



China Financial International Investments Limited

中國金融國際投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 721)

# 新金融 新發展

2012  
ANNUAL REPORT

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## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Du Lin Dong (*Chairman*)  
Mr. Liu Baorui (*Chief Executive Officer*)  
Mr. Pong Po Lam Paul

### **Non-executive Directors**

Mr. Ma Jie  
Mr. Ding Xiaobin

### **Independent non-executive Directors**

Dr. Cheung Wai Bun Charles, *J. P.*  
Mr. Wan Hongchun  
Mr. Zeng Xianggao

## **EXECUTIVE COMMITTEE**

Mr. Du Lin Dong (*Chairman*)  
Mr. Liu Baorui  
Mr. Pong Po Lam Paul

## **AUDIT COMMITTEE**

Dr. Cheung Wai Bun Charles, *J. P.* (*Chairman*)  
Mr. Wan Hongchun  
Mr. Zeng Xianggao

## **REMUNERATION COMMITTEE**

Mr. Wan Hongchun (*Chairman*)  
Mr. Du Lin Dong  
Dr. Cheung Wai Bun Charles, *J. P.*

## **NOMINATION COMMITTEE**

Dr. Cheung Wai Bun Charles, *J. P.* (*Chairman*)  
Mr. Liu Baorui  
Mr. Wan Hongchun

## **RISK MANAGEMENT COMMITTEE**

Mr. Du Lin Dong (*Chairman*)  
Mr. Liu Baorui  
Mr. Ma Jie  
Dr. Cheung Wai Bun Charles, *J. P.*  
Mr. Wan Hongchun

## **AUTHORISED REPRESENTATIVES**

Mr. Pong Po Lam Paul  
Mr. Li Chi Chung

## **COMPANY SECRETARY**

Mr. Li Chi Chung

## **AUDITORS**

Ernst & Young

## **INVESTMENT MANAGER**

China Financial International Investments &  
Managements Limited

## **CUSTODIAN**

Bank of Communications Trustee Limited

## **LEGAL ADVISER**

*As to Bermuda law* Conyers Dill & Pearman

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton  
HM 11  
Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suite 5802, 58/F Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

## **SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

## **TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

0721

## **COMPANY WEBSITE**

<http://www.irasia.com/listco/hk/cfii/index.htm>

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Financial International Investments Limited ("**CFI**" or the "**Company**"), I am pleased to present the audited results of the Company and its subsidiaries (the "**Group**") for the year ended 30 June 2012 (the "**Year**").

During the Year, the total assets of the Group amounted to approximately HK\$910.32 million, representing an increase of 10.78% as compared with HK\$821.76 million in last year. Net assets amounted to approximately HK\$900.41 million, representing an increase of 10.82% as compared with HK\$812.49 million in last year. This was mainly due to the allotment and issue of 304,950,000 new shares of the Company as a result of the completion of the share subscription during the Year, which raised approximately HK\$137 million. The net proceeds of this share subscription had provided a capital foundation for business expansion of the Group.

The financial year 2011/12 was filled with challenges for the Group. The recovery of the United States (the "**U.S.**") economy was slower than expected, coupled with the outbreak of the euro zone debt crisis, the Group recorded a loss of HK\$45.38 million (2011: a profit of HK\$24.07 million) in respect of listed securities business under the difficult conditions in financial markets. In accordance with the investment strategy of the Board, the Group is actively investing in and acquiring the equities of small loan companies with good management, standardised operation and excellent performance. We aim to materialise our strategic deployment and rapid expansion to enter into the small loan industry in the People's Republic of China (the "**PRC**"), and to strive for better returns for our shareholders (the "**Shareholders**"). At the initial stage of unlisted investment, the fair value of the investments in the small loan company and the guarantee company has appreciated to HK\$23.85 million for the Year (2011: nil). As at 30 June 2012, dividend income of HK\$6.80 million was derived from small loan companies (30 June 2011: nil).

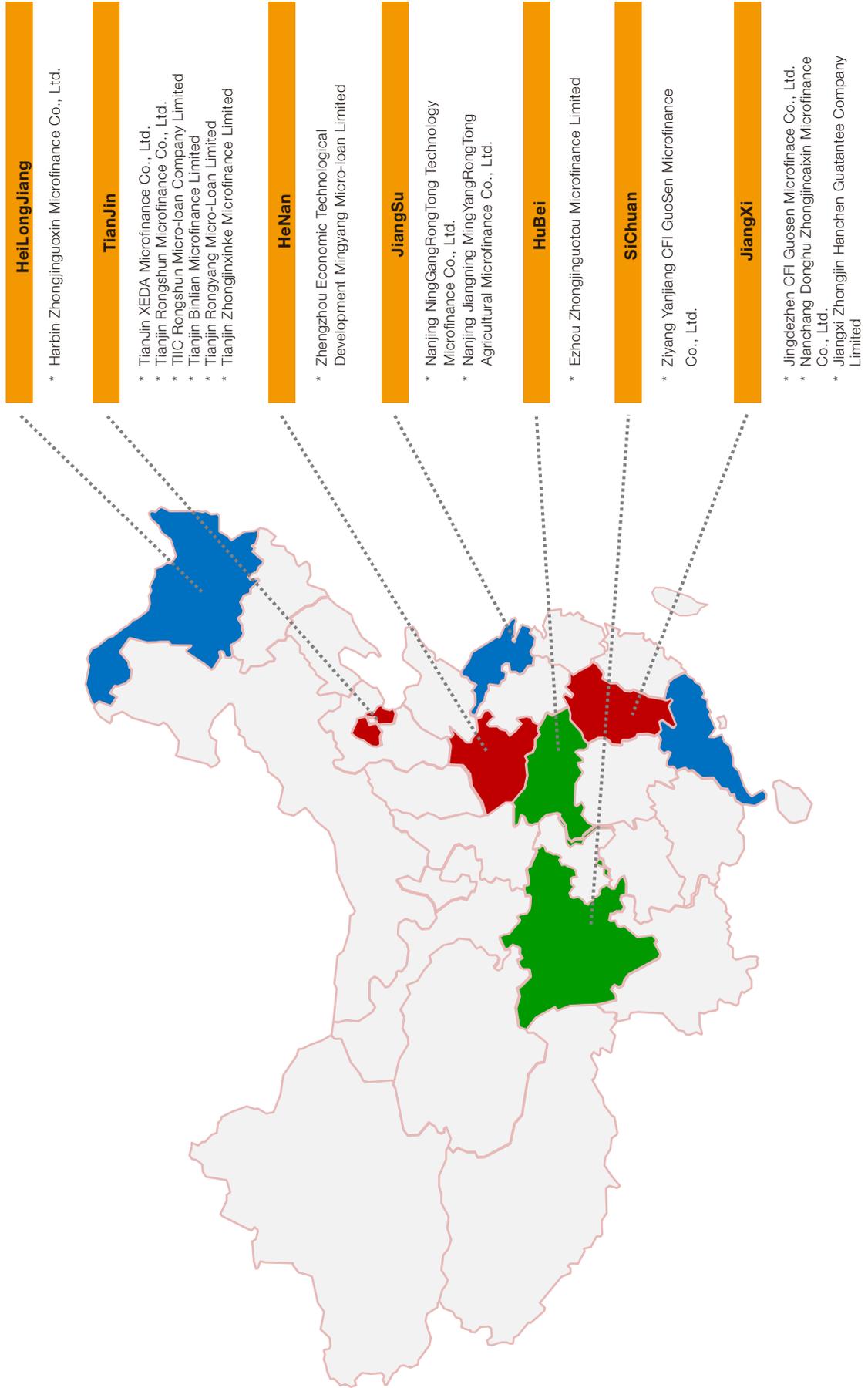
Since the implementation of a new investment strategy at the end of 2010, our new finance business has shifted the focus on the investment in small loan companies in the PRC. Our business is also supported by the investment in the guarantee company and the investment consultation service company. CFI now has become one of the sizeable investors with wide location coverage in small loan industry in the PRC. Such a shift has been carried out steadily with determination. The Board takes the view that the demand for financial services such as small loan and guarantee will continue to grow and that will bring immense return to the Group in the medium-long term. We believe that CFI will certainly reach new heights.

I would like to take this opportunity to thank all our business partners and Shareholders for their continuing confidence in our Group. I would also like to express my deepest gratitude to all staff and our Board of Directors for their effort and dedication to the Group.

**Du Lin Dong**  
*Chairman*

Hong Kong, 28 September 2012

**THE MAJOR UNLISTED INVESTMENTS OF THE GROUP IN THE MICRO-FINANCE SERVICE INDUSTRY UP TO THE DATE OF APPROVAL OF THIS ANNUAL REPORT ARE AS FOLLOWS:**



## BUSINESS REVIEW

The Group was principally engaged in the investments in the listed securities for short term and unlisted investments for medium and long term during the Year.

During the Year under review, a net loss for the Year attributable to ordinary equity Shareholders of the Company amounted to HK\$63.66 million as compared to the profit of HK\$36.93 million in last year, representing a 272.38% decrease, such loss was primarily attributable to (i) realised losses on disposal of listed securities at market value; (ii) unrealised losses on listed securities at fair value through profit or loss; and (iii) the increment in administrative expenses resulting from the strategic increase in investment in financing service industry. The basic loss per share was HK1.499 cents (2011: basic earnings per share of HK1.129 cents).

The Group's turnover comprised of (i) the sales proceeds from disposal of investments amounting to HK\$222.38 million this year as compared to HK\$290.28 million in last year, representing a 23.39% decrease, and (ii) the dividend income of investments amounting to HK\$9.14 million this year as compared to HK\$5.73 million in last year, representing a 59.51% increase. The other income which comprised of interest income and miscellaneous was HK\$2.46 million, representing an increase of 10.31% as compared to HK\$2.23 million in last year. Administrative expenses increased 11.53% from HK\$33.73 million in last year to HK\$37.62 million this year resulting from the strategic increase in investments in financing service industry.

## LISTED INVESTMENTS REVIEW

The euro zone debt crisis and slow global economic growth have contributed to uncertainties in the securities markets. Under such volatile conditions and the adverse change in global financial markets during the Year, the market value of the Group's listed securities portfolio had declined and the realised and unrealised losses on listed securities recorded as HK\$45.38 million (2011: gain of HK\$24.07 million). In addition, the dividend income from listed investments decreased by 59.16% to HK\$2.34 million from HK\$5.73 million as compared with last year.

During the Year, all the listed securities were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2012, the market value of the listed securities amounted to HK\$224.04 million (30 June 2011: HK\$300.56 million).

## 06 Management Discussion and Analysis

### Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	% of equity interest	Market value at 30 June 2012 HK\$'000	Dividend income HK\$'000
VODone Limited	Tele-media, lottery-related and mobile games business in the PRC	11,944,000	0.38	7,525	1,259
Hidili Industry International Development Limited	Coal mining, manufacture and sale of coke and clean coal and provision of transportation	15,009,000	0.73	31,969	–
China Water Property Group Limited	Property development and property investment businesses in the PRC	194,259,429	10.74	184,547	–
Other listed securities				–	1,077
				<u>224,041</u>	<u>2,336</u>

### UNLISTED INVESTMENTS REVIEW

Our investments in small loan companies have covered various provinces and cities in the PRC within 1 to 2 years which has made us to become one of the top brand for small loan investment chains in China. This was benefited from the Group's advantages in platform, resources, capital and team, and also attributable to market opportunities and government support in the PRC, and the support and cooperation from many strategic partners.

Professor Ba Shu Song, the Chief Investment Consultant of the Company, the deputy head of the Financial Research Institute of Development Research Center of the State Council (國務院發展研究中心金融研究所副所長), has been collaborating with the Financial Research Institute of Development Research Center of the State Council and the Company, to explore a nation-wide operation system and grading scheme for the small loan industry. We believe that the small loan companies in the PRC could grow even faster by broadening their funding sources, optimising their shareholding structure, enhancing their risk control and lowering their tax burden reasonably.

For the year ended 30 June 2012, the change in fair value of the Group's unlisted investments portfolio was appreciated by HK\$19.87 million as compared to HK\$13.00 million in last year, representing a 52.85% increase, which was mainly attributable to the increase in fair value of small loan companies and a guarantee company. During the Year, the dividend income from the unlisted investments in small loan companies recorded as HK\$6.80 million (30 June 2011: nil).

As at 30 June 2012, the fair value of the Group's unlisted investments, amounted to HK\$550.92 million (30 June 2011: HK\$311.35 million).

## Unlisted Investments Portfolio

Name of company	Location	Business nature	Cost HK\$'000	Fair value changes in prior year HK\$'000	Fair value changes during the Year HK\$'000	Fair value of investments at 30 June 2012 HK\$'000	Dividend income HK\$'000	
<b>Micro-loan service</b>								
1	Jingdezhen CFI Guosen Microfinance Co., Ltd.	Jingdezhen, Jiangxi Province	Provision of small loan and financial consultation services	140,000	-	6,545	146,545	4,583
2	TianJin XEDA Microfinance Co., Ltd.	Tianjin	Provision of small loan and financial consultation services	72,450	-	3,825	76,275	-
3	Tianjin Rongshun Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	36,606	-	1,215	37,821	-
4	TiIC RongShun Micro-Loan Company Limited	Tianjin	Provision of small loan and financial consultation services	12,189	-	408	12,597	-
5	Zhengzhou Economic Technological Development Mingyang Micro-loan Limited	Zhengzhou, Henan Province	Provision of small loan and financial consultation services	35,549	-	3,309	38,858	2,218
6	Harbin Zhongjinguoxin Microfinance Co., Ltd.	Harbin, Heilongjiang Province	Provision of small loan and financial consultation services	36,693	-	1,625	38,318	-
7	Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	Donghu District, Nanchang, Jiangxi Province	Provision of small loan and financial consultation services	36,901	-	1,170	38,071	-
8	Tianjin Binlian Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	12,271	-	46	12,317	-
9	Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	36,870	-	567	37,437	-
10	Ezhou Zhongjinguotou Microfinance Limited	Ezhou, Hubei Province	Provision of small loan and financial consultation services	37,020	-	-	37,020	-
		Sub-total:		456,549	-	18,710	475,259	6,801
<b>Guarantee service</b>								
11	Jiangxi Zhongjin Hanchen Guarantee Company Limited	Nanchang, Jiangxi Province	Provision of guarantees to small and medium enterprises	43,150	-	5,139	48,289	-
		Sub-total:		499,699	-	23,849	523,548	6,801
<b>Investment consultation service</b>								
12	Shenzhen Zhongtouxin Asset Management Company Limited	Shenzhen, Guangdong Province	Provision of consultation services on project investments	18,350	-	(4,923)	13,427	-
<b>Information system service and mining</b>								
13	Globe Capital Resources Investment Limited	British Virgin Islands	Investment holding	-	13,000	942	13,942	-
		Total:		518,049	13,000	19,868	550,917	6,801

### Micro-loan service

- (1) The Company invested in 23.33% equity interest of Jingdezhen CFI Guosen Microfinance Co., Ltd. (“**Jingdezhen CFI Guosen**”). Jingdezhen CFI Guosen is principally engaged in the provision of rapid and nimble small loan and credits to small and medium enterprises (the “**SMEs**”), rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses and also in the provision of the management and financial consultation services for the development of local enterprises in Jingdezhen, Jiangxi Province, the PRC.
- (2) The Company invested in 30% equity interest of TianJin XEDA Microfinance Co., Ltd. (“**TianJin XEDA**”). Tianjin XEDA is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (3) The Company invested in 30% equity interest of Tianjin Rongshun Microfinance Limited (“**Tianjin Rongshun**”). Tianjin Rongshun is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (4) The Company invested in 10% equity interest of TIIC RongShun Micro-Loan Company Limited (“**TIIC RongShun**”). It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (5) The Group entered into a sales and purchase agreement to acquire 30% equity interest of 鄭州經濟技術開發區明陽小額貸款有限公司 (transliterated as Zhengzhou Economic Technological Development Mingyang Micro-loan Limited, “**Zhengzhou Mingyang**”). It is principally engaged in the provision of rapid and nimble small loan and financial consultation services in Zhengzhou Economic Technical Development Zone, Henan Province, the PRC.

On 21 February 2011, the Group settled the full considerations. The completion of this acquisition is conditional upon approval of relevant government authorities in Henan Province, the PRC. According to the sales and purchase agreement and having sought advice from the Company’s PRC legal advisers, the directors are of the opinion that the Group has beneficial interests on these 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations. The Group anticipates the completion of the acquisition within 2 year.

- (6) The Company invested in 30% equity interest of Harbin Zhongjinguoxin Microfinance Co., Ltd. (“**Harbin Zhongjinguoxin**”). Harbin Zhongjinguoxin is principally engaged in the provision of rapid and nimble small loan service in Harbin, Heilongjiang Province, the PRC.

