\$5,000,000), 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. On 13th March 2017, the Group signed a supplemental loan agreement with HK Optical to extend the repayment date of the loan to 23rd March 2018.

Another loan to an associate, HK Optical, in the amount of HK\$2,940,000 (as at 30th June 2017: HK\$2,940,000) is unsecured, interest free and have no fixed term of repayment.

The loans receivable are neither impaired nor overdue as at 31st December 2017 (as at 30th June 2017: 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 3% to 11% per annum (as at 30th June 2017: 7% to 20% per annum).

Interest income of approximately HK\$3,685,000 (for the six months ended 31st December 2016: approximately HK\$2,303,000) 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 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
Accounts receivable arising from securities brokerage and margin financing business:		
– Clearing house and cash clients	9,990	69,560
Less: Impairment loss	–	(827)
Net	9,990	68,733
– Margin clients	36,041	197,284
Less: Impairment loss	(8,999)	(8,133)
Net	27,042	189,151
	37,032	257,884
Accounts receivable arising from other businesses:		
Accounts receivable – others	95,110	77,627
Less: Impairment loss	(3,486)	(1,652)
Net	91,624	75,975
Accounts receivable – net	128,656	333,859

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

Notes:

- (a) Accounts receivable arising from clearing house and cash clients

As at 31st December 2017, 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 was as follow:

	Unaudited As at 31st December 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
Neither past due nor impaired	7,979	59,500
Less than 1 month past due	10	411
More than 1 month past due	2,001	8,822
	9,990	68,733

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

(b) Accounts receivable arising from margin clients

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

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

(c) Accounts receivable arising from other businesses

As at 31st December 2017, the ageing analysis of the accounts receivable arising from other businesses, based on invoice date was as follows:

	Unaudited As at 31st December 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
1 to 90 days	28,879	65,682
91 days to 180 days	1,158	1,926
Over 180 days	61,587	8,367
	91,624	75,975

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. 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 2017 HK\$'000	Audited As at 30th June 2017 HK\$'000
Accounts payable arising from securities brokerage and margin financing business:		
– cash clients	56,726	61,928
– margin clients	11,272	19,692
	67,998	81,620
Accounts payable arising from other business	2,525	10,827
	70,523	92,447

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 are repayable on demand subsequent to settlement date. Accounts payable to margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable in the amount of HK\$66,065,000 as at 31st December 2017 (as at 30th June 2017: HK\$93,014,000) 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 does not have a currently enforceable right to offset these payables with the deposits placed.

As at 31st December 2017, the ageing analysis of the accounts payable arising from other businesses based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	31st December	30th June
	2017	2017
	HK\$'000	HK\$'000
1 to 90 days	726	513
91 days to 180 days	122	34
Over 180 days	1,677	10,280
	<u>2,525</u>	<u>10,827</u>

11. GAIN ON DISPOSAL OF FILM LIBRARY

As disclosed in the Company's announcement dated 9th January 2017 and the Company's circular dated 24th February 2017, Universe Films Distribution Company Limited, an indirect wholly-owned subsidiary of the Company, and an independent third party purchaser entered into a sale and purchase agreement ("Film Library Disposal Agreement") to dispose of the 202 feature films (the "Film Library") conditionally at a consideration of approximately RMB178,895,000, subject to possible adjustment as set out in the Film Library Disposal Agreement (the "Disposal of the Film Library"). The Disposal of the Film Library was completed on 21st September 2017 and prior to completion, the cost of the Film Library had almost been fully amortised in previous years. After deducting other related expenses, the Company recorded a gain on the Disposal of the Film Library of approximately HK\$182.1 million for the Period (2016: Nil).

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 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 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 claimed against UAM inter alia for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM 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 2017, no litigation or claim of material importance is known to the Directors to be pending against either the Company or any of its subsidiaries.

13. EVENTS AFTER THE BALANCE SHEET DATE

1. Disposal of the shares of Interactive Entertainment China Cultural Technology Investments Limited (“IE China”)

Pursuant to the Company’s announcement dated 11th January 2018, the Group disposed of an aggregate of 158,420,000 shares of IE China on the open market of the Stock Exchange for an aggregate consideration of approximately HK\$5.29 million (before deducting stamp duty and related expenses) at an average price of HK\$0.033 per the share of IE China. IE China is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (the “GEM”) (stock code: 8081). The Directors expect to recognise an unaudited gain (before deducting stamp duty and related expenses) of approximately HK\$1.81 million from the disposal of the shares of IE China for the year ending 30th June 2018. Upon settlement of such disposal, the Group ceased to hold any share of IE China. Please refer to the Company’s announcement dated 11th January 2018 for the details.

