



**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)

*2012*  
*Interim Report*

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Director

Mr. Sha Naiping  
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. 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. Wan Hongchun  
Mr. Zeng Xianggao

### RISK MANAGEMENT COMMITTEE

Mr. Du Lin Dong (*Chairman*)  
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  
*Certified Public Accountants*

### 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 BERMUDA

Butterfield Fulcrum Group (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

### 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>





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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of

**China Financial International Investments Limited**

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

### Introduction

We have reviewed the interim financial information set out on pages 3 to 24, which comprises the condensed consolidated statement of financial position of China Financial International Investments Limited (the “Company”) and its subsidiaries as at 31 December 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
26 February 2013

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 31 December 2012*

	Notes	Unaudited	
		Six months ended 31 December	
		2012	2011
		HK\$'000	HK\$'000
Revenue	7	1,811	1,078
Other income	7	10	2,310
Net change in fair value of financial assets at fair value through profit or loss	8	(35,333)	(122,119)
Impairment loss of available-for-sale financial assets		(6,200)	–
Finance costs		(530)	–
Administrative expenses		(16,605)	(16,562)
Share of profit of an associate		37	44
		<hr/>	<hr/>
Loss before tax	9	(56,810)	(135,249)
Income tax expense	10	(2,658)	(147)
		<hr/>	<hr/>
Loss for the period		<b>(59,468)</b>	<b>(135,396)</b>
		<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME</b>			
Available-for-sale financial assets:			
Change in fair value of available-for-sale financial assets		17,609	16,471
Reclassification adjustment for loss included in profit or loss – Impairment loss		6,200	–
Income tax effect		(1,552)	(1,647)
		<hr/>	<hr/>
		22,257	14,824
Exchange differences on translation of financial statements of overseas subsidiaries		242	269
		<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>22,499</b>	<b>15,093</b>
		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(36,969)</b>	<b>(120,303)</b>
		<hr/>	<hr/>
Loss per share attributable to ordinary equity holders of the Company			
Basic	12(a)	<b>(1.30) cents</b>	(3.29) cents
		<hr/>	<hr/>
Diluted	12(b)	<b>(1.30) cents</b>	(3.29) cents
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2012

	<i>Notes</i>	<b>Unaudited 31 December 2012 HK\$'000</b>	<b>Audited 30 June 2012 HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	3,014	3,872
Interests in an associate	14	444	407
Available-for-sale financial assets	15	400,326	334,027
Financial assets at fair value through profit or loss	16	590,717	213,581
Other receivable	18	–	10,000
		<hr/>	<hr/>
Total non-current assets		<b>994,501</b>	561,887
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	16	166,000	227,350
Loan receivable	17	–	35,894
Prepayments, deposits and other receivables	18	52,940	53,075
Cash and cash equivalents		50,934	32,110
		<hr/>	<hr/>
Total current assets		<b>269,874</b>	348,429
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		511	1,164
Due to a related company		9	950
Due to an associate	14	101	143
Tax payable		4,199	4,199
		<hr/>	<hr/>
Total current liabilities		<b>4,820</b>	6,456
<b>NET CURRENT ASSETS</b>		<b>265,054</b>	341,973
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,259,555</b>	903,860
<b>NON-CURRENT LIABILITIES</b>			
Convertible bond	19	272,968	–
Deferred tax liabilities		7,658	3,448
		<hr/>	<hr/>
		<b>280,626</b>	3,448
<b>Net assets</b>		<b>978,929</b>	900,412
<b>EQUITY</b>			
Issued capital	20	46,579	44,179
Reserves		932,350	856,233
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>978,929</b>	900,412
<b>Net asset value per share</b>	21	<b>21.0 cents</b>	20.4 cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 31 December 2012*

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Capital reserve	Available-for-sale financial asset revaluation reserve	Share option reserve	Exchange reserve	Equity component of convertible bond	Equity (Accumulated losses)/ retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012 (audited)	44,179	575,249	278,979	2,766	21,583	10,825	545	-	(33,714)	900,412
Loss for the period	-	-	-	-	-	-	-	-	(59,468)	(59,468)
Other comprehensive income for the period:										
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	242	-	-	242
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	22,257	-	-	-	-	22,257
Total comprehensive income for the period	44,179	575,249	278,979	2,766	43,840	10,825	787	-	(93,182)	863,443
Equity-settled share based transactions	-	-	-	-	-	746	-	-	-	746
Lapse of share options	-	-	-	-	-	(1,101)	-	-	1,101	-
Forfeit of share options	-	-	-	-	-	(452)	-	-	-	(452)
Issue of new shares										
– upon share placing	2,400	105,561	-	-	-	-	-	-	-	107,961
Issue of convertible bond										
– recognition of equity component of convertible bond	-	-	-	-	-	-	-	7,231	-	7,231
At 31 December 2012 (unaudited)	<u>46,579</u>	<u>680,810*</u>	<u>278,979*</u>	<u>2,766*</u>	<u>43,840*</u>	<u>10,018*</u>	<u>787*</u>	<u>7,231*</u>	<u>(92,081)*</u>	<u>978,929</u>
At 1 July 2011 (audited)	41,094	440,513	278,979	2,766	11,700	7,072	421	-	29,945	812,490
Loss for the period	-	-	-	-	-	-	-	-	(135,396)	(135,396)
Other comprehensive income for the period:										
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	269	-	-	269
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	14,824	-	-	-	-	14,824
Total comprehensive income for the period	41,094	440,513	278,979	2,766	26,524	7,072	690	-	(105,451)	692,187
Equity-settled share based transactions	-	-	-	-	-	1,956	-	-	-	1,956
At 31 December 2011 (unaudited)	<u>41,094</u>	<u>440,513</u>	<u>278,979</u>	<u>2,766</u>	<u>26,524</u>	<u>9,028</u>	<u>690</u>	<u>-</u>	<u>(105,451)</u>	<u>694,143</u>