- (7) The Company invested in 30% equity interest of Nanchang Donghu Zhongjincaixin Microfinance Co., Limited (“**Nanchang Donghu**”). It is principally engaged in the provision of rapid and nimble small loans, and enterprise development, management and financial consultation services to SMEs, rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Donghu District, Nanchang, Jiangxi Province, the PRC.
- (8) The Company invested in 10% equity interest of Tianjin Binlian Microfinance Limited (“**Tianjin Binlian**”). It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (9) The Company invested in 30% equity interest of Nanjing NingGangRongTong Technology Microfinance Co., Ltd. (“**NingGangRongTong**”). It is principally engaged in provision of (i) rapid and nimble small loans and enterprise development, management and financial consultation services; (ii) financial guarantee to technology enterprises, small and medium enterprises and sole proprietors; and (iii) investing in equity interest of (up to 30% of the total amount of authorised registered capital of NingGangRongTong) small and medium technology enterprises in Jiangning district (mainly focusing on Nanjing Jiangning Economic Technical Development Zone (南京江寧經濟技術開發區)), Nanjing, Jiangsu Province, the PRC, which is state-level economic development zone.
- (10) The Company invested in 30% equity interest of 鄂州市中金國投小額貸款有限責任公司 (transliterated as Ezhou Zhongjinguotou Microfinance Limited, “**Ezhou Zhongjinguotou**”). It is principally engaged in the provision of rapid and nimble small loan services to SMEs, rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Ezhou, Hubei Province, the PRC.

#### **Guarantee service**

- (11) The Company made an investment to acquire 30% equity interest of 江西中金漢辰擔保有限公司 (transliterated as Jiangxi Zhongjin Hanchen Guarantee Company Limited). It is principally engaged in the provision of guarantees to SMEs and assists such enterprises in obtaining loans from financial institutions in Jiangxi Province, the PRC.

#### **Investment consultation service**

- (12) The Company invested in 30% equity interest of 深圳市中投金信資產管理有限公司 (transliterated as Shenzhen Zhongtouxin Asset Management Company Limited, “**Zhongtouxin**”). Zhongtouxin is principally engaged in the consultation services on project investments, enterprise management and economic information and corporate image planning.

#### **Information system service and mining**

- (13) The Company held 30% equity interest in Globe Capital Resources Investment Limited (“**Globe Capital**”). Globe Capital is principally engaged in investment holding which had two investments with 29% equity interest in 江西九三三科技發展有限責任公司 (transliterated as Jiangxi 933 Technology Development Company Limited, “**Jiangxi 933**”) and 25% equity interest in 贛縣長鑫礦業有限責任公司 (transliterated as Gan County Changxin Mining Company Limited, “**Changxin Mining**”). Jiangxi 933 is principally engaged in the provision of information system services while Changxin Mining is principally engaged in the exploitation of metal mines.

## 10 Management Discussion and Analysis

### *Investment Agreements*

Starting from the end of 2010, the Group has centered on the strategy formulated by the Board which is extending its investment direction to the micro finance service industry (including small loan, guarantee firms, etc.) in the PRC. During the Year and up to the date of this annual report the Group entered the following legally binding agreements in respect of investments in micro-finance services in the PRC:

### **Joint Venture Agreements**

- (1) On 18 July 2011, a joint venture company was formed with the name of Nanchang Donghu Zhongjincaixin Microfinance Co., Limited. The Company agreed to invest in 30% equity interest of Nanchang Donghu at a consideration of RMB30 million. It is principally engaged in the provision of rapid and nimble small loans, as well as enterprise development, management and financial consultation services to SMEs, the rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Donghu District, Nanchang, Jiangxi Province, the PRC. The transaction was completed during the Year.
- (2) On 18 July 2011, a joint venture company was formed with the proposed name of 新余市渝水區中金國信新能源科技小額貸款股份有限公司 (transliterated as Xinyu Yushui District Zhongjinguoxin New Energy Technological Micro-loan Limited, “**Xinyu Yushui District Zhongjinguoxin**”). The Company agreed to invest in 30% equity interest of Xinyu Yushui District Zhongjinguoxin at a consideration of RMB75 million. It is principally engaged in the provision of rapid and nimble small loans, and enterprise development, management and financial consultation services to SMEs, rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Yushui District, Xinyu, Jiangxi Province, the PRC. As certain conditions precedent have not been fulfilled as at the date hereof, the transaction is expected to be completed by the end of 2013.
- (3) On 1 August 2011, a joint venture company was formed with the name of Tianjin Rongshun Microfinance Limited. The Company agreed to invest in 30% equity interest of Tianjin Rongshun at a consideration of RMB30 million. Tianjin Rongshun is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC. The transaction was completed during the Year.
- (4) On 16 August 2011, a joint venture company was formed with the name of TIIC RongShun Micro-Loan Company Limited. The Company agreed to invest in 10% equity interest of TIIC Rongshun at a consideration of RMB10 million. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC. The transaction was completed during the Year.
- (5) On 22 November 2011, a joint venture company was formed with a proposed name of 南京高淳中金明陽科技小額貸款有限公司 (transliterated as Nanjing Gaochun Zhongjin Mingyang Technology Small Loan Limited, “**Nanjing Gaochunzhongjin**”). The Company agreed to invest in 30% equity interest of Nanjing Gaochunzhongjin at a consideration of RMB60 million. It is principally engaged in the provision of rapid and nimble small loan and enterprises development, management and financial consultation services to technology enterprises, sole proprietors and SMEs in Gaochun County, Nanjing, Jiangsu Province, the PRC. As certain conditions precedent have not been fulfilled as at the date hereof, the transaction is expected to be completed by the end of 2013.

- (6) On 22 November 2011, a joint venture company was formed with a proposed name of 南京中金國信科技小額貸款股份有限公司 (transliterated as Nanjing Zhongjinguoxin Technology Small Loan Limited, "**Nanjing Zhongjinguoxin**"). The Company agreed to invest in 30% equity interest of Nanjing Zhongjinguoxin at a consideration of RMB60 million. It is principally engaged in the provision of rapid and nimble small loans and enterprise development, management and financial consultation services to technology enterprises, sole proprietors and SMEs in Lishui County, Nanjing, Jiangsu Province, the PRC. As certain conditions precedent have not been fulfilled as at the date hereof, the transaction is expected to be completed by the end of 2013.
- (7) On 26 December 2011, a joint venture company was formed with the name of Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd., ("**Ziyang Yanjiang**") The Company agreed to invest in 30% equity interest of Ziyang Yanjiang at a consideration of RMB60 million. It is principally engaged in the provision of rapid and nimble small loan, and related consultation services to SMEs, sole proprietors and rural sectors (farmers, villages and agricultural industry) in Ziyang, Sichuan Province, the PRC. The transaction was completed in August 2012.
- (8) On 26 December 2011, a joint venture company was formed with the name of Tianjin Rongyang Micro-Loan Limited, ("**Tianjin Rongyang**"). The Company agreed to invest in 30% equity interest of Tianjin Rongyang at a consideration of RMB30 million. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC. the transaction was completed in September 2012.
- (9) On 27 December 2011, a joint venture company was formed with the name of Tianjin Binlian Microfinance Limited. The Company agreed to invest in 10% equity interest of Tianjin Binlian at a consideration of RMB10 million. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC. The transaction was completed during the Year.
- (10) On 2 February 2012, a joint venture company was formed with the name of Tianjin Zhongjinxinke Microfinance Limited, ("**Tianjin Zhongjinxinke**"). The Company agreed to invest in 30% equity interest of Tianjin Zhongjinxinke at a consideration of RMB30 million. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC. The transaction was completed in September 2012.
- (11) On 2 February 2012, a joint venture company was formed with the name of Ezhou Zhongjinguotou Microfinance Limited. The Company respectively agreed to invest in 30% equity interest of Ezhou Zhongjinguotou at a total consideration of RMB150 million and the initial payment of RMB30 million was made during the Year. It is principally engaged in the provision of rapid and nimble small loan services to SMEs, rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Ezhou, Hubei Province, the PRC.

## 12 Management Discussion and Analysis

### Acquisition Agreements

The following acquisition agreements are expected to be completed after certain conditions precedent have been fulfilled:

- (12) On 20 June 2012, China Financial International Investments (Jiangxi) Limited (“**CFI Jiangxi**”), a wholly owned subsidiary of the Company, entered into an acquisition agreement with an independent third party and agreed to acquire 30% equity interest of 玉山縣盈安小額貸款股份有限公司 (transliterated as Yushan County Yingan Small Loan Co., Limited, “**Yushan County Yingan**”) at a total cash consideration of RMB30 million. Yushan County Yingan is principally engaged in the provision of rapid, nimble and easy small loan services in Yushan County, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Yushan County Yingan by the supervising government monetary and foreign investment authorities. Yushan County Yingan shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (13) On 20 June 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 廣豐縣仁恒小額貸款股份有限公司 (transliterated as Guangfeng County Renheng Small Loan Co., Limited, “**Guangfeng County Renheng**”) at a total cash consideration of RMB15 million. Guangfeng County Renheng is principally engaged in the provision of rapid, nimble and easy small loan, small business development management and financial advisory services in Guangfeng County, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Guangfeng County Renheng by the supervising government monetary and foreign investment authorities. Guangfeng County Renheng shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (14) On 20 June 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 鄱陽縣華源小額貸款股份有限公司 (transliterated as Poyang County Huayuan Small Loan Co., Limited, “**Poyang County Huayuan**”) at a total cash consideration of RMB18 million. Poyang County Huayuan is principally engaged in the provision of rapid, nimble and easy small loan services in Poyang County, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Poyang County Huayuan by the supervising government monetary and foreign investment authorities. Poyang County Huayuan shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (15) On 20 June 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 婺源縣國昌小額貸款股份有限公司 (transliterated as Wuyuan County Guochang Small Loan Co., Limited, “**Wuyuan County Guochang**”) at a total cash consideration of RMB18 million. Wuyuan County Guochang is principally engaged in the provision of rapid, nimble and easy small loan services in Wuyuan County, Shangrao, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Wuyuan County Guochang by the supervising government monetary and foreign investment authorities. Wuyuan County Guochang shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (16) On 20 June 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 上饒市信州區鴻業小額貸款有限公司 (transliterated as Shangrao City Xinzhou District Small Loan Co., Limited, “**Shangrao City Xinzhou**”) at a total cash consideration of RMB30 million. Shangrao City Xinzhou is principally engaged in the provision of rapid, nimble and easy small loan services in Xinzhou District, Shangrao, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Shangrao City Xinzhou by the supervising government monetary and foreign investment authorities. Shangrao City Xinzhou shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (17) On 20 June 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 上饒市經濟開發區國昌小額貸款有限公司 (transliterated as Shangrao City Economic Development Zone Guochang Small Loan Co., Limited, “**Shangrao City Economic Development Zone**”) at a total cash consideration of RMB24 million. Shangrao City Economic Development Zone is principally engaged in the provision of rapid, nimble and easy small loan services in Economic Development Zone, Shangrao, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Shangrao City Economic Development Zone by the supervising government monetary and foreign investment authorities. Shangrao City Economic Development Zone shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (18) On 20 June 2012, the Company entered into an acquisition agreement with an independent third party and agreed to acquire 30% equity interest of 巴林右旗巴林石小額貸款有限責任公司 (transliterated as Balin Youqi Balinshi Small Loan Co., Limited, “**Balin Youqi Balinshi**”) at a total cash consideration of RMB18.36 million. Balin Youqi Balinshi is principally engaged in the provision of rapid, nimble and easy small loan services in Chifeng City, Nei Monggol, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Balin Youqi Balinshi by the supervising government monetary and foreign investment authorities. Balin Youqi Balinshi shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (19) On 20 June 2012, the Company entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 土默特右旗小額貸款股份有限公司 (transliterated as Tumote Youqi Small Loan Co., Limited, “**Tumote Youqi**”) at a total cash consideration of RMB30 million. Tumote Youqi is principally engaged in the provision of rapid, nimble and easy small loan services in Baotou City, Nei Monggol, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Tumote Youqi by the supervising government monetary and foreign investment authorities. Tumote Youqi shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

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- (20) On 20 June 2012, the Company entered into an acquisition agreement with an independent third party and agreed to acquire 20% equity interest of 大連保稅區聯信睿盈小額貸款有限公司 (transliterated as Dalian Free Trade Zone Lianxin Moying Small Loan Co., Limited, “**Dalian Free Trade Zone**”) at a total cash consideration of RMB10 million. Dalian Free Trade Zone is principally engaged in the provision of rapid, nimble and easy small loan services in Free Trade Zone, Dalian City, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 20% equity interest of Dalian Free Trade Zone by the supervising government monetary and foreign investment authorities. Dalian Free Trade Zone shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (21) On 20 June 2012, the Company entered into an acquisition agreement with an independent third party and agreed to acquire 20% equity interest of 江陰市豐源農村小額貸款有限公司 (transliterated as Jiangyin City Fengyuan Village Small Loan Co., Limited, “**Jiangyin City Fengyuan**”) at a total cash consideration of RMB40 million. Jiangyin City Fengyuan is principally engaged in the provision of rapid, nimble and easy small loan services in Jiangyin City, Jiangsu Province, the PRC.

The total consideration shall be payable within 30 days upon approval of the agreement and the transfer of 20% equity interest of Jiangyin City Fengyuan by the supervising government monetary and foreign investment authorities. Jiangyin City Fengyuan shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (22) On 20 June 2012, the Company entered into an acquisition agreement with independent third parties and agreed to acquire 20% equity interest of 上海浦東新區鑫隆小額貸款股份有限公司 (transliterated as Shanghai Pudong New District Xinlong Small Loan Co., Limited, “**Shanghai Xinlong**”) at a total cash consideration of RMB20 million. Shanghai Xinlong is principally engaged in the provision of rapid, nimble and easy small loan and related consultation services in Shanghai, the PRC.

The total consideration shall be payable within 90 days upon approval of the agreement and the transfer of 20% equity interest of Shanghai Xinlong by the supervising government monetary and foreign investment authorities. Shanghai Xinlong shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (23) On 20 July 2012, CFI Jiangxi entered into an acquisition agreement with an independent third party and agreed to acquire 30% equity interest of 上饒市信州區潤豐小額貸款股份有限公司 (transliterated as Shangrao City Xinzhou District Runfeng Small Loan Co., Limited, “**Shangrao Runfeng**”) at a total cash consideration of RMB30 million. Shangrao Runfeng is principally engaged in the provision of rapid, nimble and easy small loan services in Xinzhou District, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Shangrao Runfeng by the supervising government monetary and foreign investment authorities. Shangrao Runfeng shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (24) On 20 July 2012, CFI Jiangxi entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 上饒市信州區百利小額貸款股份有限公司 (transliterated as Shangrao City Xinzhou District Baili Small Loan Co., Limited, “**Shangrao Baili**”) at a total cash consideration of RMB36 million. Shangrao Baili is principally engaged in the provision of rapid, nimble and easy small loan services in Xinzhou District, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Shangrao Baili by the supervising government monetary and foreign investment authorities. Shangrao Baili shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (25) On 20 July 2012, CFI Jiangxi entered into an acquisition agreement with an independent third party and agreed to acquire 10% equity interest of 橫峰縣華帥小額貸款股份有限公司 (transliterated as Hengfeng County Huashuai Small Loan Co., Limited, “**Hengfeng Huashuai**”) at a total cash consideration of RMB10 million. Hengfeng Huashuai is principally engaged in the provision of rapid, nimble and easy small loan services in Hengfeng County, Shangrao City, Jiangxi Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 10% equity interest of Hengfeng Huashuai by the supervising government monetary and foreign investment authorities. Hengfeng Huashuai shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (26) On 20 July 2012, China Financial International Finance Group Limited (“**CFI Finance Group**”), a wholly owned subsidiary of the Company, entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 天津國津小額貸款有限公司 (transliterated as Tianjin Guojin Small Loan Co., Limited, “**Tianjin Guojin**”) at a total cash consideration of RMB30 million. Tianjin Guojin is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.

The total consideration shall be payable within 90 days upon approval of the agreement and the transfer of 30% equity interest of Tianjin Guojin by the supervising government monetary and foreign investment authorities. Tianjin Guojin shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

- (27) On 20 July 2012, CFI Finance Group entered into an acquisition agreement with an independent third party and agreed to acquire 30% equity interest of 天津九智小額貸款有限公司 (transliterated as Tianjin Jiuzhi Small Loan Co., Limited, “**Tianjin Jiuzhi**”) at a total cash consideration of RMB30 million. Tianjin Jiuzhi is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.

The total consideration shall be payable within 90 days upon approval of the agreement and the transfer of 30% equity interest of Tianjin Jiuzhi by the supervising government monetary and foreign investment authorities. Tianjin Jiuzhi shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

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- (28) On 20 July 2012, CFI Finance Group entered into an acquisition agreement with independent third parties and agreed to acquire 30% equity interest of 深圳市盛聯豐小額貸款有限公司 (transliterated as Shenzhen City Shenglianfeng Small Loan Co., Limited, “**Shenzhen City Shenglianfeng**”) at a total cash consideration of RMB45 million. Shenzhen City Shenglianfeng is principally engaged in the provision of rapid, nimble and easy small loan services in Administrative Area, Shenzhen City, Guangdong Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the agreement and the transfer of 30% equity interest of Shenzhen City Shenglianfeng by the supervising government monetary and foreign investment authorities. Shenzhen City Shenglianfeng shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

### **Subscription Agreement**

The following subscription agreement is expected to be completed after certain conditions precedent have been fulfilled:

- (29) On 20 July 2012, the Company entered into a subscription agreement with independent third parties and agreed to subscribe for 10% equity interest of 哈爾濱市南崗區盛元小額貸款股份有限公司 (transliterated as Harbin City Nangang District Shengyuan Small Loan Co., Limited, “**Harbin Shengyuan**”) as enlarged by the new registered capital to be subscribed by the Company as contemplated under the subscription agreement at a total cash consideration of RMB15 million. Harbin Shengyuan is principally engaged in the provision of rapid, nimble and easy small loan services in Nangang District, Harbin City, Heilongjiang Province, the PRC.