2. Disposal of the shares of China New Economy Fund Limited (“CNEF”)

Pursuant to the Company’s announcement dated 11th January 2018, the Group disposed of an aggregate of 132,400,000 shares of CNEF on the open market of the Stock Exchange for an aggregate consideration of approximately HK\$17.08 million (before deducting stamp duty and related expenses) at an average price of HK\$0.129 per share of CNEF. CNEF is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (the “Main Board”) (stock code: 80). The Directors expect to recognise an unaudited loss (before deducting stamp duty and related expenses) of approximately HK\$6.75 million from the disposal of the shares of CNEF for the year ending 30th June 2018. Upon settlement of such disposal, the Group ceased to hold any share of CNEF. Please refer to the Company’s announcement dated 11th January 2018 for the details.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group results

The Group recorded a loss for the period of approximately HK\$6.1 million (2016: approximately HK\$39.6 million) for the Period. The decrease in loss for the period is mainly due to the net effect of (i) the Group recorded a gain on the Disposal of the Film Library of approximately HK\$182.1 million for the Period as disclosed in the Company's announcement dated 9th January 2017 and the Company's circular dated 24th February 2017. In addition, the Company also recorded directors and staff bonus of approximately HK\$35.6 million (2016: Nil) for the gain on the Disposal of the Film Library for the Period; (ii) 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\$104.2 million for the Period while the Group 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 the six months ended 31st December 2016; and (iii) the decrease in impairment loss of available-for-sale financial assets from approximately HK\$45.6 million for the six months ended 31 December 2016 to approximately HK\$12.6 million for the Period.

The Group's unaudited consolidated revenue for the Period was approximately HK\$58.0 million, representing a decrease of approximately 21.4% as compared to the revenue of approximately HK\$73.7 million for the same period last year. The decrease in revenue was mainly due to the decrease of the revenue from trading, wholesaling and retailing of optical, watches and jewellery products business segment and securities brokerage and margin financing business segment as further elaborated below.

Films distribution and exhibition, licensing and sub-licensing of film rights, and change in the use of proceeds under the Disposal of the Film Library

Revenue from this business segment during the Period was approximately HK\$27.1 million, representing an increase of approximately 1.1% as compared to approximately HK\$26.8 million in the same period last year. It accounted for approximately 46.7% (2016: approximately 36.3%) of the Group's revenue during the Period.

As disclosed in the Company's announcement dated 9th January 2017 and the Company's circular dated 24th February 2017, Universe Films Distribution Company Limited, an indirect wholly-owned subsidiary of the Company, and an independent third party purchaser entered into the Film Library Disposal Agreement to dispose of the Film Library conditionally at a consideration of approximately RMB178,895,000, subject to possible adjustment as set out in the Film Library Disposal Agreement. The Film Library Disposal Agreement was completed on 21st September 2017 and prior to completion, the cost of the Film Library had almost been fully amortised in previous years. After deducting other related expenses, the Company

recorded a gain on the Disposal of the Film Library of approximately HK\$182.1 million for the Period (2016: Nil). In addition, the Company also recorded directors and staff bonus of approximately HK\$35.6 million (2016: Nil) for the gain on the Disposal of the Film Library for the Period.

The Group originally intended to utilise the net proceeds from the Disposal of the Film Library for further development of the margin financing business of the Group. However, due to (i) the significant decrease of accounts receivable from securities brokerage and margin financing business from approximately HK\$257.9 million as at 30th June 2017 to approximately HK\$37.0 million as at 31st December 2017 as a result of the June Incident as further elaborated below; and (ii) the expected decrease in demand for the funding requirement in connection with the Group's margin financing business for the year ending 30th June 2018, the Board resolved on 27th February 2018 to change the usage of the net proceeds from the Disposal of the Film Library as (i) general working capital and/or (ii) funds for financing future potential investment opportunities of the Group.

The Board believes that the above change of the usage of the net proceeds from the Disposal of the Film Library enables the Group to increase the efficiency in the use of the Group's cash resources so as to maximise its return. On such basis, the Board considers that the above change is in the best interests of the Company and its shareholders as a whole.

Segmental profit from this business segment during the Period was approximately HK\$141.5 million, representing an increase of approximately 94.3 times as compared to approximately HK\$1.5 million in the same period last year. The increase in segmental profit is mainly due to the net effect of (i) gain from the Disposal of the Film Library of approximately HK\$182.1 million (2016: Nil); and (ii) the payment of the directors and staff bonus of approximately HK\$35.6 million (2016: Nil) for the gain on the Disposal of the Film Library for the Period.

The China's culture and entertainment industry is on track for speedy development, the Group will continue to adopt a cautious approach to produce and license new films in coming years.

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

Revenue from this business segment during the Period was approximately HK\$17.1 million, representing a decrease of approximately 42.0% as compared to approximately HK\$29.5 million in the same period last year. Revenue from this business segment included the revenue of approximately HK\$3.3 million (2016: approximately HK\$3.7 million) from trading, wholesaling and retailing of optical products in Hong Kong and the revenue of approximately HK\$13.8 million (2016: approximately HK\$25.8 million) from Winston Asia Limited ("Winston Asia"), which are principally engaged in trading, wholesaling and retailing of watches and jewellery products in Hong Kong and the PRC. It accounted for approximately 29.5% (2016: approximately 40.0%) of the Group's revenue during the Period.