\* These reserve accounts comprise the consolidated reserves of HK\$932,350,000 (30 June 2012: HK\$856,233,000) in the interim condensed consolidated statement of financial position.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 December 2012*

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	(369,228)	(43,721)
Net cash used in investing activities	(7)	(35)
Net cash generated from financing activities	<b>387,867</b>	–
Net increase/(decrease) in cash and cash equivalents	<b>18,632</b>	(43,756)
Cash and cash equivalents at beginning of period	<b>32,110</b>	81,789
Effect of foreign exchange rate changes	<b>192</b>	173
Cash and cash equivalents at end of period	<b><u>50,934</u></b>	<u>38,206</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<b><u>50,934</u></b>	<u>38,206</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2012

### 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 Company Act 1981 of Bermuda as an exempt company. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda and the Company’s principal place of business is Suite 5802, 58/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries (the “Group”) 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. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which have been measured at fair values. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2012.

### 3. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2012.

### 4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2012, except for the adoption to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) as of 1 July 2012 as noted below:

HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
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HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>
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The adoption of the new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2012

### 4.2 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 this interim financial information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
Annual Improvements Project 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to 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 of financial assets compared with the requirements of HKAS 39.

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 profit or loss, 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 July 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**4.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)**

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 addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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, HKAS 27(2011), HKAS 28(2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 July 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 July 2013.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 July 2013. 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 are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- (a) *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- (b) *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***5. OPERATING SEGMENT INFORMATION**

Management has determined the newly adopted operating segments based on the reports reviewed by management for making investment decisions. These segments are based on the underlying business of the Group's investments as follows:

- a) micro-loan service
- b) real estates
- c) others (includes guarantee service, investment consultation service and other businesses)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

The operating segments presented in the prior period were based on the categories of investment, which included available-for-sale financial assets and financial assets at fair value through profit or loss ("FVTPL"). Segment information for the prior period presented are restated to reflect the new segmentation basis adopted by the management.

**Segment results***Six months ended 31 December 2012*

	Unaudited Micro-loan service HK\$'000	Unaudited Real estates HK\$'000	Unaudited Others HK\$'000	Unaudited Total HK\$'000
Segment results	<u>31,401</u>	<u>(66,048)</u>	<u>(5,075)</u>	(39,722)
Share of profit of an associate				37
Unallocated income				10
Unallocated expenses				<u>(17,135)</u>
Loss before tax				(56,810)
Income tax expense				<u>(2,658)</u>
Loss for the period				<u><u>(59,468)</u></u>

*Six months ended 31 December 2011*

Segment results	<u>2,739</u>	<u>(103,460)</u>	<u>(20,320)</u>	(121,041)
Share of profit of an associate				44
Unallocated income				2,310
Unallocated expenses				<u>(16,562)</u>
Loss before tax				(135,249)
Income tax expense				<u>(147)</u>
Loss for the period				<u><u>(135,396)</u></u>

Segment results represent loss on disposal of listed securities, fair value loss of financial assets at FVTPL, impairment loss of available-for-sale financial assets and the corresponding dividend income earned from financial assets at FVTPL without allocation of central administration expenses and fees to the investment managers.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***5. OPERATING SEGMENT INFORMATION (Continued)****Segment assets**

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

	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Micro-loan service	900,475	475,260
Real estates	118,498	184,546
Others	138,070	115,152
	<hr/>	<hr/>
Total segment assets	1,157,043	774,958
Unallocated assets	107,332	135,358
	<hr/>	<hr/>
	<b>1,264,375</b>	<b>910,316</b>

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 31 December 2012 and 30 June 2012 were 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.