The total consideration shall be payable within 180 days upon approval of the subscription agreement and the subscription for 10% equity interest in Harbin Shengyuan by the supervising government monetary and foreign investment authorities. Harbin Shengyuan shall be changed from a domestic enterprise to a sino-foreign joint venture enterprise after the transfer.

### **PROSPECT**

The year ahead is undoubtedly going to be extremely challenging, the deteriorating euro zone debt crisis continues to drag down the global economic recovery. In face of complex market situations, the Group will remain vigilant and prepare itself for any challenges. The Group has a clear direction and growth strategies. The Group remains optimistic about the prospect of micro-finance service industry in the PRC to strive for long term return to Shareholders. The Board believes that our investment values in small loan companies are built on the growth and success of business operation. We have all along been adhering to the micro-finance service industry intrinsic value as our core of investment philosophy, emphasizing on the precise selection and focusing on investing in target enterprises with higher growth potential. The Group is well positioned to be an investor, a planner, a resource accumulator and an integrator in the new finance in the PRC. The Group has also implemented a diversified strategy aimed at identifying suitable investment opportunities and expanding involvement in new technology, new energy and new industries, in order to bring about better return for the Shareholders. We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well positioned to meet future challenges and move closer to its vision to become a profitable and well diversified company.

## MAJOR ACQUISITIONS AND DISPOSALS

The Group had no major acquisitions and disposals of subsidiary or associate during the Year.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2012, the Group had cash and cash equivalents of HK\$32.11 million (30 June 2011: HK\$81.79 million). Majority of the cash and bank balances denominated in Hong Kong dollar and Renminbi which placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2012 was approximately 5,397% (30 June 2011: 5,884%), gearing ratio (calculated as the long term loan to the total Shareholders' equity) of the Group as at 30 June 2012 was zero (30 June 2011: zero).

The Group did not have any bank borrowing as at 30 June 2012 (30 June 2011: nil). The capital commitments of the Group are set out in note 32 to the financial statements.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2011: nil).

## CHARGES ON THE GROUP'S ASSET AND CONTINGENT LIABILITIES

As at 30 June 2012, there were no charges on the Group's assets and the Group did not have any significant contingent liabilities (30 June 2011: nil).

## CAPITAL STRUCTURE

The Company has raised approximately HK\$137 million by a subscription of a total number of 304,950,000 ordinary shares at the subscription price of HK\$0.45 per subscription share on 20 January 2012. Details are set out in the announcement of the Company dated 15 December 2011.

Pursuant to subscription agreements dated 18 July 2012 in relation to the proposed subscription of a total number of 240,000,000 ordinary shares at the subscription price of HK\$0.45 per subscription share to 2 subscribers, the subscription was completed on 31 August 2012 and the Company has raised approximately HK\$107.8 million. Details are set out in the announcement of the Company dated 18 July 2012.

The Company issued 3,500,000 shares with par value of HK\$0.01 each at an exercise price of HK\$0.13 per share upon the exercise of the share options during the Year.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Hong Kong dollars and Renminbi are the main currencies of the Group to carry out its business transactions, the Board considers that the Group's exposure to fluctuation in exchange rates was insignificant.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 26 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$23.34 million (2011: HK\$18.62 million). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

### EXECUTIVE DIRECTORS

**Mr. Du Lin Dong**, aged 44, chairman of the Board who has been the chief executive officer of China Water Affairs Group Limited (Stock code: 855), a company listed on the Main Board of the Stock Exchange. Mr. Du has about 22 years' experience in investment and finance sector in the PRC and he had held senior management positions in various unlisted investment companies incorporated in the PRC. Mr. Du is also the director of various subsidiaries of the Company.

**Mr. Liu Baorui**, aged 55, is a chief executive officer of the Company. He holds an Executive Master degree in Business at Shanghai Jiaotong University. Mr. Liu had been working with the People's Bank of China and the Agricultural Bank of China. He held the position of executive director, vice-secretary of the Party Committee, vice president of Shenzhen Development bank. He is a member of the board of supervisors of China Unionpay Co., Ltd. and owns over 38 years of work experience in financial corporate management. Mr. Liu is also a member of the Financial Planning Standard Council of China (中國金融理財師標準委員會), a part-time (visiting) professor of Nankai University in the PRC, an independent director of Tianjin City Commercial Bank and a representative of the 5th National People's Congress of Shenzhen City.

**Mr. Pong Po Lam Paul**, aged 56, is an authorized representative of the Company who has been the Managing Director of Pegasus Fund Managers Limited since 1990. He has worked in the fund management industry for over 20 years. He is the Chairman of The Institute of Financial Planners of Hong Kong, Executive Committee member of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd., Chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, a member of Business Studies Advisory Board of HKU SPACE, a regular guest speaker for senior management training courses in several financial/insurance companies and universities and Economic Advisor of The People's Government of Naijiang City, Sichuan Province, a member of Advisory Committee of Hang Seng Indexes Co Ltd., a member of Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants and a member of Mandatory Provident Fund Schemes Advisory Committee.

### NON-EXECUTIVE DIRECTORS

**Mr. Ma Jie**, aged 49, graduated from the department of computer science of Zhengzhou University and holds a master degree in business administration from University of South Australia. He has extensive experience in sales and administration, as well as in such sectors as corporate governance, asset management and finance management in the listed companies in Hong Kong. He has deep understanding of micro-finance industry in the PRC and has a good knowledge of the policies, laws and regulations in relation to the micro-finance companies. Mr. Ma is also the director of various subsidiaries of the Company.

**Mr. Ding Xiaobin**, aged 43, graduated with a master of business administration degree from Huazhong University of Science and Technology, and has been honored the academic title of economist. He has worked for different business enterprises in various fields, including banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Limited, he acts as the investment consultant for projects in relation to clothes sales, harbour operation, agricultural, chemical synthesis and so on, with close cooperative relationship with the commercial banks, insurance corporation and trusting corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Dr. Cheung Wai Bun Charles, JP**, aged 76. Dr. Cheung, possesses the appropriate financial management expertise as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including experience in internal controls reviewing and analyzing audited financial statements. Dr. Cheung is presently chairman of Joy Harvest International Limited, director and vice chairman of Executive Committee of the Metropolitan Bank (China) Ltd., Senior Advisor of Metropolitan Bank & Trust Co. Philippines, an independent non-executive director of Audit Committee of China Resources Bank of Zhuhai Co. Ltd. (formerly known as Zhuhai Commercial Bank Limited), an independent non-executive director and chairman of the respective audit committees of Pioneer Global Group Limited (stock code: 224) and Shanghai Electric Group Company Limited (stock code: 2727) and an independent non-executive director, member of audit committee and remuneration committee of Universal Technologies Holdings Limited (stock code: 1026), the latter three are companies listed on the main board of the Stock Exchange. He is an independent non-executive director and chairman of Remuneration Committee of Grand TG Gold Holdings Limited (stock code: 8299) which is a company listed on the Growth Enterprise Market of the Stock Exchange. He is executive chairman of Lightscape Technologies Inc. Dr. Cheung is also a Council Member of the Hong Kong Institute of Directors. He is a visiting professor of School of Business of Nanjing University in the PRC and special advisor to the President of University of Victoria, BC Canada. Dr. Cheung is also a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a former director and advisor of the Tung Wah Group. He has held senior management positions in various companies of different industries and possessed extensive experiences. Dr. Cheung holds an honorary doctor’s degree from John Dewey University of USA and a master degree in business administration and a bachelor of science degree in accounts and finance from New York University. He was awarded Listed Company Non-Executive Director Award at the Hong Kong Directors of the Years Awards 2002. In December 2010, Dr. Cheung received 3 awards namely (1) Outstanding Management Award of The Chartered Management Association, (2) Outstanding Director Award of The Chartered Association of Directors and (3) Outstanding CEO Award of The Asia Pacific CEO Association.

**Mr. Wan Hongchun**, aged 52, graduated with a master of business administration degree from Harbin Institute of Technology, has been the president of Creat Fund Management Ltd. since 2009. Mr. Wan was the general manager of the Agricultural Bank of China, Hong Kong Branch in 2004 and participated in over 10 merger and reorganization projects. In 2000, Mr. Wan was the vice general manager of China Great Wall Asset Management Limited, Shenzhen Branch, and also served as the director of SDG and Shenzhen Electronics Group, and the chairman of Securities Supervisory Committee of the Special Economic Zone, as well as the chairman of Shenzhen Investment Fund Management, with nearly a hundred projects of restructuring bad assets presided by him. During the period from 1992 to 2000, Mr. Wan had worked in the Agricultural Bank of China as the sub-branch manager of Lo Wu sub-branch, and manager of Agricultural Bank Shenzhen Trust and Investment Corporation, when he participated and managed several projects of industry investment. Mr. Wan was the manager of the department of international operation and settlement and foreign exchange credit in 1988. In 1981, Mr. Wan worked in the section of agricultural credit, industrial and commercial credit and organization of funds of Agricultural Bank of China, Nanchang Branch.

**Mr. Zeng Xianggao**, aged 54, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants, a member of The Hong Kong Institute of Certified Public Accountants (practicing) and PRC CPA. Mr. Zeng was previously an accounting lecturer of Sun Yat-Sen University at Guangzhou, and an audit and tax consultant in two international accounting firms. He has extensive experience in accounting, taxation and auditing practice in Hong Kong as well as in the PRC. Mr. Zeng graduated from the Renmin University of China (Beijing) with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004. Mr. Zeng is currently as the independent non-executive director of the Capinfo Company Limited, a company is a joint stock limited company incorporated in the PRC with limited liability and issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 1075).

### COMPANY SECRETARY

**Mr. Li Chi Chung**, aged 44, is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from The University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is an independent non-executive director of Eagle Nice (International) Holdings Limited (Stock Code: 2368), PINE Technology Holdings Limited (Stock Code: 1079) and Kenford Group Holdings Limited (Stock Code: 0464) respectively, all of which are companies listed on the main board of the Stock Exchange. He is the company secretary of China Environmental Investment Holdings Limited (Stock Code: 0260), a company listed on the main board of the Stock Exchange, and China Nonferrous Metals Company Limited (Stock Code: 8306) which is a company listed on the Growth Enterprise Market of the Stock Exchange. From 15 October 2007 to 13 February 2009, Mr. Li was an independent non-executive director of Anhui Tianda Oil Pipe Company Limited (Stock Code: 0839); from 23 March 2007 to 12 December 2011, Mr. Li was a non-executive director of Richfield Group Holdings Limited (Stock Code: 0183); from 1 March 2011 to 20 December 2011, Mr. Li was the company secretary of Infinity Chemical Holdings Company Limited (Stock Code: 640); and from 21 April 2011 to 26 June 2012, Mr. Li was the company secretary of China Water Property Group Limited (Stock Code: 2349), all companies are listed on the main board of the Stock Exchange.

### CHIEF INVESTMENT CONSULTANT

**Professor Ba Shu Song**, aged 42, the chief investment consultant of the Company. Professor Ba is the deputy head of Financial Research Institute of Development Research Center of the State Council (國務院發展研究中心金融研究所副所長), a researcher and tutor of doctoral degree candidates, deputy secretary of the China Macroeconomics Society (中國宏觀經濟學會副秘書長), chief economist of the China Banking Association (中國銀行業協會首席經濟學家), and has been an expert and examiner for various examinations in relation to financial related qualifications in the PRC. Professor Ba was also a lecturer for study seminars for members of the Standing Committee of the Political Bureau of Central Committee of the Communist Party of China. (中共中央政治局集體學習主講專家), and part-time professor of a number of universities, including but not limited to Huazhong University of Science and Technology, China University of Technology, and Peking University. When Professor Ba performed his post-doctorate study and research in Chinese Economy Research Center at Peking University, Professor Ba concentrated on the research and study of financial institutes risk management and regulation of financial market.

### CORPORATE AMBASSADOR

**Mr. Ma Xiaochun**, aged 48, is the Corporate Ambassador of the Company, whose hometown is Shengzhou, Zhejiang Province, the PRC. Mr. Ma is a leading Go Chess player in the 1990s, and has made a record of 13 consecutive winning in the “Celebrity Tournament” of Go Chess of China (中國圍棋“名人戰”). Mr. Ma is the first professional Go Chess world champion from China, and has served as head coach of the Go Chess team of China. The Company appointed Mr. Ma as the Corporate Ambassador because of Mr. Ma’s outstanding contributions and achievements in the area of Go Chess in the PRC and internationally.

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2012.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company and its subsidiaries are investment holding and engaged in the investments in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

### **RESULTS AND DIVIDEND**

The Group's loss for the year ended 30 June 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 103.

The Board does not recommend the payment of any dividend for the year ended 30 June 2012 (2011: nil).

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 104. Certain comparative figures have been reclassified to confirm to current year's presentation. This summary does not form part of the audited financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 16 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the Year are set out in notes 27 and 28 to the financial statements, respectively.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws (the "**Bye-laws**") or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

### **PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the Year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity on page 38, respectively.

### **DISTRIBUTABLE RESERVES**

At 30 June 2012, the Company's reserves available for distribution, comprising share premium, contributed surplus and retained profits/accumulated loss in aggregate, amounted to HK\$817,749,000 (2011: HK\$748,330,000) calculated in accordance with the Companies Act 1981 of Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

A substantial portion of the Group's income is derived from the Group's investments, interests of loan receivable and bank deposits and thus the disclosure of information regarding customers would not be meaningful. The Group has no major suppliers requiring disclosure.

## DIRECTORS

The Directors of the Company during the Year were:

### Executive Directors:

Mr. Du Lin Dong (Chairman)  
Mr. Liu Baorui (Chief executive officer)  
Mr. Pong Po Lam Paul

### Non-executive Directors:

Mr. Ma Jie  
Mr. Ding Xiaobin

### Independent non-executive Directors:

Dr. Cheung Wai Bun Charles  
Mr. Wan Hongchun  
Mr. Zeng Xianggao

In accordance with Bye-laws 88(1) and 88(2), Mr. Du Lin Dong, Dr. Cheung Wai Bun Charles and Mr. Zeng Xianggao will retire from office by rotation at the annual general meeting. Being eligible, each of Mr. Du Lin Dong, Dr. Cheung Wai Bun Charles and Mr. Zeng Xianggao will offer himself for re-election as executive Director/independent non-executive Director (the "INED") at the forthcoming annual general meeting (as the case may be).

The Directors, including the INEDs, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-laws.

The Company has received written annual confirmation from each INED of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules and considers all INEDs to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 18 to 20 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Mr. Du Lin Dong entered into a service agreement with the Company on 23 June 2010, pursuant to which Mr. Du was appointed to act as executive Director and chairman of the Board for a period of 3 years from the date of the agreement at an annual remuneration of HK\$3.00 million and an annual fee of HK\$0.12 million for his office as the chairman of the Board. Under the service agreement, either party needs to give not less than 3 months' written notice to the other party in case of early termination of the appointment.

**DIRECTORS' SERVICE CONTRACTS (continued)**

Mr. Liu Baorui entered into a service agreement with the Company on 8 February 2011, pursuant to which Mr. Liu was appointed to act as executive Director and chief executive officer of the Company for a period of 3 years from the date of the agreement at an annual remuneration of HK\$5.00 million. Under the service agreement, either party needs to give not less than 3 months' written notice to the other party in case of early termination of the appointment.

As at 30 June 2012, save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

**DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the Year.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2012, the interests and short positions of the Directors and the chief executive in the shares capital, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

**(i) Long positions in ordinary shares of the Company**

Name of Directors		Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued capital
Du Lin Dong	Note	Through controlled corporation and directly beneficially owned	684,564,830	15.50%
Rightfirst Holdings Limited	Note	Directly beneficially owned	634,234,830	14.36%
Ma Jie		Directly beneficially owned	6,000,000	0.14%
Ding Xiaobin		Directly beneficially owned	500,000	0.01%

*Note:* The entire issued share capital of Rightfirst Holdings Limited is directly beneficially owned by Mr. Du Lin Dong. Mr. Du is deemed to be interested in 634,234,830 shares held by Rightfirst Holdings Limited under the SFO.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### (ii) Long positions in share options of the Company

Name of Directors	Number of options directly beneficially owned
Liu Baorui	36,000,000
Ma Jie	12,000,000
Ding Xiaobin	800,000
Zeng Xianggao	1,000,000
	49,800,000

Save as disclosed above, as at 30 June 2012, none of the Directors nor the chief executive had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2012, the following interests and long positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO. These interests are in addition to those disclosed above in respect of the Directors and chief executive:

### Long positions of a substantial shareholder in ordinary shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Rightfirst Holdings Limited (note)	Directly beneficially owned	634,234,830	14.36%

Note: The entire issued share capital of Rightfirst Holdings Limited is directly beneficially owned by Mr. Du Lin Dong, an executive Director. By virtue of the SFO, Mr. Du Lin Dong is deemed to be interested in those 634,234,830 shares held by Rightfirst Holdings Limited.

Save as disclosed above, as at 30 June 2012, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or long position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme (the “Scheme”) on 15 January 2008. Under the Scheme, the Directors may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Further details of the Scheme are disclosed in note 28 to the financial statements.