In response to the unfavorable retail market environment in prior years, the Group closed down the non-performing retail shops and decreased the wholesales operation scale during the Period. In particular, the number of retail shops of Winston Asia decreased from 20 as at

1st July 2016 to 12 as at 31st December 2017 and the number of optical shops in Hong Kong decreased from 2 as at 1st July 2016 to 1 as at 31st December 2017. As a result, the revenue from this segment decreased.

Segmental loss from this business segment during the Period was approximately HK\$5.3 million, representing an increase of approximately 242.1% as compared to approximately HK\$1.6 million in the same period last year. The increase in segmental loss is mainly due to the decrease in revenue and the increase of the impairment loss of accounts receivable during the Period.

The retail sentiment showed a sign of improving in 2018, the Group will take a cautious approach to open new retail shops with good prospects to increase the revenue and improve the profitability of this business segment.

Securities investments

As at 31st December 2017, 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\$81.0 million (30th June 2017: approximately HK\$232.6 million).

Below are the list of the material financial assets at fair value through profit or loss held by the Group as at 31st December 2017:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company	Market/Fair value as at 31st December 2017	Percentage to the Group's total assets as at 31st December 2017	Percentage to the Group's net assets as at 31st December 2017	Percentage to the Group's total financial assets at fair value through profit or loss as at 31st December 2017	Unrealised gain/(loss) on change in fair value for the Period	Dividend income for the Period
				as at 31st December 2017	(Note 1)	(approximately %)	(approximately %)	(approximately %)	(approximately HK\$'000)	(approximately HK\$'000)
HSBC Holdings plc	2	England	400,000	less than 1	31,980.0	2.4	3.1	39.5	1,120.6	79.4
Tencent Holdings Limited	3	Cayman Islands	40,000	less than 1	16,240.0	1.2	1.6	20.1	(354.7)	–
First Credit Finance Group Limited	4	Bermuda	150,000,000	4.13	16,200.0	1.2	1.6	20.0	(72,300.0)	298.4
Hong Kong Exchanges and Clearing Limited	5	Hong Kong	40,000	less than 1	9,592.0	0.7	0.9	11.8	(101.1)	–
					<u>74,012.0</u>	<u>5.5</u>	<u>7.2</u>	<u>91.4</u>	<u>(71,635.2)</u>	<u>377.8</u>

Notes:

1. The percentage is calculated with reference to the then latest monthly return as at 31st December 2017 of the investee company publicly available on the website of the Stock Exchange (where applicable).
2. HSBC Holdings plc (“HSBC”) is the banking and financial services company. The shares of HSBC (stock code: 0005) are listed on the Main Board. As disclosed in the latest annual report of HSBC, HSBC recorded an audited consolidated profit for the year of approximately US\$11,879 million for the year ended 31st December 2017.

As disclosed in the latest annual report of HSBC for the year ended 31st December 2017, HSBC’s international network is said to better able to connect customers to opportunities and delivering revenue growth above that of the global economy. 53% of client revenue now comes from international clients, up from 50% in 2015. Global Liquidity and Cash Management in particular is now a major component of the bank’s success, and Global Trade and Receivables Finance has extended its leadership of the global trade finance market. The HSBC’s business mix is more oriented towards Asia, improving its ability to channel the economic and social changes taking place within the world’s fastest growing region. Asia contributes a larger proportion of the HSBC’s profits than in 2015, reflecting regional investment in growing its loan book, building its insurance and asset management businesses, and connecting customers to opportunities within the region. HSBC continued to expand its presence in mainland China with the launch of new retail banking products and increased lending in the Pearl River Delta. In December, HSBC launched HSBC Qianhai Securities, the first securities joint venture in mainland China to be majority-owned by an international bank. This allows HSBC to offer its clients increased access to China’s rapidly expanding capital markets and provides an unprecedented opportunity to establish and grow a securities business in mainland China with strong international standards. HSBC won a number of significant new business mandates related to the China-led Belt and Road Initiative in 2017, and opened new China desks in Poland, Luxembourg, Thailand and Macau to capture further opportunities. HSBC now has a total of 24 China desks aimed at supporting Chinese businesses with global outbound ambitions, 20 of which are along the “Belt and Road” routes. In November, HSBC was named “Best Bank for Belt and Road” at the FinanceAsia Achievement Awards 2017.

3. Tencent Holdings Limited (“Tencent”) is an investment holding company principally involved in the provision of value-added services and online advertising services. The shares of Tencent (stock code: 700) are listed on the Main Board. As disclosed in the latest annual report of Tencent, Tencent recorded an audited consolidated profit for the year of approximately RMB41,447 million for the year ended 31st December 2016.

As disclosed in the latest interim report of Tencent for the six months period ended 30th June 2017, Tencent achieved 59% year-on-year revenue growth, driven primarily by smart phone games and PC games, payment related services, online advertising, and digital content subscriptions and sales. Operating profit grew by 57% year-on-year. Profit attributable to equity holders of Tencent increased by 70% year-on-year. Tencent views artificial intelligence (“AI”) as an essential capability that benefits its businesses by enhancing its overall user experience, sharpening its targeting technology and empowering its ecosystem partners. Its in-house engineers have recently made breakthroughs in several areas including Go Chess AI, face recognition and medical imaging. Artificial intelligence is a strategic initiative and Tencent would continue to make long-term investments to strengthen its competence in machine learning, computer vision, speech recognition and natural language processing. Given the intensifying competitive nature of the industry, Tencent expects its investment in new initiatives such as payment, cloud services and AI to increase.