**6. (LOSS)/GAIN ON INVESTMENTS**

	<b>Unaudited Listed securities HK\$'000</b>	<b>Unaudited Unlisted investments HK\$'000</b>	<b>Unaudited Total HK\$'000</b>
<i>Six months ended 31 December 2012</i>			
<i>Included in profit or loss:</i>			
Realised (loss)/gain:			
Financial assets at FVTPL	-	-	-
Unrealised (loss)/gain:			
Financial assets at FVTPL	(66,734)	31,401	(35,333)
Impairment loss:			
Available-for-sale financial assets	-	(6,200)	(6,200)
Total realised and unrealised (loss)/gain included in profit or loss	<hr/> (66,734)	<hr/> 25,201	<hr/> (41,533)
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale financial assets	-	23,809	23,809
Total realised and unrealised (loss)/gain for the period	<hr/> (66,734)	<hr/> 49,010	<hr/> (17,724)

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***6. (LOSS)/GAIN ON INVESTMENTS (Continued)**

	<b>Unaudited Listed securities HK\$'000</b>	<b>Unaudited Unlisted investments HK\$'000</b>	<b>Unaudited Total HK\$'000</b>
<i>Six months ended 31 December 2011</i>			
<i>Included in profit or loss:</i>			
<i>Realised loss:</i>			
Financial assets at FVTPL	(9,354)	–	(9,354)
Unrealised (loss)/gain:			
Financial assets at FVTPL	(115,504)	2,739	(112,765)
Total realised and unrealised (loss)/gain included in profit or loss	(124,858)	2,739	(122,119)
<i>Included in other comprehensive income:</i>			
<i>Unrealised gain:</i>			
Available-for-sale financial assets	–	16,471	16,471
Total realised and unrealised (loss)/gain for the period	<u>(124,858)</u>	<u>19,210</u>	<u>(105,648)</u>

**7. REVENUE AND OTHER INCOME**

An analysis of revenue and other income is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>REVENUE</b>		
Dividend income from listed securities	<u>1,811</u>	<u>1,078</u>
<b>OTHER INCOME</b>		
Bank interest income	5	2,310
Miscellaneous	5	–
	<u>10</u>	<u>2,310</u>



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

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

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Net realised loss on financial assets at FVTPL	–	(9,354)
Net unrealised loss on financial assets at FVTPL	(35,333)	(112,765)
	<u>(35,333)</u>	<u>(122,119)</u>

**9. LOSS BEFORE TAX**

The Group's loss before tax is arrived at after charging:

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Custodian fee	72	67
Depreciation	911	891
Investment management fee	641	528
Operating lease	1,694	1,674
Staff costs, including directors' remuneration:		
Salaries and wages	8,339	7,827
Pension scheme contributions	49	38
Equity-settled share option expense	294	1,956
	<u>8,339</u>	<u>7,827</u>

**10. INCOME TAX**

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Current – Hong Kong		
– Charge for the period	–	–
Current – PRC	–	147
Deferred tax	2,658	–
	<u>2,658</u>	<u>147</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 31 December 2012. Taxes on profits assessable in other jurisdiction have been calculated at the rate of tax prevailing in the respective jurisdiction during the period.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profit for the six months ended 31 December 2012.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**11. DIVIDEND**

The directors did not recommend payment of interim dividend for the six months ended 31 December 2012 (31 December 2011: nil).

**12. LOSS PER SHARE****(a) Basic loss per share**

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2012 of HK\$59,468,000 (2011: HK\$135,396,000) and the weighted average number of ordinary shares of 4,578,269,000 (2011: 4,109,384,000) in issue during the period.

**(b) Diluted loss per share**

No adjustment has been made to the basic loss per share amounts presented for the six months ended 31 December 2012 and 31 December 2011 in respect of a dilution as the impact of the share options granted under the share option scheme outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

**13. PROPERTY, PLANT AND EQUIPMENT**

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Opening net carrying amount	3,872	5,499
Additions	7	123
Disposals/write-off	(3)	–
Depreciation provided during the period/year	(911)	(1,789)
Exchange realignment	49	39
	<u>3,014</u>	<u>3,872</u>
Closing net carrying amount	<u>3,014</u>	<u>3,872</u>

**14. INTERESTS IN AN ASSOCIATE**

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Share of net assets	444	407
Due to an associate	(101)	(143)
	<u>343</u>	<u>264</u>
Total	<u>343</u>	<u>264</u>

Particulars of the associate are as follows:

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

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

	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Unlisted investments, at fair value	<b>400,326</b>	334,027

As at 31 December 2012, the Group held the following available-for-sale financial assets:

Name	Notes	Place of incorporation/ operation	Group's effective interest	Principal activities	Unaudited 31 December 2012 Cost HK\$'000	Audited 30 June 2012 Cost HK\$'000
Jiangxi Zhongjin Hanchen Guarantee Company Limited ("Jiangxi Zhongjin")	(a)	PRC	30%	Provision of guarantees to small and medium enterprises	43,150	43,150
Shenzhen Zhongtouxin Asset Management Company Limited ("Zhongtouxin")	(b)	PRC	30%	Provision of consultation services on project investments	18,350	18,350
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(c)	PRC	30%	Provision of small loan and financial consultation services	188,690	140,000
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	(d)	PRC	30%	Provision of small loan and financial consultation services	72,450	72,450
Zhengzhou Economic Technological Development Mingyang Micro-loan Limited ("Zhengzhou Mingyang")	(e)	PRC	–	Provision of small loan and financial consultation services	35,549	35,549
Globe Capital Resources Investment Limited ("Globe Capital")	(f)	British Virgin Islands	30%	Investment holding	–	–

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2012

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

A brief description of the business of the unlisted 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.
- (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 during the year of 2011 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.
- (c) On 26 May 2011 and on 28 November 2012, the Group invested in 23.33% and 6.67% equity interest of Jingdezhen CFI Guosen respectively, 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.
- (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.
- (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 Zhengzhou Mingyang when the S&P is effective.