There was no option granted, expired or forfeited during the Year and the following table discloses movements in the Company’s share options during the Year:

Name or category of participant	Number of share options			Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July 2011 '000	Exercised during the Year# '000	At 30 June 2012 '000			
<b>Directors</b>						
Liu Baorui	12,000	–	12,000	16/5/2011-15/2/2014	0.445	16/2/2011
	12,000	–	12,000	16/2/2012-15/2/2014	0.445	16/2/2011
	12,000	–	12,000	16/2/2013-15/2/2014	0.445	16/2/2011
	<u>36,000</u>	<u>–</u>	<u>36,000</u>			
Ma Jie	2,000	–	2,000	17/2/2009-16/11/2013	0.05	17/11/2008
	10,000	–	10,000	18/3/2010-17/12/2014	0.13	18/12/2009
	<u>12,000</u>	<u>–</u>	<u>12,000</u>			
Ding Xiaobin	300	–	300	17/2/2009-16/11/2013	0.05	17/11/2008
	500	–	500	18/3/2010-17/12/2014	0.13	18/12/2009
	<u>800</u>	<u>–</u>	<u>800</u>			
Zeng Xianggao	500	–	500	17/2/2009-16/11/2013	0.05	17/11/2008
	500	–	500	18/3/2010-17/12/2014	0.13	18/12/2009
	<u>1,000</u>	<u>–</u>	<u>1,000</u>			
Qualified allottees in aggregate	3,500	(3,500)	–	18/3/2010-17/12/2014	0.13	18/12/2009
	6,600	–	6,600	16/5/2011-15/2/2014	0.445	16/2/2011
	6,600	–	6,600	16/2/2012-15/2/2014	0.445	16/2/2011
	6,800	–	6,800	16/2/2013-15/2/2014	0.445	16/2/2011
	10,000	–	10,000	16/5/2011-15/2/2014	0.445	16/2/2011
	<u>33,500</u>	<u>(3,500)</u>	<u>30,000</u>			
	<u>83,300</u>	<u>(3,500)</u>	<u>79,800</u>			

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

# The weighted average closing price of the Company’s shares immediately before the exercise date of the share options was HK\$0.52 per share.

## CONTRACT OF SIGNIFICANCE

No contract of significance in relation to the Group's business in which the Company, any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

## DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

### (a) Non-exempted continuing connected transaction Investment management agreement

Pursuant to an investment management agreement (the "**Investment Management Agreement**") dated 29 April 2011 between the Company and China Financial International Investments & Managements Limited ("**CFIIM**"), CFIIM has agreed to provide investment management services to the Company for a period of 3 years commencing from 29 April 2011. The annual management fee together with a performance-related fee payable by the Company is expected to be less than HK\$6.00 million under the investment management agreement with CFIIM. CFIIM is entitled to a management fee and a performance-related fee from the Company calculated at the following rates:

- (1) a management fee is payable monthly in arrears at a rate of 0.75% per annum of the market value of the portfolio on the last business day of each calendar month; and
- (2) a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

The aggregated management fee and performance-related fee payable to CFIIM under the Investment Management Agreement is subject to a cap for each of the 3 years ended 30 June 2012. The cap amount for the year ended 30 June 2012 was HK\$6.00 million. During the Year, the aggregated management fees paid/payable by the Company under the Investment Management Agreement to CFIIM amounting to HK\$1.30 million (2011: HK\$0.32 million)

CFIIM, being the investment manager of the Company, is regarded as a connected person of the Company by virtue of Rule 21.13 of the Listing Rules. In addition, CFIIM is an associate of the Company who is the beneficial owner of 29% of the entire issued shares in CFIIM. Accordingly, the services rendered under the Investment Management Agreement constitute a non-exempted continuing connected transaction of the Company.

The aforesaid continuing connected transaction has been reviewed by the INEDs of the Company. The INEDs confirmed that the aforesaid continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Investment Management Agreement on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

**CONTINUING CONNECTED TRANSACTIONS (continued)****(b) Continuing connected transactions exempted from reporting, annual review, announcement and independent shareholders' approval requirements****Custodian agreement**

Pursuant to the custodian agreement (the "**Custodian Agreement**") dated 12 June 2007, the Company appointed Bank of Communications Trustee Limited as its custodian with effect from 12 June 2007. The custodian has agreed to provide securities services to the Company, including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until it is terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, the custody fee is 0.05% of the net asset value, the minimum charge is HK\$4,000 per valuation per month and will be billed monthly (i.e. calculated on a monthly basis on the net asset value of the portfolio as at month end), the fund service fee is HK\$4,000 per month, and the transaction fees are HK\$320 per transaction for listed securities and HK\$650 per unlisted/physical securities transaction. The custodian fee paid during the Year amounted to HK\$0.18 million (2011: HK\$0.21 million).

The custodian is regarded as a connected person of the Company by virtue of Rule 21.13 of the Listing Rules. Accordingly, the Custodian Agreement constitutes a de-minimis continuing connected transaction of the Company under Rule 14A.33(3) of the Listing Rules.

The INEDs also confirmed that (i) the aggregate value of the annual management fees paid and payable by the Company to the investment manager did not exceed its prescribed caps; and (ii) the aggregate value of the annual custodian fee to the custodian fell below the de-minimis threshold of the Listing Rules and would be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

**SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is a public float of more than 25% of the issued capital of the Company.

**EVENTS AFTER THE REPORTING PERIOD**

Details of the significant events of the Group after the reporting period are set out in note 37 to the financial statements.

**AUDITORS**

Messrs. CCIF CPA Limited, who had acted as the auditors of the Company in the preceding years, resigned as auditors of the Company with effect from 20 December 2011 and Messrs. Ernst & Young were appointed as auditors of the Company, following the resignation of Messrs. CCIF CPA Limited as auditors of the Company.

The consolidated financial statements for the year ended 30 June 2012 have been audited by Ernst & Young who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. Save as disclosed above, there have been no other changes of auditors in the past three years. A resolution will be submitted at the forthcoming annual general meeting of the Company for the re-appointment of Messrs. Ernst & Young as auditors of the Company.

ON BEHALF OF THE BOARD

**Du Lin Dong**  
*Chairman*

Hong Kong  
28 September 2012

The Board is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the Shareholders' value.

The Company has applied the principles and complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 July 2011 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules (the "Code"), save for the deviations discussed below:

- (1) Under Code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. 1 existing non-executive Director, namely Mr. Ding Xiaobin and 1 INED of the Company, namely Dr. Cheung Wai Bun Charles are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company. Moreover, the Company has complied with this Code provision by entering into the letters of appointment with specific term with such Directors on 20 March 2012. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code; and
- (2) Under Code provision A.4.3, if an INED serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. Dr. Cheung Wai Bun Charles has served as an INED for more than 9 years, he will retire voluntarily at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

### **DIRECTORS' SECURITIES TRANSACTION**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the Directors have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 30 June 2012.

### **BOARD OF DIRECTORS**

As at the date of this report, the Board is made up of 8 Directors, including 3 executive Directors, 2 non-executive Directors and 3 INEDs. The Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' biographical details are set out in the section of "Biographical Details of Directors and Senior Management" on pages 18 to 20 of this annual report.

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and financial performance. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board. The Board also delegates specific responsibilities and duties to its respective committees.

**BOARD OF DIRECTORS (Continued)**

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board members during the year ended 30 June 2012 and as at the date up to this report were:

**Executive Directors:**

Mr. Du Lin Dong (Chairman)  
 Mr. Liu Baorui (Chief executive officer)  
 Mr. Pong Po Lam Paul

**Non-executive Directors:**

Mr. Ma Jie  
 Mr. Ding Xiaobin

**Independent non-executive Directors:**

Dr. Cheung Wai Bun Charles  
 Mr. Wan Hongchun  
 Mr. Zeng Xianggao

The Board conducts at least 4 regular Board meetings every year at approximately quarterly intervals in addition to other Board meetings that are required for significant and important issues, and for statutory purposes. Appropriate and sufficient information is provided to the Board members in a timely manner to keep them abreast of the Group's latest development and thus assist them in discharging their duties.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and Committee meetings, reasonable notice is generally given.

During the Year, 8 board meetings were held. The attendance of the Directors at the meetings of the Board, its respective committees and the general meetings is as follows:

Director	Attendance/Number of Meetings						
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Risk Management Committee Meeting	General Meeting
Mr. Du Lin Dong	8/8	N/A	2/2	N/A	6/6	N/A	2/2
Mr. Liu Baorui	7/8	N/A	N/A	N/A	6/6	N/A	1/2
Mr. Pong Po Lam Paul	4/8	N/A	N/A	N/A	6/6	N/A	0/2
Mr. Ma Jie	8/8	N/A	N/A	N/A	N/A	N/A	1/2
Mr. Ding Xiaobin	2/8	N/A	N/A	N/A	N/A	N/A	0/2
Dr. Cheung Wai Bun Charles	5/8	3/3	2/2	N/A	N/A	N/A	0/2
Mr. Wan Hongchun	3/8	3/3	2/2	N/A	N/A	N/A	0/2
Mr. Zeng Xianggao	5/8	3/3	N/A	N/A	N/A	N/A	0/2

### **BOARD OF DIRECTORS (Continued)**

Board minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board at the next immediate meeting. All minutes are kept by the company secretary and are open for inspection by the directors.

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board as at 30 June 2012. All of them are free to exercise their individual judgments.

The Company provides relevant reading materials to all of the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director to ensure that the Directors' contribution to the Board remains informed and relevant. In addition, all Directors are encouraged to attend external forums or training courses on relevant topics which count towards Continuous Professional Development training. The Directors also disclose to the Company their interests as directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The position of the Chairman and the chief executive officer are held by 2 different individuals. Mr. Du Lin Dong is the Chairman whereas Mr. Liu Baorui is the chief executive officer of the Company. There is a clear division of responsibilities between the Chairman and the chief executive officer, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the chief executive officer bears executive responsibility for the business and the management of the day-to-day operations of the Company.

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 INEDs, representing at least one-third of the Board, of whom Mr. Zeng Xianggao has appropriate professional qualifications and related experiences in financial matters.

Dr. Cheung Wai Bun Charles, who is to retire by rotation at the 2012 annual general meeting of the Company, has served as an INED of the Company for more than 9 years. In addition to his confirmation of independence in accordance with Rule 3.13 of the Listing Rules, Dr. Cheung continues to demonstrate the attributes of an INED and there is no evidence that his tenure has had any impact on his independence. The Board is of the opinion that Dr. Cheung remains independent notwithstanding the length of his service and it believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the Shareholders as a whole.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. 1 existing non-executive Director, namely Mr. Ding Xiaobin and 1 independent non-executive Director, namely Dr. Cheung Wai Bun Charles are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company. Moreover, the Company has complied with this Code provision by entering into the letters of appointment with specific term with such Directors on 20 March 2012. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

According to the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being (and if the number of Directors is not 3 or a multiple of 3, then the number nearest to but not less than one-third) shall retire by rotation. This complies with the provision A.4.2 of the Code which requires all Directors to be subject to retirement by rotation at least once every 3 years.

## BOARD COMMITTEES

The Board has established 5 committees with clearly defined written terms of reference. The independent view and recommendations of the 5 committees ensure proper control of the Group and the continual achievement of the high standard corporate governance practices. The attendance record of the Board committee members for the Year is shown on page 29 of this Annual Report.

### Audit Committee

The audit committee (the "**Audit Committee**") is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of the Company. The Audit Committee comprises 3 INEDs, namely, Dr. Cheung Wai Bun Charles (*chairman of the Audit Committee*), Mr. Wan Hongchun and Mr. Zeng Xianggao. The revised terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code and were adopted by the Board on 20 March 2012.

The Audit Committee met to review the annual financial statements and other reports for the year ended 30 June 2012 and discuss any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval.

During the Year, 3 meetings have been held by the Audit Committee, the Audit Committee performed the following duties:

- meeting with the chief executive and management of the Company from time to time to review the interim and annual results, the interim report and annual report and other financial, internal control, corporate governance and risk management matters of the Group and making recommendations to the Board;
- approving the change of auditor of the Group;
- considering and discussing the reports and presentations of senior management and the external auditor, with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong;
- meeting with the external auditor to discuss its independent review of the interim financial report and its annual audit of the consolidated financial statements (as the case may be, without the Company's management being present); and
- assisting the Board in meeting its responsibilities for maintaining an effective system of internal control.

**BOARD COMMITTEES (Continued)****Remuneration Committee**

The remuneration committee (the “**Remuneration Committee**”) is principally responsible for formulating the Group’s policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of the Company. The Remuneration Committee comprises 1 executive Director, namely, Mr. Du Lin Dong (*resigned as chairman of Remuneration Committee on 20 March 2012*), and 2 INEDs, namely, Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun (*appointed as chairman of Remuneration Committee on 20 March 2012*). The revised terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code and were adopted by the Board on 20 March 2012.

During the Year, 2 meetings have been held by the Remuneration Committee, the Remuneration Committee performed the following duties:

- reviewing and fixing the remuneration of individual Directors and senior management; and
- making recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

**Nomination Committee**

The nomination committee (the “**Nomination Committee**”) was formed on 30 December 2011. It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that they have the relevant skills, qualification, knowledge and experience. The Nomination Committee comprises 1 executive Director, namely, Mr. Liu Baorui, and 2 INEDs, namely, Dr. Cheung Wai Bun Charles (*chairman of Nomination Committee*) and Mr. Wan Hongchun. Since the Nomination Committee was newly established, no meeting was held during the Year. Assessment of the independence of INEDs and making of recommendations on the re-appointment of retiring Directors were performed by the Board during the Year. Effective from April 2012, the Nomination Committee would be able to discharge its duties under the Code. The amended terms of reference of Nomination Committee are consistent with the terms set out in the relevant section of the Code and were adopted by the Board on 20 March 2012.

**Executive Committee**

The executive committee (the “**Executive Committee**”) was established by the Board, comprises of three executive Directors, namely, Mr. Du Lin Dong (*chairman of Executive Committee*), Mr. Liu Baorui and Mr. Pong Po Lam Paul. Executive Committee has been authorised to make investment decisions on behalf of the Group and operate normal course of business of the Group. During the Year, 6 meetings have been held by the Executive Committee.

**Risk Management Committee**

The risk management committee (the “**Risk Management Committee**”) was formed on 30 December 2011. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to the unlisted investments and providing comments and recommendations thereon to the Board, and identifying such risks of the Group and providing recommendations to the Board. It comprises 2 executive Directors, namely, Mr. Du Lin Dong (*chairman of Risk Management Committee*) and Mr. Liu Baorui, 1 non-executive Director, namely, Mr. Ma Jie and 2 INEDs, namely, Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun. Since the Risk Management Committee was newly established, no meeting was held during the Year.

**BOARD COMMITTEES (Continued)****Corporate Governance Functions**

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the Code (as amended from time to time) for which the Board are responsible.

**DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements, is set out in the Independent Auditors' Report on page 35.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

**COMPANY SECRETARY**

As at 30 June 2012, the Company Secretary of the Company, Mr. Li Chi Chung, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the current year under review. His biography is set out in the "Biographical Details of the Directors and Senior Management" section of this annual report.

**INTERNAL CONTROL**

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Company and in reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of Shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously in order to cope with the changing business environment.

### AUDITORS' REMUNERATION

Messrs. CCIF CPA Limited, who had acted as the external auditors of the Company in the preceding years, resigned as external auditors of the Company with effect from 20 December 2011 and Messrs. Ernst & Young were appointed as external auditors of the Company, following the resignation of Messrs. CCIF CPA Limited as auditors of the Company.

A summary of audit services provided by the external auditor for the Year and their corresponding remunerations are as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> <i>HK\$'000</i>
Ernst & Young	
Audit services for the year ended 30 June 2012	434
Non-audit services for the year ended 30 June 2012	166
	600
	600

### COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of continuing communications with the Company's Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its Shareholders is through the publication of its interim and annual reports. The Company's registrars serve the Shareholders with respect to all share registration matters. The Company's annual general meeting provides a useful forum for Shareholders to exchange views with the Board. The Board members and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all Shareholders at least 21 clear days before the annual general meeting.

All Shareholders' communications, including interim and annual reports, announcements and press releases are available on the Company's website at <http://www.irasia.com/listco/hk/cfii/index.htm>.

### SHAREHOLDERS' RIGHTS

In accordance with the Company's Bye-law 58, the Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

A Shareholders' communication policy (the "**Policy**") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

### INVESTOR RELATIONS

There was no significant change in the Company's constitutional documents during the year ended 30 June 2012.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 3542 5373 during normal business hours, by fax at (852) 3542 5370 or by e-mail at [info@cfii.com.hk](mailto:info@cfii.com.hk).