4. First Credit Finance Group Limited (“First Credit”) and its subsidiaries are principally engaged in money lending business and securities trading business. The shares of First Credit (stock code: 8215) are listed on the GEM. As disclosed in the latest annual report of First Credit, First Credit recorded an audited consolidated profit for the year of approximately HK\$33.6 million for the year ended 31st December 2016.

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

On 24th November 2017, First Credit announced that the Securities and Futures Commission ("SFC") had exercised its powers under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) to direct the Stock Exchange to suspend all dealings in the shares of First Credit with effect from 9:00 a.m. on 24th November 2017. The fair value of the 150 million shares of First Credit owned by the Group (the "First Credit Investment") was recorded on the Group's balance sheet based on its closing price as at 23rd November 2017 at HK\$0.108 per share. The estimated unaudited net asset value of First Credit as at 30th June 2017 was approximately HK\$0.267 per share which was calculated by its unaudited net assets of approximately HK\$968.6 million as at 30th June 2017 divided by its total number of issued shares of 3,628,800,000 shares as at 30th June 2017. As the estimated unaudited net asset value of First Credit as at 30th June 2017 was higher than its last closing price on 23rd November 2017, no further impairment loss was recorded by the Group for the First Credit Investment during the Period.

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

5. Hong Kong Exchanges and Clearing Limited ("HKEx") is principally engaged in the operation of stock exchanges. The shares of HKEx (stock code: 388) are listed on the Main Board. As disclosed in the latest annual report of HKEx, HKEx recorded an audited consolidated profit for the year of approximately HK\$5,741 million for the year ended 31st December 2016.

As disclosed in the latest interim report of HKEx for the six months period ended 30th June 2017, as an exchange operator, HKEx is committed to continuing improvement of its market quality as well as competitiveness in response to the evolving market environment. In Hong Kong, HKEx launched a market consultation in June 2017 to seek views on the proposed New Board to attract listings of new economy companies and on its GEM reform. HKEx also published a consultation paper in June 2017 on proposed after-hours trading (T+1 session) enhancements. To further enhance its securities market, HKEx implemented Phase 2 of the Closing Auction Session on 24th July 2017. In London, HKEx issued a discussion paper in April on The London Metal Exchange's market structure with a view towards improving the accessibility and efficiency of its trading, and HKEx was said to be analysing the market feedback. Details of its progress in various initiatives are set out in the Business Review section of the interim report of HKEx in 2017. In tackling the challenges and opportunities ahead, HKEx would continue to work closely with its regulators and other stakeholders. HKEx's commitment in providing a quality and diversified market would help transform Hong Kong into China's global wealth management centre.

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\$104.2 million for the Period while the Group 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 the same period last year.

Such loss was mainly attributable to the poor performance of certain investments during the Period. In particular, the investments in the shares of First Credit recorded fair value loss of approximately HK\$72.3 million during the Period. In addition, the Group disposed 173.6 million shares of Leap Holdings Group Limited, the shares of which are listed on the Main Board (stock code: 1499) and recorded a realized loss of approximately HK\$15.6 million during the Period.

As a result, the overall segment loss of the securities investment segment was approximately HK\$105.0 million (2016: segment profit of approximately HK\$18.0 million) during the Period. The Group will continue to review its investment portfolios, so as to achieve a better return to the Group.

Available-for-sale financial assets

Below are the list of the material available-for-sale financial assets held by the Group as at 31st December 2017:

Name of investee company	Notes	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 31st December 2017 (approximately %)	Market/ Fair value as at 31st December 2017 (approximately HK\$'000)	Percentage to the Group's total assets as at 31st December 2017 (approximately %)	Percentage to the Group's net assets as at 31st December 2017 (approximately %)	Percentage to the Group's total available-for-sale financial assets as at 31st December 2017 (approximately %)	Change in fair value recognised in other comprehensive income/(loss) for the Period (approximately HK\$'000)	Dividend income for the Period (approximately HK\$'000)
Cassia Investment Limited Partnership II	2	Cayman Islands	n/a	n/a	59,132.8	4.4	5.7	45.7	1,799.0	–
GET Holdings Ltd.	3	Bermuda	74,074,500	16.67	29,629.8	2.2	2.9	22.9	(13,333.4)	–
China New Economy Fund Ltd.	4	Cayman Islands	132,400,000	17.00	17,476.8	1.3	1.7	13.5	(6,355.2)	–
Promising Social Media Private Equity Fund	5	Cayman Islands	1,982	21.03	17,920.8	1.3	1.7	13.8	–	–
					<u>124,160.2</u>	<u>9.2</u>	<u>12.0</u>	<u>95.9</u>	<u>(17,889.6)</u>	<u>–</u>