- (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 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.

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 were accounted for as available-for-sale financial assets for the period ended 31 December 2012.

There was a significant decline in the market value of Zhongtoujinxin during the period. The directors consider that such a decline indicates that the unlisted investment has been impaired and an impairment loss of HK\$6,200,000 (2011: nil), which included a reclassification from other comprehensive income of HK\$6,200,000 (2011: nil), has been recognised in the profit or loss for the period.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

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

	Notes	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Financial assets held for trading			
Listed securities	(i)	157,867	224,041
Derivative contract	(ii)	8,133	3,309
		<u>166,000</u>	<u>227,350</u>
Financial assets designated at FVTPL			
Unlisted investments	(iii)	590,717	213,581

The above financial assets at 31 December 2012 and 30 June 2012 were classified as held for trading and were 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.
- (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 15(e) to the interim condensed consolidated financial statements.
- (iii) As at 31 December 2012, the Group had the following unlisted investments:

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest	Principal activities	Unaudited 31 December 2012 Cost HK\$'000	Audited 30 June 2012 Cost HK\$'000
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	PRC	30%	Provision of small loan and financial consultation services	36,606	36,606
THIC RongShun Micro-Loan Company Limited ("THIC Rongshun")	(b)	PRC	10%	Provision of small loan and financial consultation services	12,189	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	PRC	30%	Provision of small loan and financial consultation services	36,693	36,693
Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu")	(d)	PRC	30%	Provision of small loan and financial consultation services	36,901	36,901
Tianjin Binlian Microfinance Limited ("Tianjin Binlian")	(e)	PRC	10%	Provision of small loan and financial consultation services	12,271	12,271



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

Notes: (Continued)

(iii) As at 31 December 2012, the Group had the following unlisted investments: (Continued)

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest	Principal activities	Unaudited 31 December 2012 Cost HK\$'000	Audited 30 June 2012 Cost HK\$'000
Nanjing NingGangRongTong Technology Microfinance Co., Ltd. ("NingGangRongTong")	(f)	PRC	30%	Provision of small loan and financial consultation services	36,870	36,870
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(g)	PRC	30%	Provision of small loan and financial consultation services	185,000	37,020
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(h)	PRC	30%	Provision of small loan and financial consultation services	73,730	–
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd ("Nanjing Jiangning")	(i)	PRC	30%	Provision of small loan and financial consultation services	36,673	–
Tianjin Zhongjinxinke Microfinance Limited ("Tianjin Zhongjinxinke")	(j)	PRC	30%	Provision of small loan and financial consultation services	36,710	–
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(k)	PRC	30%	Provision of small loan and financial consultation services	36,741	–
Xi'an Kairong Investment Management Limited ("Xi'an Kairong")	(l)	PRC	30%	Provision of investment and management consultation services	18,724	–

A brief description of the business of the unlisted 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.
- (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.
- (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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)***Notes: (Continued)*

(iii) As at 31 December 2012, the Group had the following unlisted investments: (Continued)

- (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.
- (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.
- (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.
- (g) On 2 March 2012 and 21 November 2012, the Group invested in a total of 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.
- (h) On 6 August 2012, the Group invested in 30% equity interest of 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, Sichuan Province, the PRC.
- (i) On 31 August 2012, the Group invested in 30% equity interest of Nanjing Jiangning, a joint venture established in the PRC. Nanjing Jiangning is principally engaged in the provision of small loan and financial consultation services in Jiangning District, Nanjing, Jiangsu Province, the PRC.
- (j) On 13 September 2012, the Group invested in 30% equity interest of Tianjin Zhongjinxinke, a joint venture established in the PRC. Tianjin Zhongjinxinke is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.
- (k) On 13 September 2012, the Group invested in 30% equity interest of Tianjin Rongyang, a joint venture established in the PRC. Tianjin Rongyang is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.
- (l) On 18 December 2012, the Group invested in 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of investment and management consultation services in Xi'an, Shanxi Province, the PRC.