**To the shareholders of China Financial International Investments Limited**

*(An exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

We have audited the consolidated financial statements of China Financial International Investments Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 103, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

Certified Public Accountants  
22/F, CITIC Tower  
Tim Mei Avenue  
Central, Hong Kong  
28 September 2012

# 36 Consolidated Statement of Comprehensive Income

Year ended 30 June 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Revenue	6	9,137	5,727
Other income	6	2,458	2,226
Net change in fair value of financial assets			
at fair value through profit or loss	8	(37,039)	24,071
Gain on disposal of available-for-sale financial assets	7	–	41,992
Administrative expenses		(37,621)	(33,732)
Share of profit/(loss) of an associate		138	(17)
(Loss)/profit before tax	9	(62,927)	40,267
Income tax expense	13	(732)	(3,342)
(Loss)/profit for the year		<b>(63,659)</b>	36,925
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets:			
– Change in fair value of available-for-sale financial assets		11,528	54,992
– Reclassification adjustment for gain on disposal of available-for-sale financial assets included in the consolidated profit or loss upon disposal of a subsidiary	7	–	(41,992)
– Income tax effect		(1,645)	(1,300)
		<b>9,883</b>	11,700
Exchange differences on translation of financial statements of overseas subsidiaries		124	421
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<b>10,007</b>	12,121
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>(53,652)</b>	49,046
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
– Basic	15(a)	<b>(1.499) cents</b>	1.129 cents
– Diluted	15(b)	<b>(1.499) cents</b>	1.125 cents

# Consolidated Statement of Financial Position

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30 June 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	3,872	5,499
Interests in an associate	18	407	269
Available-for-sale financial assets	19	334,027	311,349
Financial assets at fair value through profit or loss	20	213,581	–
Other receivable	22	10,000	–
Loan receivable	21	–	35,894
Total non-current assets		<b>561,887</b>	353,011
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	227,350	300,561
Loan receivable	21	35,894	–
Prepayments, deposits and other receivables	22	53,075	86,395
Cash and cash equivalents	23	32,110	81,789
Total current assets		<b>348,429</b>	468,745
<b>Current liabilities</b>			
Other payables and accruals	24	1,164	420
Due to related companies	25	950	1,233
Due to an associate	18	143	320
Tax payable		4,199	5,993
Total current liabilities		<b>6,456</b>	7,966
<b>Net current assets</b>		<b>341,973</b>	460,779
<b>Total assets less current liabilities</b>		<b>903,860</b>	813,790
<b>Non-current liabilities</b>			
Deferred tax liabilities	26	3,448	1,300
<b>Net assets</b>		<b>900,412</b>	812,490
<b>Equity</b>			
Issued capital	27	44,179	41,094
Reserves	30(a)	856,233	771,396
<b>Total equity</b>		<b>900,412</b>	812,490
Net asset value per share	29	<b>20.4 cents</b>	19.8 cents

**Du Lin Dong**  
Director

**Liu Baorui**  
Director

# 38 Consolidated Statement of Changes in Equity

Year ended 30 June 2012

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Available-for-sale financial asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
At 1 July 2010	24,851	73	278,979	2,766	-	4,184	-	(7,166)	303,687
Profit for the year	-	-	-	-	-	-	-	36,925	36,925
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	421	-	421
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	53,692	-	-	-	53,692
Disposal of available-for-sale financial assets upon disposal of a subsidiary	-	-	-	-	(41,992)	-	-	-	(41,992)
Total comprehensive income for the year	-	-	-	-	11,700	-	421	36,925	49,046
Equity-settled share based transactions (note 28)	-	-	-	-	-	7,694	-	-	7,694
Lapse of share options	-	-	-	-	-	(186)	-	186	-
Issue of new shares									
- upon exercise of share options (note 27(a))	1,006	17,102	-	-	-	(4,620)	-	-	13,488
- upon share placing (note 27(b))	15,237	423,338	-	-	-	-	-	-	438,575
At 30 June 2011 and 1 July 2011	<b>41,094</b>	<b>440,513</b>	<b>278,979</b>	<b>2,766</b>	<b>11,700</b>	<b>7,072</b>	<b>421</b>	<b>29,945</b>	<b>812,490</b>
Loss for the year	-	-	-	-	-	-	-	(63,659)	(63,659)
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	124	-	124
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	9,883	-	-	-	9,883
Total comprehensive income for the year	-	-	-	-	9,883	-	124	(63,659)	(53,652)
Equity-settled share based transactions (note 28)	-	-	-	-	-	3,912	-	-	3,912
Issue of new shares									
- upon exercise of share options (note 27(a))	35	579	-	-	-	(159)	-	-	455
- upon share placing (note 27(b))	3,050	134,157	-	-	-	-	-	-	137,207
At 30 June 2012	<b>44,179</b>	<b>575,249*</b>	<b>278,979*</b>	<b>2,766*</b>	<b>21,583*</b>	<b>10,825*</b>	<b>545*</b>	<b>(33,714)*</b>	<b>900,412</b>

\* These reserve accounts comprise the consolidated reserves of HK\$856,233,000 (2011: HK\$771,396,000) in the consolidated statement of financial position.

Year ended 30 June 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(62,927)	40,267
Adjustments for:			
Share of (profit)/loss of an associate		(138)	17
Interest income	6	(2,421)	(166)
Dividend income	6	(9,137)	(5,727)
Depreciation	9	1,789	704
Loss on disposal of property, plant and equipment	9	-	16
Net realised loss/(gain) on disposal of financial assets at fair value through profit or loss	8	7,428	(3,574)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	8	29,611	(20,497)
Gain on disposal of available-for-sale financial assets	7	-	(41,992)
Equity-settled share option expenses		3,912	7,694
Operating cash flows before movements in working capital		(31,883)	(23,258)
Decrease/(increase) in prepayments, deposits and other receivables		20,960	(6,843)
Increase/(decrease) in other payables and accruals		744	(4,611)
(Decrease)/increase in amounts due to related companies		(283)	622
(Decrease)/increase in an amount due to an associate		(177)	320
Increase in available-for-sale financial assets		(11,150)	(322,450)
Increase in financial assets at fair value through profit or loss		(177,409)	(32,070)
Cash used in operations		(199,198)	(388,290)
Tax paid		(6,344)	(1,379)
Tax refunded		4,321	-
Interest received		2,315	166
Dividend received		11,603	5,041
<b>Net cash used in operating activities</b>		<b>(187,303)</b>	<b>(384,462)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(123)	(6,065)
Loan receivable		-	(35,894)
Proceeds from redemption of convertible bonds		-	14,208
Proceeds from disposal of a subsidiary	33	-	6,818
<b>Net cash used in investing activities</b>		<b>(123)</b>	<b>(20,933)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares		137,228	438,745
Share issue expenses		(21)	(170)
Proceeds from issue of shares upon exercise of share options		455	13,488
<b>Net cash generated from financing activities</b>		<b>137,662</b>	<b>452,063</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		81,789	34,779
Effect of foreign exchange rate changes		85	342
<b>Cash and cash equivalents at end of the year</b>		<b>32,110</b>	<b>81,789</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances	23	32,110	81,789

# 40 Statement of Financial Position

30 June 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	3,872	5,499
Investments in subsidiaries	17	20,724	20,718
Interests in an associate	18	290	290
Available-for-sale financial assets	19	322,177	299,499
Financial assets at fair value through profit or loss	20	213,581	–
Other receivable	22	10,000	–
Loan receivable	21	–	35,894
		<hr/>	<hr/>
Total non-current assets		<b>570,644</b>	361,900
		<hr/>	<hr/>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	226,247	300,561
Loan receivable	21	35,894	–
Due from subsidiaries	17	246	230
Prepayments, deposits and other receivables	22	52,264	86,272
Cash and cash equivalents	23	26,151	75,718
		<hr/>	<hr/>
Total current assets		<b>340,802</b>	462,781
		<hr/>	<hr/>
<b>Current liabilities</b>			
Other payables and accruals	24	1,164	420
Due to subsidiaries	17	4,308	4,329
Due to related companies	25	950	1,233
Due to an associate	18	143	320
Tax payable		4,199	5,993
		<hr/>	<hr/>
Total current liabilities		<b>10,764</b>	12,295
		<hr/>	<hr/>
<b>Net current assets</b>		<b>330,038</b>	450,486
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>900,682</b>	812,386
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred tax liabilities	26	3,448	1,300
		<hr/>	<hr/>
<b>Net assets</b>		<b>897,234</b>	811,086
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Issued capital	27	44,179	41,094
Reserves	30(b)	853,055	769,992
		<hr/>	<hr/>
<b>Total equity</b>		<b>897,234</b>	811,086
		<hr/> <hr/>	<hr/> <hr/>

Du Lin Dong  
Director

Liu Baorui  
Director

## 1. CORPORATION INFORMATION

China Financial International Investments Limited (the “Company”) was previously incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Group Act 1981 of Bermuda as an exempted company. The Company’s registered office address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and the Company’s principal place of business is Suite 5802, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries are principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair values. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

30 June 2012

**2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs – <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 7 and HKAS 1 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these revised HKFRSs are as follows:

**(a) HKAS 24 (Revised) *Related Party Disclosures***

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 31 to the financial statements.

**(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:**

- **HKAS 1 *Presentation of Financial Statements*:** The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- **HKFRS 7 *Financial Instruments – Disclosures*:** The amendment aims to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> <sup>5</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>3</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>3</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>3</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>2</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred tax: Recovery of Underlying Assets</i> <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>4</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>3</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>3</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>3</sup>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>3</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>3</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HKFRS 9 and HKFRS 7 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>5</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12: <i>Transition Guidance</i> <sup>3</sup>
Annual Improvements Project	<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement financial assets compared with the requirements of HKAS 39.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in OCI, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Investments in subsidiaries**

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

### **Associates**

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Company's interests in associates and is not individually tested for impairment.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over their estimated useful lives. The principal annual rates used for the purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 $\frac{1}{3}$ %
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets***Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, deposits and other receivables, loan receivable, available-for-sale financial assets and financial assets at fair value through profit or loss.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in "Net change in fair value of financial assets at fair value through profit or loss" in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investments and other financial assets *(continued)***

#### *Financial assets at fair value through profit or loss (continued)*

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative income or loss is reclassified from the available-for-sale financial asset revaluation reserve to profit or loss in other expenses. Interests and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets (continued)***Available-for-sale financial assets (continued)*

When the fair value of unlisted investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)***Available-for-sale financial assets*

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

**Financial liabilities***Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group’s financial liabilities include other payables, due to related companies and due to an associate.

*Subsequent measurement*

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium in acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which is not restricted as to use.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income tax***PRC*

Investment income and capital gains may be subjected to withholding tax deducted at the source of the income. For the statement of cash flows, cash flows from investments are presented net of withholding taxes, when applicable.

*Hong Kong*

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### **Income tax (*continued*)**

#### *Hong Kong (continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured on the following bases:

#### *Interest income*

Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period is recognised, when appropriate, to the net carrying amount of the financial asset.

#### *Dividend income*

Dividend income from investments is recognised when the shareholders' right to receive the payment is established. Dividend income is presented net of any non-recoverable withholding taxes.

### **Share-based payment transactions**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Share-based payment transactions (continued)**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Other employee benefits***Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's Bye-law grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

### **Foreign currency translations**

These financial statements are presented in HK\$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset and liability affected in future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Fair value of financial instruments*

When the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of underlying investments, correlation, volatility and transaction of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

HKFRS 7 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analyses.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (*continued*)

#### Estimates uncertainty (*continued*)

##### *Fair value of financial instruments (continued)*

The fair values of available-for-sale financial assets and unlisted investments at fair value through profit or loss at 30 June 2012 were HK\$334,027,000 (2011: HK\$311,349,000) and HK\$216,890,000 (2011: nil), respectively. Details are included in notes 19 and 20 to the financial statements, respectively.

##### *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, information reported to the executive directors, the chief operating decision makers of the Group is focused on the categories of investments. The Group is organised to business units based on the categories of investment and has 2 reportable segments as follows:

Available-for-sale financial assets  
Financial assets at fair value  
through profit or loss ("FVTPL")

Investments in unlisted investments  
Investments in trading securities listed on the Stock Exchange, derivative contracts held for trading and unlisted investments designated as financial assets at FVTPL upon acquisition and redeemable convertible bonds at FVTPL

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## 4. OPERATING SEGMENT INFORMATION (continued)

## Segment results

	Investment in available-for-sale financial assets HK\$'000	Investment in financial assets at FVTPL HK\$'000	Total HK\$'000
<b>Year ended 30 June 2012</b>			
Segment results	<u>6,801</u>	<u>(34,703)</u>	(27,902)
Share of profit of an associate			138
Unallocated income			2,458
Unallocated expenses			<u>(37,621)</u>
Loss before tax			(62,927)
Income tax expense			<u>(732)</u>
Loss for the year			<u><u>(63,659)</u></u>
<b>Year ended 30 June 2011</b>			
Segment results	<u>41,992</u>	<u>29,956</u>	71,948
Share of loss of an associate			(17)
Unallocated income			2,068
Unallocated expenses			<u>(33,732)</u>
Profit before tax			40,267
Income tax expense			<u>(3,342)</u>
Profit for the year			<u><u>36,925</u></u>

Segment results represents (loss)/gain on disposal of listed securities and unlisted investments, fair value (loss)/gain on financial assets at FVTPL and the corresponding interest income and dividend income earned from financial assets at FVTPL without allocation of central administration expenses and fees to the investment managers.

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**4. OPERATING SEGMENT INFORMATION (continued)****Segment assets**

The following is an analysis of the Group's assets by reportable segment:

	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i>
Available-for-sale financial assets	<b>334,027</b>	311,349
Financial assets at FVTPL	<b>440,931</b>	300,561
	<hr/>	<hr/>
Total segment assets	<b>774,958</b>	611,910
Unallocated assets	<b>135,358</b>	209,846
	<hr/>	<hr/>
	<b>910,316</b>	821,756
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than property, plant and equipment, interests in an associate, loan receivable, prepayments, deposits and other receivables, a consideration receivable from disposal of an investment, a deposit paid for an investment and bank balances.

All liabilities as at 30 June 2012 and 30 June 2011 are unallocated liabilities.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

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## 5. (LOSS)/GAIN ON INVESTMENTS

	Listed securities HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
<b>Year ended 30 June 2012</b>			
<i>Included in profit or loss:</i>			
Realised loss:			
Financial assets at fair value through profit or loss	(7,428)	-	(7,428)
	(7,428)	-	(7,428)
Unrealised (loss)/gain:			
Financial assets at fair value through profit or loss	(37,951)	8,340	(29,611)
Total realised and unrealised (loss)/gain included in profit or loss	<u>(45,379)</u>	<u>8,340</u>	<u>(37,039)</u>
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale financial assets	-	11,528	11,528
Total realised and unrealised (loss)/gain for the year	<u>(45,379)</u>	<u>19,868</u>	<u>(25,511)</u>
<b>Year ended 30 June 2011</b>			
<i>Included in profit or loss:</i>			
Realised gain:			
Available-for-sale financial assets	-	41,992	41,992
Financial assets at fair value through profit or loss	3,574	-	3,574
	3,574	41,992	45,566
Unrealised gain:			
Financial assets at fair value through profit or loss	20,497	-	20,497
Total realised and unrealised gain included in profit or loss	<u>24,071</u>	<u>41,992</u>	<u>66,063</u>
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale financial assets	-	13,000	13,000
Total realised and unrealised gain for the year	<u>24,071</u>	<u>54,992</u>	<u>79,063</u>

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**6. REVENUE AND OTHER INCOME**

An analysis of revenue and other income is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Dividend income from listed securities	<b>2,336</b>	5,727
Dividend income from unlisted investments, net withholding tax	<b>6,801</b>	–
	<b>9,137</b>	5,727
<b>Other income</b>		
Bank interest income	<b>14</b>	8
Interest income from convertible bonds	–	158
Interest income from a loan receivable	<b>2,407</b>	–
Compensation received in respect of termination of investments	–	2,000
Miscellaneous	<b>37</b>	60
	<b>2,458</b>	2,226

The Group's turnover comprises of sales proceeds from disposal of investments amounting to HK\$222,376,000 (2011: HK\$290,283,000) and the dividend income of HK\$9,137,000 (2011: HK\$5,727,000) for the year.

**7. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS**

Pursuant to a sale and purchase agreement dated 16 June 2011, the Group disposed of its 17.5% equity interest in 贛縣長鑫礦業有限責任公司 (transliterated as Gan County Changxin Mining Company Limited, "Changxin Mining"), engaged in the exploitation of metal mines in the PRC, and 21% equity interest in 江西九三三科技發展有限責任公司 (transliterated as Jiangxi 933 Technology Development Company Limited, "Jiangxi 933"), engaged in the provision of information system services in the PRC, through the sale of 70% equity interest in a subsidiary, to an independent third party. A gain on disposal of HK\$41,992,000 was recognised in profit or loss for the year ended 30 June 2011.