Notes:

- The percentage is calculated with reference to the then latest monthly return as at 31st December 2017 of the investee company publicly available on the website of the Stock Exchange (where applicable).
- Cassia Investment Limited Partnership II (“Cassia II”) is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law of Cayman Islands offering limited partnership interests for the purpose of obtaining capital appreciation through making private equity investments mainly in the consumer sector across Greater China and South East Asia, as well as in non-Asian enterprises that have a strong exposure to Asian consumers market. Cassia II intends to target companies that it believes will benefit from the growing disposable income of the Asian middle class and can

capture the behavioural consumer trends that follow such growing household wealth and structured equity transactions primarily in Greater China, Thailand, Indonesia, Vietnam and the Philippines. Cassia II will have a target size of US\$60,000,000 (approximately HK\$465.0 million) and the Group committed to subscribe the limited partnership interest of Cassia II of US\$9 million (approximately HK\$69.7 million) and transferred the subscription commitment of approximately US\$1.1 million to another investor (approximately HK\$8.5 million) during the Period. Up to 31st December 2017, the Group has subscribed for the limited partnership interest of Cassia II of approximately US\$7.9 million (approximately HK\$61.2 million).

3. GET and its subsidiaries are principally engaged in research, development, distribution of personal computer performance software, anti-virus software, mobile phone applications & toolbar advertisement (“Software Business”); investment in securities; money lending; provision of corporate management solutions and I.T. contract services. The shares of GET (stock code: 8100) are listed on the GEM.

As disclosed in the latest annual report of GET, GET recorded an audited consolidated profit attributable to owners of GET of approximately HK\$17.1 million for the year ended 31st December 2016. As disclosed in the latest interim report of GET for the six months period ended 30th June 2017, GET considers that the Software Business will continue to become one of the principal sources of income of GET in the future. In the face of the everchanging I.T. environment, GET will closely monitor the I.T. trend and continuously upgrade its existing products and enhance its product mix to suit the market needs and customers’ expectation.

Besides, market diversification is the GET’s key marketing strategy in the second half of 2017. Under the strategy, GET will continue to maintain its market presence in the United States of America and Europe and try to expand its sales channels and strengthen its presence in Asian countries by introducing products to potential customers. Looking forward, the market is expected to remain volatile and competitive. In response to the challenging environment, GET will continue to strive on its diverse business territories and further advance the development of all business segments to further diversify its business portfolio by adhering to prudent business development strategies. GET will also continue to maintain a healthy and conservative level of liquidity and closely monitor the market situation and keep an eye on opportunities in the increasingly competitive operating environment to enhance GET’s profitability and its shareholders’ value in the long run.

4. China New Economy Fund Limited (“CNEF”) is principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan. The shares of CNEF (stock code: 80) are listed on the Main Board. As disclosed in the latest annual report of CNEF, CNEF recorded an audited consolidated profit attributable to the owners of CNEF of approximately HK\$47.9 million for the year ended 31st December 2016.

In view of the prolonged downward trend of the share price of the CNEF shares since the investment in CNEF shares by the Group in February 2017, the Group considered that it was the appropriate time for the Group to dispose all CNEF shares so as to minimise the losses from this investment. Therefore, on 11th January 2018 (subsequent to the balance sheet date of 31st December 2017), the Group disposed of all 132,400,000 CNEF shares on the open market of the Stock Exchange for an aggregate consideration of approximately HK\$17.08 million (before deducting stamp duty and related expenses) at an average price of HK\$0.129 per CNEF share (“CNEF Disposal”). The Group will recognise an unaudited loss (before deducting stamp duty and related expenses) of approximately HK\$6.75 million from the CNEF Disposal subject to review by the auditors of the Company for the year ending 30th June 2018. Upon settlement of the CNEF Disposal, the Group ceased to hold any CNEF shares.

5. Promising Social Media Private Equity Fund (formerly known as Convoy Social Media Private Equity Fund with change of name effective on 5th July 2016) (the “Fund”) is a close-ended investment fund incorporated in the Cayman Islands on 5th February 2014 under the laws of the Cayman Islands as an exempted company with limited liability. The Fund is not a regulated mutual fund for the purposes of the Mutual Funds Law (Revised) of the Cayman Islands.

The principal investment objective of the Fund is to maximize capital growth through investing businesses which are engaged in or derive a significant proportion of their income from the field of social media. The Fund commenced operation on 29th April 2015.

Total impairment loss of approximately HK\$12.6 million was recognised during the Period (2016: approximately HK\$45.6 million), which was mainly due to the decrease in the fair value of the investment in CNEF of approximately HK\$6.4 million and the decrease in the fair value of the investment in “Hydra Capital SPC – Class A #1 Share” (“Hydra Capital”) of approximately HK\$6.2 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 2017, the Group held 5,500 shares (30th June 2017: same) in Hydra Capital, representing approximately 24.6% of the total issued shares of Hydra Capital of 22,400 shares. One of the significant investments of Hydra Capital is the holding of approximately 20.2% equity interest in a PRC-based mobile gaming company mainly engaging in development, distribution, operation and marketing of mobile online games and software and provision of technical and consulting services. The fair value of the investment of Hydra Capital as at 31st December 2017 was approximately HK\$780,000.