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 were accounted for as financial assets at fair value through profit or loss for the period ended 31 December 2012.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***17. LOAN RECEIVABLE**

	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Secured loan	–	35,894
Portion classified as current assets	–	(35,894)
	<hr/>	<hr/>
Non-current portion	–	–
	<hr/> <hr/>	<hr/> <hr/>

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

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

	<i>Notes</i>	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Other receivables	(a)	47,607	47,887
Receivable on partial disposal of interest in a former subsidiary	(b)	4,199	4,199
Prepayments and deposits		1,134	989
		<hr/>	<hr/>
		<b>52,940</b>	<b>53,075</b>
		<hr/> <hr/>	<hr/> <hr/>
Non-current portion:			
Deposit paid for an investment	(c)	–	10,000
		<hr/> <hr/>	<hr/> <hr/>

- (a) Included in other receivables of approximately HK\$40,606,000 (30 June 2012: HK\$40,606,000) is unsecured, interest free with repayable terms under negotiation.
- (b) 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.
- (c) On 4 June 2012, the Group paid HK\$10,000,000 to invest in 30% equity interest of Ziyang Yanjiang. The investment was subsequently completed on 6 August 2012 and classified as financial assets at fair value through profit or loss.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**19. CONVERTIBLE BOND**

On 27 December 2012 (the “Issue Date”), the Company issued convertible bond (the “Convertible Bond”) with a nominal value of HK\$280,000,000. There was no movement in the number of this Convertible Bond during this period.

The Convertible Bond carries interest at a rate of 7% per annum payable by the Company on every six calendar months from the Issue Date. At any time on and after 27 December 2015 (the “Maturity Date”), the bondholder may demand immediate redemption of the Convertible Bond at an amount equal to the outstanding principal amount of the Convertible Bond plus interest accrued thereon up to the actual date of redemption.

The bond is convertible at the option of bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the Issue Date up to the Maturity Date. The company has the right to notify the bondholders to redeem the Convertible Bond at any time prior to the Maturity Date at an amount equal to the principal amount then outstanding plus interest accrued thereon up to the actual date of redemption.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The Convertible Bond issued during the period has been split into the liability and equity components as follows:

	<b>Unaudited 31 December 2012 HK\$’000</b>	Audited 30 June 2012 HK\$’000
Nominal value of Convertible Bond issued during the period	<b>280,000</b>	–
Equity component after allocated transaction costs	<b>(7,231)</b>	–
Direct transaction costs attributable to the equity component	<b>(2)</b>	–
Direct transaction costs attributable to the liability component	<b>(92)</b>	–
	<hr/>	<hr/>
Liability component at the issuance date	<b>272,675</b>	–
Interest expense	<b>293</b>	–
	<hr/>	<hr/>
Liability component	<b>272,968</b>	–
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the subscription agreement, the Convertible Bond is secured by the pledge of certain of the Company’s available-for-sale financial assets and financial assets at fair value through profit or loss, which are subject to the final approval and registrations by or filings with the relevant PRC authorities.

**20. SHARE CAPITAL**

	<i>Notes</i>	<b>Number of shares ’000</b>	<b>HK\$’000</b>
<b>Authorised:</b>			
At 31 December 2012 and 30 June 2012			
Ordinary shares of HK\$0.01 each		<b>30,000,000</b>	<b>300,000</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Issued and fully paid:</b>			
At 1 July 2011			
Ordinary shares of HK\$0.01 each		4,109,384	41,094
Issue of shares upon exercise of share options	(a)	3,500	35
Issue of shares upon share placing	(b)(i)	304,950	3,050
		<hr/>	<hr/>
At 30 June 2012			
Ordinary shares of HK\$0.01 each		4,417,834	44,179
Issue of shares upon share placing	(b)(ii)	240,000	2,400
		<hr/>	<hr/>
At 31 December 2012			
Ordinary shares of HK\$0.01 each		<b>4,657,834</b>	<b>46,579</b>
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**20. SHARE CAPITAL (Continued)**

Notes:

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

During the years ended 30 June 2012, share options to subscribe for 3,500,000 shares were exercised, of which HK\$35,000 was credited to share capital and the balance of HK\$579,000 were credited to the share premium.

**(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 31 August 2012, the Company issued 240,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.45 to two independent investors. The gross proceeds from the placing of shares were approximately HK\$108,000,000, out of which HK\$2,400,000 was recorded in share capital and the balance of HK\$105,561,000 after netting off issuing expenses of HK\$39,000 credited to the share premium.

All the new ordinary shares issued during the period ended 31 December 2012 and for the year ended 30 June 2012 rank pari passu in all respects with the then existing ordinary shares of the Company.

**21. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on the net assets of the Group as at 31 December 2012 of HK\$978,929,000 (30 June 2012: HK\$900,412,000) and on 4,657,834,000 ordinary shares being in issue as at 31 December 2012 (30 June 2012: 4,417,834,000 ordinary shares).