**8. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Net realised (loss)/gain on financial assets at fair value through profit or loss	<b>(7,428)</b>	3,574
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	<b>(29,611)</b>	20,497
	<b>(37,039)</b>	24,071

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### 9. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Group	
	2012 HK\$'000	2011 HK\$'000
Auditors' remuneration		
– audit services	434	368
– non-audit services	166	70
Custodian fees	178	214
Depreciation (note 16)	1,789	704
Investment management fees (note 12)	1,305	2,657
Minimum operating lease payments in respect of properties	3,353	1,933
Loss on disposal of property, plant and equipment	–	16
Employee benefit expenses (excluding directors' remuneration (note 10))		
Salaries, wages and bonuses	9,715	2,690
Equity-settled share option expenses	1,401	2,424
Pension scheme contributions	47	27
Foreign exchange differences, net	176	509
	<b>9,715</b>	<b>2,690</b>
	<b>1,401</b>	<b>2,424</b>
	<b>47</b>	<b>27</b>
	<b>176</b>	<b>509</b>

### 10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Fees	520	642
Other emoluments:		
Salaries, allowances and benefits in kind	9,117	7,538
Equity-settled share option expenses	2,511	5,270
Pension scheme contributions	30	32
	<b>11,658</b>	<b>12,840</b>
	<b>12,178</b>	<b>13,482</b>

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company in previous years, further details of which are set out in note 28 to the financial statements. The fair value of such options which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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**10. DIRECTORS' REMUNERATION (continued)**

The remuneration of each director for the years ended 30 June 2012 and 2011 is set out below:

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share option expenses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 30 June 2012</b>					
<b>Executive directors</b>					
Du Lin Dong	120	3,317	-	12	3,449
Pong Po Lam Paul	60	-	-	-	60
Liu Baorui	-	5,000	2,511	6	7,517
<b>Non-executive directors</b>					
Ma Jie	60	800	-	12	872
Ding Xiaobin	60	-	-	-	60
<b>Independent non-executive directors</b>					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun	60	-	-	-	60
Zeng Xianggao	60	-	-	-	60
	<b>520</b>	<b>9,117</b>	<b>2,511</b>	<b>30</b>	<b>12,178</b>

**Year ended 30 June 2011****Executive directors**

Du Lin Dong	120	3,132	1,325	13	4,590
Wang Wen Xia (resigned on 17 January 2011)	55	1,947	-	7	2,009
Pong Po Lam Paul	60	-	-	-	60
Liu Baorui (appointed on 8 February 2011)	-	1,979	3,091	-	5,070

**Non-executive directors**

Fung Cheuk Nang Clement (resigned on 4 May 2011)	51	-	-	-	51
Ma Jie	60	480	-	12	552
Ding Xiaobin	60	-	-	-	60
Li Chaobo (appointed on 22 December 2010, resigned on 24 March 2011 and redesignated as vice president)	15	-	854	-	869

**Independent non-executive directors**

Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun (appointed on 22 December 2010)	32	-	-	-	32
Zhang Yong (resigned on 22 December 2010)	29	-	-	-	29
Zeng Xianggao	60	-	-	-	60
	<b>642</b>	<b>7,538</b>	<b>5,270</b>	<b>32</b>	<b>13,482</b>

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**10. DIRECTORS' REMUNERATION (continued)**

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and previous years.

**11. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included 2 (2011: 5) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2011: nil) non-director, highest paid employees for the year are as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>5,060</b>	–
Equity-settled share option expenses	<b>1,401</b>	–
	<hr/>	<hr/>
	<b>6,461</b>	–
	<hr/> <hr/>	<hr/> <hr/>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2012</b>	2011
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	–
HK\$1,500,001 to HK\$3,000,000	<b>2</b>	–
	<hr/>	<hr/>
	<b>3</b>	–
	<hr/> <hr/>	<hr/> <hr/>

Share options were granted to a non-director, highest paid employee in prior years in respect of his services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

**12. INVESTMENT MANAGEMENT FEES**

(a) On 29 April 2011, an investment management agreement was entered into between the Company and an associate, China Financial International Investments & Managements Limited (“CFIIM”), whereby CFIIM has agreed to provide investment management services to the Company for a period of 3 years effective from 29 April 2011. CFIIM is entitled to a management fee and a performance-related fee from the Company calculated at the following rates:

- a management fee is payable monthly in arrears at the rate of 0.75% per annum of the market value of the portfolio on the last business day of each calendar month; and
- a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

Management fee was paid to CFIIM for the year ended 30 June 2012 amounted to HK\$1,305,000 (2011: HK\$320,000). At 30 June 2012, the balance due to CFIIM of HK\$143,000 (2011: HK\$320,000) was unsecured, interest-free and repayable within 1 month.

(b) On 18 April 2008, the investment management agreement was entered into between the Company and Altantis Investment Management (Hong Kong) Limited (“Altantis”), whereby Altantis has agreed to provide investment management services to the Company for a period of 3 years. Altantis is entitled to receive a management fee and a performance-related fee calculated at the following rates:

- a management fee is payable quarterly in arrears at the rate of 1% per annum of the market value of the portfolio on the last business day of each calendar month; and
- a performance-related fee of 10% per annum of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

The investment management agreement expired on 12 May 2011.

No management fee was paid to Altantis for the year ended 30 June 2012 (2011: HK\$2,337,000). At 30 June 2012, there was no balance due to Altantis (2011: HK\$404,000).

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**13. INCOME TAX EXPENSE**

(a) Income tax in the financial statements represents:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Current tax - Hong Kong Profits Tax		
- Overprovision in prior years	-	(1,010)
Current tax - PRC Enterprise Income Tax		
- Underprovision in prior years	<b>104</b>	-
- Provision for the year	<b>125</b>	4,352
Deferred tax ( <i>note 26</i> )	<b>503</b>	-
	<hr/>	<hr/>
Total tax charge for the year	<b>732</b>	3,342
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years.

The provision for the PRC Enterprise Income Tax ("EIT") for the Group's subsidiary in the PRC is based on a statutory rate of 25% (2011: 25%) of the assessable profit as determined in accordance with the relevant tax rules and regulations of the PRC.

According to the Circular on the State Administration of Taxation on Strengthening the Management of EIT Collection of Proceeds from Equity Transfers by Non-Resident Enterprises (Guoshuihan 2009 No. 698) ("Circular No. 698"), a non-PRC Tax Resident Enterprise is subject to the PRC EIT on the gain arising from disposal of shares of a non-Chinese intermediate holding company, which hold directly or indirectly an equity interest in Chinese resident enterprises under certain circumstances as prescribed in Circular 698, at a rate of 10%, unless otherwise reduced under an applicable tax treaty or arrangement. Circular 698 applies to all such transactions conducted on or after 1 January 2008.

Included in the PRC EIT for the year ended 30 June 2011 is an amount of HK\$4,199,000 for the tax on the gain on disposal of certain investments in the PRC through partial disposal of equity interest in an intermediate offshore company.

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**13. INCOME TAX EXPENSE (continued)**

- (b) A reconciliation of the tax expenses applicable to (loss)/profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rates and a reconciliation of the applicable rates to the effective tax rates for the years ended 30 June 2012 and 30 June 2011 are as follows:

	2012		2011	
	HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<b>(62,927)</b>		40,267	
Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	<b>(10,383)</b>	<b>(16.5)</b>	6,644	16.5
Expenses not deductible for tax	<b>1,092</b>	<b>1.8</b>	3,423	8.5
Income not subject to tax	<b>(2,886)</b>	<b>(4.6)</b>	(6,873)	(17.1)
Tax effect of temporary differences not recognised	-	-	480	1.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>628</b>	<b>1.0</b>	(2,730)	(6.8)
(Loss)/profit attributable to an associate	<b>(23)</b>	-	3	-
Tax losses not recognised	<b>11,986</b>	<b>19.0</b>	3,405	8.5
Adjustments in respect of current tax of previous periods	<b>104</b>	<b>0.2</b>	(1,010)	(2.5)
Others	<b>214</b>	<b>0.3</b>	-	-
Tax charge at the Group's effective rate	<b>732</b>	<b>1.2</b>	3,342	8.3

**14. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The consolidated (loss)/profit attributable to equity holders of the Company for the year ended 30 June 2012 includes a loss of HK\$65,317,000 (2011: a profit of HK\$43,966,000) which has been dealt with in the financial statements of the Company (note 30(b)).

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**15. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY****(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to equity holders of the Company of HK\$63,659,000 (2011: a profit of HK\$36,925,000) and the weighted average number of 4,246,804,000 (2011: 3,270,647,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<b>2012</b>	2011
	<b>Number</b>	Number
	<b>of shares</b>	of shares
	<b>'000</b>	<b>'000</b>
Issued ordinary shares	<b>4,109,384</b>	2,485,134
Effect of exercise of share options ( <i>note 27(a)</i> )	<b>1,237</b>	46,581
Effect of share placing ( <i>note 27(b)</i> )	<b>136,183</b>	738,932
	<hr/>	<hr/>
Weighted average number of ordinary shares	<b>4,246,804</b>	3,270,647
	<hr/> <hr/>	<hr/> <hr/>

**(b) Diluted (loss)/earnings per share**

No adjustment has been made to the basic loss per share amounts presented for the year ended 30 June 2012 in respect of a dilution as the share options granted under the share option scheme outstanding had an anti-dilutive effect on the basic loss per share amount presented.

For the year ended 30 June 2011, the calculation of diluted earnings per share is based on the profit of HK\$36,925,000. The weighted average number of ordinary shares used in the calculation is 3,270,647,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 11,374,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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**16. PROPERTY, PLANT AND EQUIPMENT****Group and Company**

	<b>Furniture and fixtures HK\$'000</b>	<b>Office equipment HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
<b>30 June 2012</b>				
At 1 July 2011:				
Cost	1,745	227	4,299	6,271
Accumulated depreciation and impairment	(244)	(96)	(432)	(772)
Net carrying amount	<u>1,501</u>	<u>131</u>	<u>3,867</u>	<u>5,499</u>
At 1 July 2011, net of accumulated depreciation and impairment	1,501	131	3,867	5,499
Additions	68	55	–	123
Depreciation provided during the year	(427)	(63)	(1,299)	(1,789)
Exchange realignment	8	2	29	39
At 30 June 2012, net of accumulated depreciation and impairment	<u>1,150</u>	<u>125</u>	<u>2,597</u>	<u>3,872</u>
At 30 June 2012:				
Cost	1,823	214	4,331	6,368
Accumulated depreciation and impairment	(673)	(89)	(1,734)	(2,496)
Net carrying amount	<u>1,150</u>	<u>125</u>	<u>2,597</u>	<u>3,872</u>
<b>30 June 2011</b>				
At 1 July 2010:				
Cost	228	77	–	305
Accumulated depreciation and impairment	(165)	(65)	–	(230)
Net carrying amount	<u>63</u>	<u>12</u>	<u>–</u>	<u>75</u>
At 1 July 2010, net of accumulated depreciation and impairment	63	12	–	75
Additions	1,683	148	4,234	6,065
Depreciation provided during the year	(245)	(31)	(428)	(704)
Disposal	(16)	–	–	(16)
Exchange realignment	16	2	61	79
At 30 June 2011, net of accumulated depreciation and impairment	<u>1,501</u>	<u>131</u>	<u>3,867</u>	<u>5,499</u>
At 30 June 2011:				
Cost	1,745	227	4,299	6,271
Accumulated depreciation and impairment	(244)	(96)	(432)	(772)
Net carrying amount	<u>1,501</u>	<u>131</u>	<u>3,867</u>	<u>5,499</u>

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## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Non-current:		
Unlisted investments, at cost	1,099	1,099
Due from a subsidiary (note (a))	19,625	19,619
	<b>20,724</b>	20,718
Current:		
Due from subsidiaries (note (b))	246	230
Due to subsidiaries (note (b))	(4,308)	(4,329)
	<b>(4,062)</b>	(4,099)
Total	<b>16,662</b>	16,619

Notes:

- (a) The amount due is unsecured, interest-free and will not be demanded for repayment, in substance, it forms part of the Company's investments in subsidiaries as equity contributions.
- (b) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current assets and current liabilities respectively.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Global Business Investment Enterprised Limited	British Virgin Islands/ Hong Kong	US\$1	100%	-	Investment holding
Best Joy Asia Investment Limited	British Virgin Islands/ Hong Kong	US\$1,000	100%	-	Investment holding
Zhongkang Jinyi Technology (Shenzhen) Limited (note i)	PRC	RMB8,000,000	-	100%	Investment holding
Joy State Holdings Limited	Hong Kong	HK\$1	100%	-	Dormant
China Financial International Investments (Nanchang) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Guangdong) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant

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**17. INVESTMENTS IN SUBSIDIARIES (continued)**

Particulars of the subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Financial International Investments (Guangzhou) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Haerbin) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Henan) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Hubei) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Jiangxi) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Shenzhen) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Shijiazhuang) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Wuhan) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Investments (Zhengzhou) Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Zhongbao Group Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Jingde Town Ceramics Group Limited	British Virgin Islands	US\$10,000	100%	–	Dormant
China Financial International Finance Group Limited	British Virgin Islands	US\$10,000	100%	–	Dormant

## Notes:

- i. This entity is a wholly foreign-owned enterprise established in the PRC.
- ii. During the year ended 30 June 2011, the Group disposed of 70% equity interest in a subsidiary, Globe Capital Resources Investment Limited ("Globe Capital") to an independent third party at a cash consideration of HK\$42,000,000. Immediately after the transaction, the Group lost the control in this entity as the Group's interest in Globe Capital was reduced from 100% to 30% and the carrying amount of the equity interest in Globe Capital is now included in "available-for-sale financial assets" in note 19 to the financial statements.

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## 18. INTERESTS IN AN ASSOCIATE

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at cost	–	–	290	290
Share of net assets	407	269	–	–
	<b>407</b>	269	<b>290</b>	290
Due to an associate ( <i>note</i> )	(143)	(320)	(143)	(320)
Total	<b>264</b>	(51)	<b>147</b>	(30)

Particulars of the associate are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activity
China Financial International Investments & Managements Limited ( <i>note</i> )	Hong Kong	290,000 ordinary shares of HK\$1 each	29%	Asset management

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts or financial statements:

	2012 HK\$'000	2011 HK\$'000
Assets	1,487	928
Liabilities	(83)	–
Revenue	1,305	320
Profit/(loss) after tax	475	(57)

Note:

The associate is the investment manager of the Group and provides investment management services to the Group in relation to the Group's investments. The balance is unsecured, interest-free and repayable within 1 month.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the associate.

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**19. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at fair value	<b>334,027</b>	311,349	<b>322,177</b>	299,499

During the year, the gross gain in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$11,528,000 (2011: HK\$54,992,000) of which none (2011: HK\$41,992,000) was reclassified from other comprehensive income to profit or loss for the year.

The above investments consist of investments in unlisted investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 30 June 2012, the Group held the following available-for-sale financial assets:

Name	Notes	Place of incorporation/ operation	Group's effective interest	Principal activities	2012 Cost HK\$'000	2011 Cost HK\$'000
Jiangxi Zhongjin Hanchen Guarantee Company Limited ("Jiangxi Zhongjin")	(a)	PRC	30%	Provision of guarantees to small and medium enterprises	<b>43,150</b>	43,150
Shenzhen Zhongtounxin Asset Management Company Limited ("Zhongtounxin")	(b)	PRC	30%	Provision of consultation services on project investments	<b>18,350</b>	7,200
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(c)	PRC	23.33%	Provision of small loan and financial consultation services	<b>140,000</b>	140,000
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	(d)	PRC	30%	Provision of small loan and financial consultation services	<b>72,450</b>	72,450
Zhengzhou Economic Technological Development Mingyang Micro-loan Limited ("Zhengzhou Mingyang")	(e)	PRC	-	Provision of small loan and financial consultation services	<b>35,549</b>	35,549
Globe Capital Resources Investment Limited	(f)	British Virgin Islands	30%	Investment holding	-	-

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**19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)**

A brief description of the business and financial information of the investments, is as follows:

Notes:

- (a) On 13 April 2011, the Group acquired 30% equity interest of Jiangxi Zhongjin, a joint venture established in the PRC. Jiangxi Zhongjin is principally engaged in the provision of guarantees to small and medium enterprises in the Jiangxi Province, the PRC. The net assets attributable to the investment amounted to HK\$46,367,000 based on the unaudited financial statements for the year ended 30 June 2012 (2011: HK\$43,505,000).
- (b) On 29 April 2011, the Group invested in 30% equity interest of Zhongtoujinxin, a joint venture established in the PRC. The first contribution of RMB6,000,000 (equivalent to HK\$7,200,000) was made by the Company last year and the second contribution of RMB9,000,000 (equivalent to HK\$11,150,000) was made during the year of 2012. Zhongtoujinxin is principally engaged in the provision of consultation services for project investments in the PRC. During the year, the diminution in the value of Zhongtoujinxin was about HK\$4,923,000 which was recognised in other comprehensive income. The net assets attributable to the investment amounted to HK\$13,427,000 based on the unaudited financial statements for the year ended 30 June 2012 (2011: HK\$5,950,000).
- (c) On 26 May 2011, the Group invested in 23.33% equity interest of Jingdezhen CFI Guosen, a joint venture established in the PRC. Jingdezhen CFI Guosen is principally engaged in the provision of small loan and financial consultation services in Jingdezhen, the PRC. During the year, Jingdezhen CFI Guosen declared a dividend of RMB3,758,000 (equivalent to HK\$4,583,000) to the Company after deducting the withholding tax. The net assets attributable to the investment amounted to HK\$145,874,000 based on the unaudited financial statements for the year ended 30 June 2012 (2011: HK\$140,710,000).
- (d) On 21 June 2011, the Group invested in 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. The net assets attributable to the investment amounted to HK\$75,922,000 based on the unaudited financial statements for the year ended 30 June 2012 (2011: HK\$72,289,000).

**19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)**

Notes: (continued)

- (e) The Group entered into a sales and purchase agreement to acquire 30% equity interest of Zhengzhou Mingyang, a joint venture established in the PRC on 20 February 2011. Zhengzhou Mingyang is principally engaged in the provision of small loan and financial consultation services in Zhengzhou Economic Technical Development Zone, Henan Province, the PRC.

On 21 February 2011, the Group settled the full consideration of HK\$35,549,000. The completion of this acquisition is conditional upon approval of the relevant government authorities in Henan Province, the PRC. According to a sale and purchase agreement (the "S&P") and having sought advice from the Company's PRC legal advisers, the directors are of the opinion that the Group has beneficiary interests on these 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations. The Group anticipates the completion of the acquisition within 2 years.