The value of the financial assets at fair value through profit or loss and the available-for-sale investments of the Group were affected by the volatile investment market during the Period.

Looking forward, the global financial market is expected to be volatile. The Group will closely monitor the market/fair value and trading volume of these financial assets at fair value through profit or loss and the available-for-sale investments held by the Group as well as its fundamentals and will adjust our position to respond to market changes in order to optimise our return.

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 (2016: approximately HK\$0.5 million) during the Period.

The segment profit of this business segment was approximately HK\$454,000 (2016: approximately HK\$387,000) during the Period.

Money lending business

The Group engaged in money lending business in Hong Kong during the Period. As at 31st December 2017, the Group had (i) loans receivable of approximately HK\$80.1 million, and (ii) loan to an associate of HK\$5.0 million; totalling approximately HK\$85.1 million of loans receivable under the money lending business (as at 30th June 2017: approximately HK\$80.9 million) and recognised interest income of approximately HK\$3.7 million (2016: approximately HK\$2.3 million). It accounted for approximately 6.4% (2016: approximately 3.1%) 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 (2016: Nil). The segment profit of this business segment was approximately HK\$2.7 million (2016: approximately HK\$652,000) during the Period. The increase in segment profit is mainly due to the decrease in operating expenses as a result of cost control implemented during the Period.

The market competition of the money lending industry in Hong Kong is increasing during recent years, the Group expects that the growth of our money lending business will slow down in coming years.

Securities brokerage and margin financing

The Company has been engaging in securities brokerage and margin financing through its wholly owned subsidiary China Jianxin Financial Services Limited ("China Jianxin"). China Jianxin is a company licensed under the SFO 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.

In late June 2017, there was a sharp decline in the share price of certain stocks held by China Jianxin as collateral security for its margin clients, with the percentage decline in share price of such stocks ranging from 35% to approximately 89% ("June Incident"). As a result of the June Incident, a number of China Jianxin's accounts receivable arising from securities brokerage and margin financing business became under collateralised and its excess liquid capital also decreased. China Jianxin thus made margin calls with its margin loan clients. Following the June Incident and the deterioration of China Jianxin's margin loans during and after the June Incident and the related significant drop in its liquid capital, China Jianxin received a letter from the SFC, wherein the SFC, among other things, had identified certain deficiencies of China Jianxin's margin loan operations and its failure to comply with certain requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC ("Code of Conduct"). In such connection, the SFC had instructed China Jianxin to refrain from providing further margin lending or other form of financial accommodation to clients until it had fully complied with the applicable Code of Conduct requirements. The SFC had also instructed China Jianxin to prevent further deterioration of its financial position, including maintaining sufficient cash reserves to maintain its business operations for a reasonable amount of time, ceasing to apply imprudent margin lending practices, and tightening and

formalising its margin lending policy. China Jianxin had undertaken to the SFC to implement the measures required by the SFC to address the identified deficiencies and risk concerns satisfactorily within a reasonable period of time, failure of which would result in the SFC taking further action including the imposition of conditions on China Jianxin's licence. The management of China Jianxin is to currently work towards addressing such deficiencies and concerns.

As a result of the June Incident, the accounts receivable from securities brokerage and margin financing business significantly decreased from approximately HK\$257.9 million as at 30th June 2017 to approximately HK\$37.0 million as at 31st December 2017. As a result of the decrease in margin financing facilities granted to clients, the commission income from securities dealing and brokerage services and the revenue derived from placing and underwriting services also decreased. Consequentially, the revenue from this segment decreased by approximately 41.3% to HK\$7.7 million for the Period as compared to approximately HK\$13.1 million in the same period last year. It accounted for approximately 13.3% (2016: approximately 17.8%) of the Group's revenue during the Period.

Segmental loss of approximately of HK\$6.5 million was recorded during the Period (2016: segmental profit of approximately HK\$4.9 million). The increase in loss from this segment was mainly due to the decrease in revenue and increase of the promotional and operating expenses incurred during the Period.

Entertainment business

This segment primarily relates to the artiste and model management and organisation of concerts. Revenue from this business segment during the Period was approximately HK\$1.9 million (2016: approximately HK\$1.3 million). The increase in revenue was mainly due to the increase of the commission income from the artiste and model management business during the Period. Segmental profit of approximately of HK\$420,000 was recorded during the Period (2016: segmental loss of approximately HK\$2.4 million). The increase in profit from this segment was due to the increase in turnover and decrease in operating expenses during the Period.

Geographical contribution

In terms of geographical contribution, overseas markets accounted for approximately 58% (2016: approximately 46%) of the Group's revenue during the Period.

Selling expenses

Selling expenses for the Period decreased by approximately 8.6% to approximately HK\$6.3 million as compared to approximately HK\$6.9 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 products during the Period.