**22. COMMITMENTS**

(a) Capital commitments outstanding but not provided for in the financial statements are as follows:

	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Contracted, but not provided for acquisition of unlisted investments	<b>861,700</b>	975,881

(b) The Group had the total future outstanding minimum lease payments under non- cancellable operating leases in respect of properties as follows:

	<b>Unaudited 31 December 2012 HK\$'000</b>	Audited 30 June 2012 HK\$'000
Within one year	<b>2,793</b>	3,399
In the second to fifth years, inclusive	<b>283</b>	1,456
	<b>3,076</b>	4,855



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***For the six months ended 31 December 2012***23. SHARE OPTION SCHEME**

The Company has a share option scheme for eligible employees of the Group. As at 31 December 2012, about 69,800,000 share options (30 June 2012: 79,800,000 share options) were outstanding. 6,600,000 share options were lapsed and 3,400,000 share options with an exercise price of HK\$0.445 were forfeited during the period. There were no share options exercised or granted during the six months ended 31 December 2012.

The options outstanding at 31 December 2012 had exercise prices of HK\$0.050, HK\$0.130, HK\$0.445.

The Company recognised a total expense of approximately HK\$294,000 for the six months ended 31 December 2012 (31 December 2011: HK\$1,956,000) in the condensed consolidated statement of comprehensive income in relation to the share options granted by the Company.

**24. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Notes	Unaudited Six months ended 31 December	
		2012 HK\$'000	2011 HK\$'000
Investment Management fee paid/payable to China Financial International Investments & Managements Limited	(i)	641	528
Legal advisory fees paid/payable to Michael Li & Co	(ii)	9	444
		<u>650</u>	<u>972</u>

Notes:

- (i) 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.

At 31 December 2012, the balance due to CFIIM of HK\$101,000 (30 June 2012: HK\$143,000) was unsecured, interest-free and repayable on demand.

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

At 31 December 2012, the balance due to Michael Li & Co of HK\$9,000 (30 June 2012: HK\$950,000) was unsecured, interest-free and repayable on demand.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2012

**24. RELATED PARTY TRANSACTIONS (Continued)**

(b) Compensation of key management personnel of the Group

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Short term employee benefits	5,986	7,122
Post-employment benefits	23	26
Equity-settled share option expense	294	1,956
	<u>6,303</u>	<u>9,104</u>

**25. FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair value 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)

<i>As at 31 December 2012 (Unaudited)</i>	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets:				
– Unlisted investments	–	–	400,326	400,326
Financial assets at fair value through profit or loss:				
– Listed securities	157,867	–	–	157,867
– Unlisted investments	–	–	590,717	590,717
– Derivative contract	–	–	8,133	8,133
	<u>157,867</u>	<u>–</u>	<u>999,176</u>	<u>1,157,043</u>

*As at 30 June 2012 (Audited)*

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
	<u>224,041</u>	<u>–</u>	<u>550,917</u>	<u>774,958</u>

During the six months ended 31 December 2012 and the year ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**26. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 February 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

China Financial International Investments Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the investments in the listed securities for short term and unlisted investments for medium and long term.

The Group recorded a loss of HK\$59.47 million for the six months ended 31 December 2012 (the “**Period**”), decreased 56.08% compared to the loss of HK\$135.40 million for the same period last year. The loss, which was partially offset by the increase in unlisted investments of financial assets at fair value through profit and loss, was mainly due to unrealised losses on listed securities at fair value through profit or loss, impairment loss of an unlisted investment in investment consultation services classified as available-for-sale financial asset and relatively higher administrative expenses due to the Group’s increasing investment activities in financing service industry in the People’s Republic of China (the “**PRC**”).

### LISTED INVESTMENTS REVIEW

During the Period, the decline in the market value of the Group’s listed securities portfolio resulted in an unrealised loss of HK\$66.73 million (2011: HK\$115.50 million). Dividend income from listed securities increased by 67.59% to HK\$1.81 million from HK\$1.08 million as compared with the same period last year.

During the Period, all the listed securities were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) except for China Mobile Games and Entertainment Group Limited (“**CMGE**”), which is listed on The NASDAQ Stock Market in the United States. As at 31 December 2012, the market value of the listed securities amounted to HK\$157.87 million (30 June 2012: HK\$224.04 million).

#### Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	% of equity interest	Market value at 31 December 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	8,719	561
Hidili Industry International Development Limited	Coal mining, manufacture and sale of coke and clean coal and provision of transportation	15,009,000	0.73	30,468	1,250
China Water Property Group Limited	Property development and property investment businesses in the PRC	194,259,429	10.74	118,498	–
CMGE	Mobile game developers	5,972	0.002	182	–
				<u>157,867</u>	<u>1,811</u>

### UNLISTED INVESTMENTS REVIEW

For the period ended 31 December 2012, fair value of the Group’s unlisted investments portfolio was increased by HK\$49.01 million (2011: HK\$19.21 million).

As at 31 December 2012, the fair value of the Group’s unlisted investments, amounted to HK\$999.18 million (30 June 2012: HK\$550.92 million).