According to the S&P, the Group is entitled to all dividends, bonuses, other income and share of profit or loss of Zhangzhou Mingyang when the S&P is effective.

During the year, Zhengzhou Mingyang declared a dividend of RMB1,818,000 (equivalent to HK\$2,218,000) to the Company and was subsequently received by the Company in July 2012.

- (f) The Group held 30% equity interest of Globe Capital. Globe Capital is principally engaged in investment holding which had two investments with 29% equity interest of Jiangxi 933 and 25% equity interest of Changxin Mining. Jiangxi 933 is principally engaged in the provision of information system services while Changxin Mining is principally engaged in the exploitation of metal mines. The net assets attributable to the investment amounted to HK\$1,941,000 based on the unaudited financial statements for the year ended 30 June 2012 (2011: HK\$7,074,000).

The fair values of all the above investments were determined by the directors of the Company with reference to the professional valuation carried out by Asset Appraisal Limited, an independent valuer.

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as available-for-sale financial assets for the year ended 30 June 2012.

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**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Notes	Group		Company	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets held-for-trading:					
Listed securities	(i)	224,041	300,561	224,041	300,561
Derivative contract	(ii)	3,309	–	2,206	–
		<b>227,350</b>	300,561	<b>226,247</b>	300,561
Financial assets designated at FVTPL:					
Unlisted investments	(iii)	213,581	–	213,581	–

The above financial assets at 30 June 2012 and 30 June 2011 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes:

- (i) The fair values of listed securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period.

Particulars of the major component of the investment portfolio as at 30 June 2012, in terms of the carrying value of the respective individual investment, are as follows:

*China Water Property Group Limited ("China Property")*

China Property was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 2349). China Property is principally engaged in property investment and property development in the PRC.

As at 30 June 2012, the Group held 194,259,429 shares (2011: 1,135,294,216 shares) in China Property, representing 10.74% (2011: 9.04%) in the issued share capital in China Property. No dividend was received during the year. As at 30 June 2012, the market value of the Group's investment in the shares of China Property was HK\$184,547,000 (2011: HK\$144,182,000). The net assets attributable to the investment was HK\$169,127,000 based on the latest published interim financial statements as at 30 June 2012 (2011: HK\$111,960,000).

- (ii) The Group recognised the agreement to purchase the underlying equity interests of Zhengzhou Mingyang upon closing of conditions as a derivative financial instrument. Details of the transaction are disclosed in note 19(e) to the financial statements.

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**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

(iii) As at 30 June 2012, the Group had the following unlisted investments:

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest	Principal activities	2012 Cost HK\$'000	2011 Cost HK\$'000
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	PRC	30%	Provision of small loan and financial consultation services	36,606	-
TIIC RongShun Micro- Loan Company Limited ("TIIC Rongshun")	(b)	PRC	10%	Provision of small loan and financial consultation services	12,189	-
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	PRC	30%	Provision of small loan and financial consultation services	36,693	-
Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu")	(d)	PRC	30%	Provision of small loan and financial consultation services	36,901	-
Tianjin Binlian Microfinance Limited ("Tianjin Binlian")	(e)	PRC	10%	Provision of small loan and financial consultation services	12,271	-
Nanjing NingGangRongTong Technology Microfinance Co., Ltd. ("NingGangRongTong")	(f)	PRC	30%	Provision of small loan and financial consultation services	36,870	-
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(g)	PRC	30%	Provision of small loan and financial consultation services	37,020	-

A brief description of the business and financial information of the investments, is as follows:

Notes:

- (a) On 24 August 2011, the Group invested in 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. The net assets attributable to investment amounted to HK\$37,648,000 based on the unaudited financial statements for the year ended 30 June 2012.

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**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

Notes: (continued)

- (b) On 2 September 2011, the Group invested in 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. The net assets attributable to the investment amounted to HK\$12,540,000 based on the unaudited financial statements for the year ended 30 June 2012.
- (c) On 29 August 2011, the Group invested in 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC. The net assets attributable to the investment amounted to HK\$38,142,000 based on the unaudited financial statements for the year ended 30 June 2012.
- (d) On 21 December 2011, the Group invested in 30% equity interest of Nanchang Donghu, a joint venture established in the PRC. Nanchang Donghu is principally engaged in the provision of small loan and financial consultation services in Donghu District, Nanchang, Jiangxi Province, the PRC. The net assets attributable to the investment amounted to HK\$37,896,000 based on the unaudited financial statements for the year ended 30 June 2012.
- (e) On 13 January 2012, the Group invested in 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. Tianjin Binlian is principally engaged in the provision of small loan and financial consultation services in Tianjin, especially Dongli District, the PRC. The net assets attributable to the investment amounted to HK\$12,206,000 based on the unaudited financial statements for the year ended 30 June 2012.
- (f) On 19 January 2012, the Group invested in 30% equity interest of NingGangRongTong, a joint venture established in the PRC. NingGangRongTong is principally engaged in the provision of small loan and financial consultation services in Jiangning district (mainly focusing on the Nanjing Jiangning Economic Technical Development Zone), Nanjing, Jiangsu Province, the PRC. The net assets attributable to the investment amounted to HK\$37,266,000 based on the unaudited financial statements for the year ended 30 June 2012.
- (g) On 2 March 2012, the Group invested in 30% equity interest of Ezhou Zhongjinguotou, a joint venture established in the PRC. Ezhou Zhongjinguotou is principally engaged in the provision of small loan and financial consultation services in Ezhou, Hubei Province, the PRC. The net assets attributable to the investment amounted to HK\$36,622,000 based on the unaudited financial statements for the year ended 30 June 2012.

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**21. LOAN RECEIVABLE**

	Group and Company	
	2012 HK\$'000	2011 HK\$'000
Secured loan	35,894	35,894
Portion classified as current assets	(35,894)	—
Non-current portion	—	35,894

As at 30 June 2012, the Group's current loan receivable of HK\$35,894,000 (2011: non-current loan receivable of HK\$35,894,000) carried interest at 10% per annum and it is secured by the pledge of the entire issued share capital of the borrower. The total amount of HK\$35,894,000 are fully received on 10 September 2012.

**22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Current portion:				
Prepayments	251	556	251	433
Deposits	738	742	738	742
Dividends receivable	6,801	9,267	6,113	9,267
Interest receivable	106	—	106	—
Loan to an investee (note (a))	40,606	43,605	40,606	43,605
Due from a shareholder (note (b))	—	19	—	19
Receivable on partial disposal of equity interest in Globe Capital (note (c))	4,199	32,000	4,199	32,000
Other receivables	374	206	251	206
	<b>53,075</b>	86,395	<b>52,264</b>	86,272
Non-current portion:				
Deposit paid for an investment (note (d))	10,000	—	10,000	—

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**22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)**

Notes:

- (a) The loan to an investee is unsecured, interest-free and repayable within 1 year.
- (b) Last year's amount due from a shareholder, Oceanwide Investments Limited, was unsecured, interest-free and payable on demand.
- (c) This is the unsettled balance from the disposal of 70% equity interest in a former subsidiary, Globe Capital for the year ended 30 June 2011. Directors expect that the remaining balance will be repaid within 1 year.
- (d) On 4 June 2012, the Group paid HK\$10,000,000 to invest in 30% equity interest of Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang"), a joint venture established in the PRC. Ziyang Yanjiang is principally engaged in the provision of small loan and financial consultation services in Ziyang City, Sichuan Province, the PRC. The investment was subsequently completed on 6 August 2012 and classified as financial assets at fair value through profit or loss.

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

**23. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash and bank balances	<b>32,110</b>	81,789	<b>26,151</b>	75,718

At the end of the reporting period, the cash and bank balances of the Group denominated in Renmibi ("RMB") equivalent to HK\$2,596,000 (2011: HK\$4,119,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are placed with creditworthy banks with no recent history of default.

**24. OTHER PAYABLES AND ACCRUALS**

	Group and Company	
	2012 HK\$'000	2011 HK\$'000
Accruals	<b>350</b>	376
Other payables	<b>814</b>	44
	<b>1,164</b>	420

Other payables are non-interest-bearing and have an average term of less than 3 months.

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**25. DUE TO RELATED COMPANIES**

The amounts due to related companies are unsecured, interest-free and repayable on demand. Further details of the related companies are in note 31(b)(i) and 31(b)(ii) to the financial statements.

**26. DEFERRED TAX****(a) Deferred tax liabilities  
Group and Company**

	2012			Total HK\$'000
	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments of the available-for-sale financial assets HK\$'000	Fair value adjustments of financial assets at fair value through profit or loss HK\$'000	
At 1 July 2011	-	1,300	-	1,300
Deferred tax charged to profit or loss during the year	272	-	503	775
Deferred tax charged to equity during the year	-	1,645	-	1,645
Gross deferred tax liabilities at 30 June 2012	<u>272</u>	<u>2,945</u>	<u>503</u>	<u>3,720</u>

**Deferred tax assets  
Group and Company**

	2012 Losses available for offsetting against future taxable profits HK\$'000
At 1 July 2011	-
Deferred tax credited to profit or loss during the year	(272)
Gross deferred tax assets at 30 June 2012	<u>(272)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

**Group and Company**

	2012 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(272)
Net deferred tax liabilities recognised in the consolidated statement of financial position	3,720
Deferred tax balances at 30 June 2012	<u>3,448</u>

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**26. DEFERRED TAX (Continued)****(b) Deferred tax liabilities  
Group and Company**

	2011 Fair value adjustments of the available- for-sale financial assets <i>HK\$'000</i>
At 1 July 2010	–
Deferred tax credited to other comprehensive income during the year	5,499
Release from other comprehensive income to profit or loss upon disposal of a subsidiary	(4,199)
	<hr/>
Deferred tax liabilities at 30 June 2011	<u>1,300</u>

**(c) Deferred tax assets not recognised**

At 30 June 2012, deferred tax has not been recognised in respect of the following items:

	<b>Group and Company</b>	
	<b>2012</b> <b><i>HK\$'000</i></b>	2011 <i>HK\$'000</i>
Unused tax losses	<b>72,642</b>	20,637
Deductible temporary differences	–	2,909
	<hr/>	<hr/>
	<b><u>72,642</u></b>	<u>23,546</u>

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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## 27. ISSUED CAPITAL

	Notes	2012		2011	
		Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.01 each		<b>30,000,000</b>	<b>300,000</b>	30,000,000	300,000
<b>Issued and fully paid:</b>					
As at 1 July					
Ordinary shares of HK\$0.01 each		<b>4,109,384</b>	<b>41,094</b>	2,485,134	24,851
Issue of shares upon exercise of share options	(a)	<b>3,500</b>	<b>35</b>	100,590	1,006
Issue of shares upon share placing					
– share placing	(b)(i)	<b>304,950</b>	<b>3,050</b>	–	–
– first share placing	(b)(ii)	–	–	496,700	4,967
– second share placing	(b)(iii)	–	–	596,960	5,970
– third share placing	(b)(iv)	–	–	370,000	3,700
– fourth share placing	(b)(v)	–	–	60,000	600
As at 30 June					
Ordinary shares of HK\$0.01 each		<b>4,417,834</b>	<b>44,179</b>	4,109,384	41,094

## Notes:

## (a) Issue of shares upon exercise of share options

During the years ended 30 June 2012 and 30 June 2011, share options to subscribe for 3,500,000 shares and 100,590,000 shares were exercised, of which HK\$35,000 and HK\$1,006,000 were credited to share capital and the balance of HK\$579,000 and HK\$17,102,000 were credited to the share premium, respectively.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

## (b) Issue of shares upon share placing

(i) On 20 January 2012, the Company issued 304,950,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.45 to an independent investor. The gross proceeds from the placing of shares were approximately HK\$137,228,000, out of which HK\$3,050,000 was recorded in share capital and the balance of HK\$134,157,000 after netting off issuing expenses of HK\$21,000 credited to the share premium.

(ii) On 16 November 2010, the Company issued 496,700,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.15 to 5 independent investors by first placing. The gross proceeds from the placing of shares were approximately HK\$74,505,000, out of which HK\$4,967,000 was recorded in share capital and the balance of HK\$69,538,000 credited to the share premium.

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**27. ISSUED CAPITAL (continued)**

Notes:

- (b) Issue of shares upon share placing (continued)
- (iii) On 10 December 2010, the Company issued 596,960,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.25 to 11 independent investors by second placing. The gross proceeds from the placing of shares were approximately HK\$149,240,000, out of which HK\$5,970,000 was recorded in share capital and the balance of HK\$143,270,000 credited to the share premium.
- (iv) On 29 March 2011, the Company issued 370,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.50 to 3 independent investors by third placing. The gross proceeds from the placing of shares were approximately HK\$185,000,000, out of which HK\$3,700,000 was recorded in share capital and the balance of HK\$181,300,000 credited to the share premium.
- (v) On 20 May 2011, the Company issued 60,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.50 to an independent investor by fourth placing. The gross proceeds from the placing of shares were approximately HK\$30,000,000, out of which HK\$600,000 was recorded in share capital and the balance of HK\$29,230,000 after netting off issuing expenses of HK\$170,000 credited to the share premium.

All the new ordinary shares issued during the years ended 30 June 2012 and 30 June 2011 rank pari passu in all respects with the then existing ordinary shares of the Company.

Subsequent to the end of the reporting period, on 31 August 2012, the Company issued a total of 240,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.45 to 2 independent investors. The gross proceeds from the placing of shares were HK\$108,000,000 before issuing expenses, out of which HK\$2,400,000 was recorded in share capital and the balance of HK\$105,600,000 credited to the share premium.

**28. SHARE OPTION SCHEME**

Under the share option scheme adopted by the Company on 15 January 2008 (the "Scheme"), options were granted to certain directors and consultants during the year entitling them to subscribe for shares of the Company under the Scheme. The Scheme was approved and adopted by shareholders of the Company on 15 January 2008, whereby the directors of the Company are authorised, at their discretion, to invite full time employees of the Group, (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers of the Group, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the Scheme. The Scheme shall be valid and effective for a period of 10 years ending on 14 January 2018 after which no further options will be granted. The exercise price of the options is determinable by the directors, but will be at least the higher of:

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**28. SHARE OPTION SCHEME (continued)**

- (i) The closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the offer date, which must be a business date;
- (ii) The average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) for the 5 business days immediately preceding the offer date; and
- (iii) The nominal value of the Company's shares.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of 1 to 3 years and ends on a date which is not later than 5 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2012		2011	
	Weighted average exercise price HK\$ per share	Number of share options '000	Weighted average exercise price HK\$ per share	Number of share options '000
At 1 July	0.38	83,300	0.13	97,160
Granted during the year	-	-	0.36	90,830
Exercised during the year	0.13	(3,500)	0.13	(100,590)
Lapsed during the year	-	-	0.15	(4,100)
At 30 June	0.39	79,800	0.38	83,300

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**28. SHARE OPTION SCHEME (continued)**

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.52 per share (2011: HK\$0.35 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of share options			Exercise price*	Exercise period
At 1 July 2011 '000	Exercised during the year '000	At 30 June 2012 '000		
2,800	–	<b>2,800</b>	0.05	17/2/2009 to 16/11/2013
14,500	(3,500)	<b>11,000</b>	0.13	18/3/2010 to 17/12/2014
28,600	–	<b>28,600</b>	0.445	16/5/2011 to 15/2/2014
18,600	–	<b>18,600</b>	0.445	16/2/2012 to 15/2/2014
18,800	–	<b>18,800</b>	0.445	16/2/2013 to 15/2/2014
<b>83,300</b>	<b>(3,500)</b>	<b>79,800</b>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

- (a) On 13 July 2010, 24,830,000 share options were granted. The closing price of the shares of the Company on the date of grant was HK\$0.135 per share.
- (b) On 16 February 2011, a total of 66,000,000 share options were granted. The closing price of the shares of the Company on the date of grant was HK\$0.445 per share.
- (c) The estimated fair value of the 90,830,000 share options granted during the year ended 30 June 2011 was HK\$7,694,000 which was calculated using the binomial model (the "Model") as at the date of the grant of the share options. The following is the inputs to the Model:

	13/7/2010	16/2/2011
Share price:	HK\$0.135	HK\$0.445
Exercise price:	HK\$0.135	HK\$0.445
Expected volatility:	80.39%	71.275%
Expected dividend yield:	3.70%	1.12%
Risk-free interest rate:	1.50%	1.215%
Expected life of the share options:	5 years	3 years

**28. SHARE OPTION SCHEME (continued)**

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The 3,500,000 share options exercised during the year ended 30 June 2012 resulted in the issue of 3,500,000 ordinary shares of the Company and new share capital of HK\$35,000 and share premium of HK\$579,000, as further detailed in note 27 to the financial statements.

The Group recognised a total expense of approximately HK\$3,912,000 for the year ended 30 June 2012 (2011: HK\$7,694,000) in relation to the share options granted by the Company.

At the end of the reporting period, the Company had 79,800,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 79,800,000 additional ordinary shares of the Company and additional share capital of HK\$798,000 and share premium of HK\$42,121,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 79,800,000 share options outstanding under the Scheme, which represented approximately 1.71% of the Company's shares in issue as at that date.