Administrative expenses

Administrative expenses for the Period increased by approximately 112.3% to approximately HK\$91.5 million as compared to approximately HK\$43.1 million in the same period last year. The increase in administrative expenses was mainly due to (i) the payment of the directors and staff bonus of approximately HK\$35.6 million (2016: Nil) for the gain on the Disposal of the Film Library for the Period; and (ii) the share-based compensation expenses of approximately HK\$10.5 million (2016: Nil) in relation to the grant of share option under the Company's share option scheme during the Period.

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 the British Virgin Islands and a wholly-owned subsidiary of GET entered into a disposal agreement (the "AP Disposal Agreement") whereby the Group agreed to sell 51.0% of the equity interest of AP Group to the Purchaser at the consideration of HK\$20,400,000 (the "Consideration") subject to downward adjustments as described below (the "AP Disposal"). The AP Disposal was completed on 1st July 2016.

In the event that the audited consolidated profit after tax of the AP Group attributable to owners of the AP Group for the period from 1st January 2016 to 31st December 2017 ("FY 2016 & 2017") (which 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:

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

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 HKFRSs 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.

Notwithstanding the downward adjustment mechanism of the Consideration which depends 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.

As at 31st December 2017, the fair value of the Contingent Consideration Receivable and Contingent Consideration Payable are of approximately HK\$15.8 million and HK\$19.9 million, respectively, which is based on the best estimation of the Directors taking into account the unaudited management accounts of AP Group for the years ended 31st December 2016 and 2017.

OUTLOOK

The business prospect of the films distribution and exhibition, licensing and sub-licensing of film rights will remain very challenging in coming years as the competition is very keen in Hong Kong and the PRC. The Group will continue to adopt a cautious and prudent approach in producing and licensing new film in coming years.

For the trade, wholesale and retail of optical, watches and jewellery products, the retail sentiment showed a sign of improving in 2018, the Group will take an active approach to increase the number of retail shops with the aim to increase the revenue and improve the profitability of this business segment.

In view of the recent significant fluctuation in Hong Kong stock market, the Group remains cautiously optimistic on the prospects of the securities brokerage and margin financing, money lending and other financial services business in view of the continuous growth of China's economy.

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 2017, the Group had cash balances of approximately HK\$469.6 million (as at 30th June 2017: approximately HK\$228.2 million).

As at 31st December 2017, the Group had total assets of approximately HK\$1,334.0 million (as at 30th June 2017: approximately HK\$1,456.9 million).

The Group's gearing ratio as at 31st December 2017 is approximately 2.5% (as at 30th June 2017: approximately 5.2%), 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\$1.7 million for the Period (for the six months ended 31st December 2016: HK\$2.1 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 2017, current ratio (defined as total current assets divided by total current liabilities) was approximately 3.6 (as at 30th June 2017: approximately 2.5).

CAPITAL STRUCTURE

As at 31st December 2017, the Group had shareholders' capital of approximately HK\$9.1 million (as at 30th June 2017: approximately HK\$8.5 million). The shareholders' capital of the Company is constituted of 906,632,276 shares.

Placing of new shares under general mandate and re-allocation of the use of proceeds

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

GM Placing price of HK\$0.519 per GM Placing Share represented (the “GM Placing Price”):

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

The GM Placing Price was determined after arm’s length negotiation between the Company and the placing agent with reference to, among other matters, the then prevailing market prices of the shares. The Directors were of the view that the GM Placing could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The GM Placing also represented a good opportunity to broaden the shareholders’ base and the capital base of the Company. The Directors considered that the GM Placing was in the interests of the Company and the shareholders as a whole.

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

The net issue price of each GM Placing Share was HK\$0.499. The net proceeds from the issuance of the GM Placing Shares were approximately HK\$53.2 million. The Group intended to utilize the net proceeds from issuance of the GM Placing Shares (“GM Proceeds Allocated for the Margin Financing Business”) for developing the margin financing business of the Group.

The Group has applied and lent out all the GM Proceeds Allocated for the Margin Financing Business during the period from May 2017 to June 2017 to its margin clients. However, due to the aforesaid June Incident, the GM Proceeds Allocated for the Margin Financing Business which were previously advanced to margin clients were repaid by such margin clients to the Group from July 2017 to September 2017 and the demand for the Group’s margin financing facilities subsequently decreased. The sum repaid to the Group was deposited in the Group’s bank accounts on 29th September 2017. Having considered the expected decrease in demand for the funding requirement in connection with the Group’s margin financing business for the year ending 30th June 2018, the Board resolved on 29th September 2017 to re-allocate the GM Proceeds Allocated for the Margin Financing Business which have been repaid to the Group as (i) general working capital and/or (ii) funds for financing future potential investment opportunities of the Group, as a measure in response to the recent sudden change in market conditions. The Board believed that such re-allocation enables the Group to increase the efficiency in the use of the Group’s cash resources so as to maximise its return. On such basis, the Board considers that such re-allocation is in the best interests of the Company and its shareholders as a whole.