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****UNLISTED INVESTMENTS REVIEW (Continued)***Unlisted Investments Portfolio*

<b>Name of company</b>	<b>Location</b>	<b>Business nature</b>	<b>Fair value at 31 December 2012 HK\$'000</b>
<b>Micro-loan service</b>			
1 Jingdezhen CFI Guosen Microfinance Co., Ltd.	Jingdezhen, Jiangxi Province	Provision of small loan and financial consultation services	198,025
2 TianJin XEDA Microfinance Co., Ltd.	Tianjin	Provision of small loan and financial consultation services	86,776
3 Tianjin Rongshun Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	42,678
4 TIIC RongShun Micro-Loan Company Limited	Tianjin	Provision of small loan and financial consultation services	14,401
5 Zhengzhou Economic Technological Development Mingyang Micro-loan Limited	Zhengzhou, Henan Province	Provision of small loan and financial consultation services	43,682
6 Harbin Zhongjinguoxin Microfinance Co., Ltd.	Harbin, Heilongjiang Province	Provision of small loan and financial consultation services	41,949
7 Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	Donghu District, Nanchang, Jiangxi Province	Provision of small loan and financial consultation services	41,750
8 Tianjin Binlian Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	13,557
9 Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	39,635

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****UNLISTED INVESTMENTS REVIEW (Continued)***Unlisted Investments Portfolio (Continued)*

<b>Name of company</b>	<b>Location</b>	<b>Business nature</b>	<b>Fair value at 31 December 2012 HK\$'000</b>
<b>Micro-loan service (Continued)</b>			
10 Ezhou Zhongjinguotou Microfinance Limited	Ezhou, Hubei Province	Provision of small loan and financial consultation services	186,485
11 Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	Provision of small loan and financial consultation services	79,235
12 Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation service	36,673
13 Tianjin Zhongjinxinke Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	36,710
14 Tianjin Rongyang Micro-Loan Limited	Tianjin	Provision of small loan and financial consultation services	38,919
		Sub-total:	<u>900,475</u>
<b>Guarantee service</b>			
15 Jiangxi Zhongjin Hanchen Guarantee Company Limited	Nanchang, Jiangxi Province	Provision of guarantees to small and medium enterprises	51,686
<b>Investment consultation service</b>			
16 Shenzhen Zhongtougjinxin Asset Management Company Limited	Shenzhen, Guangdong Province	Provision of consultation services on project investments	12,150
17 Xi'an Kairong Investment Management Limited	Xi'an, Shanxi Province	Provision of investment and management consultation services	18,724
		Sub-total:	<u>30,874</u>
<b>Information system service and mining</b>			
18 Globe Capital Resources Investment Limited	British Virgin Islands	Investment holding	16,141
		Total:	<u><u>999,176</u></u>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Micro-loan service

Our investments in small loan companies have covered various provinces and cities in the PRC in last 2 years, and the Group has become one of the major investors in small loan investment chains in the PRC. This was benefited from the Group's advantages in our platform, resources, capital and people, and also attributable to market opportunities, government support in the PRC and the support and cooperation from many strategic partners.

- (1) The Company invested in 30% equity interest of Jingdezhen CFI Guosen Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan and credits to small and medium enterprises (the "SMEs"), rural sectors (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.. 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.
- (3) The Company invested in 30% equity interest of Tianjin Rongshun Microfinance Limited. 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.
- (4) The Company invested in 10% equity interest of TIIC RongShun Micro-Loan Company Limited. 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 by end of 2013.

- (6) The Company invested in 30% equity interest of Harbin Zhongjinguoxin Microfinance Co., Ltd.. It 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. It is principally engaged in the provision of rapid and nimble small loans, enterprise development, management and financial consultation services to SMEs, rural sectors (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. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (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). It is principally engaged in the provision of rapid and nimble small loan services to SMEs, rural sectors (farmers, villages and agricultural industry) and privately or individually-owned businesses in Ezhou, Hubei Province, the PRC.
- (11) The Company invested in 30% equity interest of Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.. 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.
- (12) The Company invested in 30% equity interest of Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan and credits, and financing guarantee services to rural sectors (farmers, villages and agricultural industry) in Jiangning district, Nanjing, Jiangsu Province, the PRC.
- (13) The Company invested in 30% equity interest of Tianjin Zhongjinxinke Microfinance Limited. 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.
- (14) The Company invested in 30% equity interest of Tianjin Rongyang Micro-Loan Limited. 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.

### Guarantee service

- (15) 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

- (16) 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 Zhongtougjinxin Asset Management Company Limited). It is principally engaged in the consultation services on project investments, enterprise management and economic information and corporate image planning.
- (17) The Company invested in 30% equity interest of 西安開融投資管理有限公司 (transliterated as Xi'an Kairong Investment Management Limited). It is principally engaged in the investment and management consultation services in Xi'an, Shanxi Province, the PRC.