**29. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on the net assets of the Group as at 30 June 2012 of HK\$900,412,000 (2011: HK\$812,490,000) and on 4,417,834,000 ordinary shares being in issue as at 30 June 2012 (2011: 4,109,384,000 ordinary shares).

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**30. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 to the financial statements.

**(b) Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
At 1 July 2010	73	278,979	2,766	-	4,184	-	(15,314)	270,688
Profit for the year (note 14)	-	-	-	-	-	-	43,966	43,966
Other comprehensive income for the year:								
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	124	-	124
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	53,692	-	-	-	53,692
Disposal of available-for-sale financial assets upon disposal of a subsidiary	-	-	-	(41,992)	-	-	-	(41,992)
Total comprehensive income for the year	-	-	-	11,700	-	124	43,966	55,790
Equity-settled share based transactions (note 28)	-	-	-	-	7,694	-	-	7,694
Lapse of share options	-	-	-	-	(186)	-	186	-
Issue of new shares								
- upon exercise of share options (note 27(a))	17,102	-	-	-	(4,620)	-	-	12,482
- upon share placing (note 27(b))	423,338	-	-	-	-	-	-	423,338
At 30 June 2011 and 1 July 2011	<b>440,513</b>	<b>278,979</b>	<b>2,766</b>	<b>11,700</b>	<b>7,072</b>	<b>124</b>	<b>28,838</b>	<b>769,992</b>
Loss for the year (note 14)	-	-	-	-	-	-	(65,317)	(65,317)
Other comprehensive income for the year:								
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	8	-	8
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	9,883	-	-	-	9,883
Total comprehensive income for the year	-	-	-	9,883	-	8	(65,317)	(55,426)
Equity-settled share based transactions (note 28)	-	-	-	-	3,912	-	-	3,912
Issue of new shares								
- upon exercise of share options (note 27(a))	579	-	-	-	(159)	-	-	420
- upon share placing (note 27(b))	134,157	-	-	-	-	-	-	134,157
At 30 June 2012	<b>575,249</b>	<b>278,979</b>	<b>2,766</b>	<b>21,583</b>	<b>10,825</b>	<b>132</b>	<b>(36,479)</b>	<b>853,055</b>

**30. RESERVES (continued)****(b) Company (continued)****Nature and purpose of reserves**

Notes:

- (i) **Share premium**  
The application of share premium is governed by Section 40 of the Companies Act of Bermuda.
- (ii) **Contributed surplus**  
The contributed surplus represents the share premium reduction. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.
- (iii) **Capital reserve**  
The capital reserve represents the waiver of amount due to a shareholder in 2005.
- (iv) **Available-for-sale financial asset revaluation reserve**  
The available-for-sale financial asset revaluation reserve represents changes in fair value of available-for-sale financial assets.
- (v) **Share option reserve**  
The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses/retained profits should the related options expire or be forfeited.
- (vi) **Exchange reserve**  
The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of dividends, the Company is able to pay its debts as and when they fall due in the ordinary course of business. In accordance with the Company's bye-law, dividends shall be payable out of the profits or other reserves, including the share premium and contributed surplus of the Company.

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**31. RELATED PARTY TRANSACTIONS**

In addition to the related party transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

**(a) Key management personnel remuneration**

Directors are the key management personnel of the Group as disclosed in note 10 to the financial statements.

**(b) Significant related party transactions**

During the year, the Group had the following transactions with related parties:

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Investment management fee paid/payable to Altantis (the "Investment Manager")	(i)	–	2,337
Investment management fee paid/payable to CFIM (the "Investment Manager")	(i)	<b>1,305</b>	320
Legal advisory fees paid/payable to Michael Li & Co	(ii)	<b>260</b>	960
Custodian fee paid/payable to Bank of Communications Trustee Limited	(iii)	<b>178</b>	214
		<b><u>178</u></b>	<b><u>214</u></b>

Notes:

(i) Details of the investment management fees and performance-related fees are included in note 12 to the financial statements.

(ii) During the current year, Michael Li & Co, a company controlled by the company secretary, Mr. Li Chi Chung provided various legal advisory services to the Group.

At 30 June 2012, the balance due to Michael Li & Co of HK\$950,000 (2011: HK\$829,000) was unsecured, interest-free and repayable on demand.

(iii) Pursuant to the custodian agreement dated 12 June 2007 between the Company and Bank of Communications Trustee Limited (the "Custodian"), the Custodian agrees to provide securities custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The custodian agreement will continue in force until it is terminated by either party giving a written notice to the other party at any time.

At 30 June 2012, the balance due to the Custodian of HK\$16,000 (2011: nil) was unsecured, interest-free and repayable on demand.

The related party transactions in respect of items (i) and (iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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**32. COMMITMENTS**

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the financial statements are as follows:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Contracted, but not provided for, acquisition of unlisted investments	<b>975,881</b>	227,711	<b>811,247</b>	227,711

- (b) At 30 June 2012, the total future outstanding minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	Group and Company	
	2012 HK\$'000	2011 HK\$'000
Within one year	<b>3,399</b>	3,520
In the second to fifth years, inclusive	<b>1,456</b>	4,882
	<b>4,855</b>	8,402

**33. DISPOSAL OF A SUBSIDIARY**

On 16 June 2011, the Group entered into an agreement to dispose of its 70% equity interest in Globe Capital to an independent third party at a cash consideration of HK\$42,000,000.

	2011 HK\$'000
Total consideration satisfied by:	
Cash consideration	42,000
Fair value of 30% retained equity interest in Globe Capital	13,000
Deferred tax liability upon recognition of fair value of retained equity interest in Globe Capital	(1,300)
	<b>53,700</b>
Net assets disposed of:	
Available-for-sale financial assets	99,670
Cash and bank balances	3,182
Other receivables	9,000
Dividend payable	(8,581)
Other payables	(43,605)
Deferred tax liabilities	(5,966)
	<b>53,700</b>

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**33. DISPOSAL OF A SUBSIDIARY (continued)**

	2011 HK\$'000
Available-for-sale financial asset revaluation reserve realised and released to consolidated profit or loss	41,992
Gain on disposal of 70% equity interest in Globe Capital (note 7)	41,992
Analysis of net cash inflows:	
Cash consideration received	10,000
Cash and bank balances disposed of	(3,182)
	6,818

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Available-for-sale financial assets	<b>334,027</b>	311,349	<b>322,177</b>	299,499
Financial assets at fair value through profit or loss				
– Held for trading	<b>227,350</b>	300,561	<b>226,247</b>	300,561
– Designated as such upon initial recognition	<b>213,581</b>	–	<b>213,581</b>	–
Other receivable	<b>10,000</b>	–	<b>10,000</b>	–
Loan receivable	<b>35,894</b>	35,894	<b>35,894</b>	35,894
Due from subsidiaries	–	–	<b>246</b>	230
Financial assets included in prepayments, deposits and other receivables	<b>52,824</b>	85,839	<b>52,013</b>	85,839
Cash and cash equivalents	<b>32,110</b>	81,789	<b>26,151</b>	75,718
	<b>905,786</b>	815,432	<b>886,309</b>	797,741
Financial liabilities				
Financial liabilities included in other payables and accruals	814	44	814	44
Due to subsidiaries	–	–	4,308	4,329
Due to related companies	950	1,233	950	1,233
Due to an associate	143	320	143	320
	1,907	1,597	6,215	5,926

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**35. FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

**As at 30 June 2012**

	<b>Group</b>			
	<b>Level 1</b> <i>HK\$'000</i>	<b>Level 2</b> <i>HK\$'000</i>	<b>Level 3</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Available-for-sale financial assets:				
– Unlisted investments	–	–	334,027	334,027
Financial assets at fair value through profit or loss:				
– Listed securities	224,041	–	–	224,041
– Unlisted investments	–	–	213,581	213,581
– Derivative contract	–	–	3,309	3,309
	<b>224,041</b>	<b>–</b>	<b>550,917</b>	<b>774,958</b>

**As at 30 June 2011**

	<b>Group</b>			
	<b>Level 1</b> <i>HK\$'000</i>	<b>Level 2</b> <i>HK\$'000</i>	<b>Level 3</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Available-for-sale financial assets:				
– Unlisted investments	–	–	311,349	311,349
Financial assets at fair value through profit or loss:				
– Listed securities	300,561	–	–	300,561
	<b>300,561</b>	<b>–</b>	<b>311,349</b>	<b>611,910</b>

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**35. FAIR VALUE HIERARCHY (continued)****As at 30 June 2012**

	Company			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets:				
– Unlisted investments	–	–	322,177	322,177
Financial assets at fair value through profit or loss:				
– Listed securities	224,041	–	–	224,041
– Unlisted investments	–	–	213,581	213,581
– Derivative contract	–	–	2,206	2,206
	<b>224,041</b>	<b>–</b>	<b>537,964</b>	<b>762,005</b>

**As at 30 June 2011**

	Company			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets:				
– Unlisted investments	–	–	299,499	299,499
Financial assets at fair value through profit or loss:				
– Listed securities	300,561	–	–	300,561
	<b>300,561</b>	<b>–</b>	<b>299,499</b>	<b>600,060</b>

During the year ended 30 June 2012, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfers into and out of Level 3.

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**35. FAIR VALUE HIERARCHY (continued)**

The movements in fair value measurements in Level 3 during the year are as follows:

**Year ended 30 June 2012**

	<b>Group</b>			<b>Total HK\$'000</b>
	<b>Financial assets at fair value through profit or loss</b>		<b>Available- for-sale financial assets</b>	
	<b>Derivative contract HK\$'000</b>	<b>Unlisted investments HK\$'000</b>	<b>Unlisted investments HK\$'000</b>	
At the beginning of the year	-	-	311,349	311,349
Total net gains recognised				
– in profit or loss	3,309	5,031	-	8,340
– in other comprehensive income	-	-	11,528	11,528
Purchases	-	208,550	11,150	219,700
	<b>3,309</b>	<b>213,581</b>	<b>334,027</b>	<b>550,917</b>

**Year ended 30 June 2011**

	<b>Group</b>	
	<b>Available-for-sale financial assets</b>	
	<b>Unlisted investments</b>	<b>Total HK\$'000</b>
At the beginning of the year		15,911
Total net gains recognised		
– in other comprehensive income		13,000
Purchases		322,450
Disposal		(40,012)
		<b>311,349</b>

30 June 2012

**35. FAIR VALUE HIERARCHY (continued)**

The movements in fair value measurements in Level 3 during the year are as follows: (continued)

**Year ended 30 June 2012**

	Company			Total HK\$'000
	Financial assets at fair value through profit or loss		Available-for-sale financial assets	
	Derivative contract HK\$'000	Unlisted investments HK\$'000	Unlisted investments HK\$'000	
At the beginning of the year	-	-	299,499	299,499
Total net gains recognised				
– in profit or loss	2,206	5,031	-	7,237
– in other comprehensive income	-	-	11,528	11,528
Purchases	-	208,550	11,150	219,700
	<b>2,206</b>	<b>213,581</b>	<b>322,177</b>	<b>537,964</b>

**Year ended 30 June 2011**

	Company
	Available-for-sale financial assets
	Unlisted investments HK\$'000
At the beginning of the year	15,911
Total net gains recognised	
– in other comprehensive income	13,000
Purchases	310,600
Disposal	(40,012)
	<b>299,499</b>

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's potential financial instruments include cash and cash equivalents, other receivables, investment in listed securities and unlisted investments. The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate strategies to manage the Group's exposure to these risks to ensure appropriate measures are implemented in a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes. The financial risks to which the Group is exposed to are described below.

**Market risk**

The Group's exposure to market risk includes foreign currency risk, interest rate risk and equity price risk.

**(i) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain monetary and non-monetary financial assets and liabilities of the Group including cash and bank balances, dividend receivable and investment in unlisted investments are denominated in RMB and HK\$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group and the Company are mainly exposed to fluctuation in the exchange rate of RMB against HK\$. Regarding the Group's and the Company's exposure at the reporting date on their monetary financial assets and liabilities, management considers the Group and the Company have no significant foreign currency risk.

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument and future cash flows will fluctuate as a result of changes in market interest rates. Management closely monitors interest rate movements and manages the potential risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Group and Company are exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets which are variable rate bank balances.

As management considers the Group's and Company's exposure to the interest rate risk is not significant, no interest-rate swaps or other hedging activities are taken by management during the years in 2012 and 2011.

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**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(iii) Equity price risk**

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Group is exposed to equity price changes arising from equity investments classified as trading securities, which are stated at fair value. The Group's listed securities are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period. Decisions to buy or sell listed securities are rested with assigned investment managers and governed by specific investment guidelines.

## Sensitivity analysis

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year are as follows:

	<b>30 June 2012</b>	<b>High/low 2012</b>	30 June 2011	High/low 2011
Hong Kong – Hang Seng Index (“HSI”)	<b>19,441</b>	<b>22,835/ 16,170</b>	22,398	24,989/ 19,778

The following table demonstrates the management's best estimate of the effect on profit or loss before tax due to a reasonably possible change in equity indices, with all other variables held constant, based on the carrying amounts of the listed securities at the end of the reporting period. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent increase in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

**30 June 2012**

	<b>% of reasonable possible change of the relevant benchmark index</b>	<b>Change in profit or loss before tax HK\$'000</b>
Relevant market index Hong Kong – HSI	<b>±13.2%</b>	<b>±29,574</b>

**30 June 2011**

	<b>% of reasonable possible change of the relevant benchmark index</b>	<b>Change in profit or loss before tax HK\$'000</b>
Relevant market index Hong Kong – HSI	±11.3%	±33,882

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(iv) Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Group or the Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

The Group's and the Company's financial assets include equity investments, loan and other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and bank deposits are placed with financial institutions with sound credit ratings. Equity investments in listed securities are placed with Custodian, which management believes its of higher credit quality. Given their high credit ratings, management does not expect any counterparty failing to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group and the Company do not provide any financial guarantees which would expose the Group and the Company to credit risk.

**(v) Liquidity risk**

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly. At 30 June 2012, the Group and the Company held cash and cash equivalents of HK\$32,110,000 (2011: HK\$81,789,000) and HK\$26,151,000 (2011: HK\$75,718,000), respectively, which were considered adequate for working capital requirements.

The following tables set out the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables are drawn up based on the undiscounted cash flows of financial liabilities and the earliest dates on which the Group or the Company can be required to pay.

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**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(v) Liquidity risk (continued)**

	Less than one year			
	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Other payables	814	44	814	44
Due to subsidiaries	–	–	4,308	4,329
Due to related companies	950	1,233	950	1,233
Due to an associate	143	320	143	320
	<b>1,907</b>	1,597	<b>6,215</b>	5,926

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2012 and 30 June 2011. As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The Investment Manager manages the capital of the Company in accordance with the Company's investments objectives and policies.

The Group is not subject to any externally imposed capital requirements.

**37. EVENTS AFTER REPORTING PERIOD**

- (a) Pursuant to subscription agreements dated 18 July 2012 in relation to the proposed subscription of a total of 240,000,000 ordinary shares at the subscription price of HK\$0.45 per subscription share to 2 subscribers, the subscription was completed on 31 August 2012 and the Company has raised approximately HK\$107,800,000.
- (b) On 20 July 2012, the Company entered into a subscription agreement with 5 independent parties, pursuant to which the Company agreed to subscribe for a total of 10% equity interest in an investment which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB15,000,000.
- (c) On 20 July 2012, the Group entered into a sale and purchase agreement with an independent party to purchase 30% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB30,000,000.

**37. EVENTS AFTER REPORTING PERIOD (continued)**

- (d) On 20 July 2012, the Group entered into a sale and purchase agreement with 3 independent parties to purchase a total of 30% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB36,000,000.
- (e) On 20 July 2012, the Group entered into a sale and purchase agreement with an independent party to purchase 10% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB10,000,000.
- (f) On 20 July 2012, the Group entered into a sale and purchase agreement with 2 independent parties to purchase a total of 30% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB30,000,000.
- (g) On 20 July 2012, the Group entered into a sale and purchase agreement with an independent party to purchase 30% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB30,000,000.
- (h) On 20 July 2012, the Group entered into a sale and purchase agreement with three independent parties to purchase a total of 30% equity interest in a company which is engaged in the provision of small loan and financial consultation services in the PRC at a cash consideration of RMB45,000,000.
- (i) At the date of approval of this annual report, the Group paid a total of HK\$173,510,000 to invest in 4 unlisted investments which is included in note 32(a) to the financial statements.

**38. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current year's presentation.

**39. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 28 September 2012.

A summary of the results, assets and liabilities of the Group for the last 5 financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

## RESULTS

	Year ended 30 June				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	<b>9,137</b>	5,727	5,135	1,364	172
(Loss)/profit before tax	<b>(62,927)</b>	40,267	31,661	17,609	(14,411)
Income tax expense	<b>(732)</b>	(3,342)	(4,030)	87	(87)
(Loss)/profit for the year	<b>(63,659)</b>	36,925	27,631	17,696	(14,498)
Other comprehensive income for the year, net of tax	<b>10,007</b>	12,121	–	–	–
Total comprehensive income for the year	<b>(53,652)</b>	49,046	27,631	17,696	(14,498)

## ASSETS AND LIABILITIES

	As at 30 June				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Total assets	<b>910,316</b>	821,756	313,359	286,568	271,646
Total liabilities	<b>(9,904)</b>	(9,266)	(9,672)	(598)	(709)
Total equity	<b>900,412</b>	812,490	303,687	285,970	270,937