Placing of new shares under specific mandate and re-allocation of the use of proceeds

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

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

The SM Placing Price was determined after arm’s length negotiation between the Company and the placing agent with reference to, among other matters, the then prevailing market prices of the shares. The Directors were of the view that the SM Placing could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The SM Placing also represented a good opportunity to broaden the shareholders’ base and the capital base of the Company. The Directors considered that the SM Placing was in the interests of the Company and the shareholders as a whole.

The SM Placing Agreement was completed on 29th March 2017 and an aggregate of 213,320,000 SM Placing Shares were successfully placed to not less than six placees. The net proceeds from the issuance of the SM Placing Shares were approximately HK\$106.1 million. The net issue price of each SM Placing Share was HK\$0.497.

The net proceeds from the issuance of the SM Placing Shares were approximately HK\$106.1 million and the Group intended to utilize HK\$86.1 million for developing the margin financing business of the Group (“SM Proceeds Allocated for the Margin Financing Business”) and HK\$20.0 million for the acquisition of the membership (“CGSES Membership”) that confer eligibility of the Group to trade on The Chinese Gold & Silver Exchange Society (the “CGSES”) and the development of the related business following the acquisition of the CGSES Membership (“Proceeds Allocated for the CGSES”).

The Group has applied and lent out all the SM Proceeds Allocated for the Margin Financing Business during the period from May 2017 to June 2017 to its margin clients. However, due to the aforesaid June Incident, the SM Proceeds Allocated for the Margin Financing Business which were previously advanced to margin clients were repaid by such margin

clients to the Group from July 2017 to December 2017. The sum repaid to the Group was deposited in the Group's bank accounts. Having considered (i) the accounts receivable from securities brokerage and margin financing business significantly decreased from approximately HK\$257.9 million as at 30th June 2017 to approximately HK\$37.0 million as at 31st December 2017; and (ii) the expected decrease in demand for the funding requirement in connection with the Group's margin financing business for the year ending 30th June 2018, the Board resolved on 27th February 2018 to re-allocate the SM Proceeds Allocated for the Margin Financing Business which have been repaid to the Group as (i) general working capital and/or (ii) funds for financing future potential investment opportunities of the Group, as a measure in response to the above changes.

In addition, the Group has applied approximately HK\$9.5 million for the acquisition of the CGSES Membership in June 2017. In view of the substantial increase of the price of the CGSES Membership in the second half of 2017, the Group disposed of the CGSES Membership at HK\$16.3 million to an independent third party on 8th January 2018 to take a gain of approximately HK\$6.8 million and not continued to develop the related business following the disposal of the CGSES Membership. Therefore, the Board resolved on 27th February 2018 to re-allocate the Proceeds Allocated for the CGSES as (i) general working capital and/or (ii) funds for financing future potential investment opportunities of the Group.

The Board believes that above re-allocations enable the Group to increase the efficiency in the use of the Group's cash resources so as to maximise its return. On such basis, the Board considers that the above re-allocations are in the best interests of the Company and its shareholders as a whole.

THE PLEDGE OF GROUP ASSETS

As at 31st December 2017, no group assets were pledged. As at 30th June 2017, the margin loans payable are secured by the Group's listed equity investments recognised in available-for-sale investment and financial assets at fair value through profit or loss in the fair value of HK\$73,461,000 and HK\$59,566,000 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2017, the Group had 132 staff (as at 30th June 2017: 117). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

SHARE OPTION SCHEME

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

(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;
- (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 Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the dates of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the 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 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 granted during the Period	Number of share options exercised during the Period	Number of share options lapsed during the Period	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	3rd Oct 2017	9th October 2017 to 8th October 2020	0.47	–	8,530,000	(8,530,000)	–	–	0.47
Mr. Hung Cho Sing	4th March 2016	4th March 2016 to 3rd March 2018	0.811*	1,680,503	–	–	–	1,680,503	0.68*
Mr. Lam Kit Sun	4th March 2016	4th March 2016 to 3rd March 2018	0.811*	1,680,503	–	–	–	1,680,503	0.68*
	3rd Oct 2017	9th October 2017 to 8th October 2020	0.47	–	8,530,000	(8,530,000)	–	–	0.47
Other eligible participants	30th September 2015	30th September 2015 to 29th September 2017	1.489*	2,351,799	–	–	(2,351,799)	–	1.42*
	4th March 2016	4th March 2016 to 3rd March 2018	0.811*	7,732,651			(3,361,006)	4,371,645	0.68*
	3rd Oct 2017	9th October 2017 to 8th October 2020	0.47	–	36,270,000	(36,270,000)	–	–	0.47
				<u>13,445,456</u>	<u>53,330,000</u>	<u>(53,330,000)</u>	<u>(5,712,805)</u>	<u>7,732,651</u>	

* The price per share on exercise of options and the market value per share on grant of share options have been adjusted after taking into account of the effect of the rights issue completed on 5th October 2016 and the share consolidation completed on 18th March 2016.

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 31st December 2017, 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 Shiu Ming, Daneil 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 Mr. Tang Yiu Wing.

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 2017 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 2017. 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 2017, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2018.

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

Hong Kong, 27th February 2018

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