### Information system service and mining

- (18) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PROSPECT

Looking ahead, global economy is expected to improve in 2013 compared to last year. The main reasons are as follows: Economic outlook of the United States is positive in light of the expected economic recovery after its “fiscal cliff” problem has been solved. The strong recovery in real estate market and increasing personal consumption may attract huge inflow of international capital to the United States. US dollar is expected to appreciate, and all these will drive the economic recovery in the United States. As for the economy in Europe, although significant recovery is unlikely to happen in short term, the risk of a major economic downturn is out of the picture due to the support from the European Stability Mechanism, the worst of the European sovereign debt crisis is over, and the Euro economy is expected to recover slowly. Although emerging economies are expected to continue to be in difficult situations due to growing inflation pressure since the developed countries, such as the United States, continue their easing monetary policy, the PRC has a more optimistic outlook amongst other emerging economies due to its expected economic soft-landing resulted from its early economic transformation and urbanization.

All in all, although global economic growth remains slow, it may start to get out of the woods given the economic recovery of the United States, the turnaround in European sovereign debt crisis, as well as the soft-landing of the PRC’s economy. Regarding the markets’ development, the Group will continue to manage its portfolio in a cautious manner in order to provide substantial returns for shareholders.

### MAJOR ACQUISITIONS AND DISPOSALS

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

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2012, the Group had cash and cash equivalents of HK\$50.93 million (30 June 2012: HK\$32.11 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 31 December 2012 was approximately 5,599% (30 June 2012: 5,397%), gearing ratio (calculated as the long term debt to the total shareholders’ equity) of the Group as at 31 December 2012 was approximately 28% (30 June 2012: nil).

The Group did not have any bank borrowing as at 31 December 2012 (30 June 2012: nil). The capital commitments of the Group are set out in note 22 to the interim condensed consolidated financial statements.

### INTERIM DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”) does not recommend the payment of interim dividend for the Period (2011: nil).

### PLEDGE ON ASSETS

Pledge on assets of the Group is set out in note 19 to the interim condensed consolidated financial statements.

### CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities (30 June 2012: nil).

### CAPITAL STRUCTURE

The Company has raised approximately HK\$107.96 million through issue of a total number of 240,000,000 ordinary shares at the subscription price of HK\$0.45 per subscription share to two independent investors on 31 August 2012. Details are set out in the announcement of the Company dated 18 July 2012.

The Company has raised approximately HK\$280 million by issuing convertible bond (the “**Convertible Bond**”) with a nominal value of HK\$280,000,000 on 27 December 2012. The Convertible Bond carries interest at a rate of 7% per annum payable by the Company on every six calendar months from the issue date. The bond is convertible at the option of bondholders into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date. Details are set out in the announcement of the Company dated 20 November 2012.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Hong Kong dollar 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 24 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$8.68 million (2011: HK\$9.82 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.

### OTHER INFORMATION

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

As at 31 December 2012, the interests and short positions of the Directors and the chief executive in the shares, share options, 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 Rules Governing the Listing of Securities on the Stock Exchange (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	<i>Note</i>	Through controlled corporation and directly beneficially owned	684,564,830	14.70%
Rightfirst Holdings Limited	<i>Note</i>	Directly beneficially owned	634,234,830	13.62%
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.

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

Name of Directors	Number of options directly beneficially owned
Liu Baorui	36,000,000
Ding Xiaobin	800,000
Zeng Xianggao	1,000,000
	37,800,000

Save as disclosed above, as at 31 December 2012, none of the Directors nor the chief executive had or was deemed to have any interests and short positions in the shares, share options, 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.

**OTHER INFORMATION (Continued)****SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2012, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's ordinary shares and underlying shares. These interests are in addition to those disclosed above in respect of the Directors and chief executive:

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

<b>Name of Shareholder</b>	<i>Note</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued shares capital</b>
Rightfirst Holdings Limited	(1)	Directly beneficially owned	634,234,830	13.62%
Chen Jian	(2)	Through controlled corporation and directly beneficially owned	168,370,000	3.61%
Jumbo View Holdings Limited	(2)	Directly beneficially owned	148,590,000	3.19%

**(ii) Long positions of a substantial shareholder in underlying shares of the Company**

<b>Name of Shareholder</b>	<i>Note</i>	<b>Capacity and nature of interest</b>	<b>Number of underlying shares held</b>	<b>Approximate percentage of the Company's issued shares capital</b>
Chen Jian	(2, 3)	Through controlled corporation and directly beneficially owned	560,000,000	12.02%
Jumbo View Holdings Limited	(2, 3)	Directly beneficially owned	560,000,000	12.02%

*Note:*

- 1: 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 ordinary shares held by Rightfirst Holdings Limited.
- 2: The entire issued share capital of Jumbo View Holdings Limited is directly beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen is deemed to be interested in those 148,590,000 ordinary shares and those 560,000,000 underlying shares held by Jumbo View Holdings Limited.
- 3: The Company has raised approximately HK\$280 million by issuing Convertible Bond with a nominal value of HK\$280,000,000 on 27 December 2012. The Convertible Bond carries interest at a rate of 7% per annum payable by the Company on every six calendar months from the issue date. The bond is convertible at the option of bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date.

Save as disclosed above, as at 31 December 2012, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the ordinary shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

**OTHER INFORMATION (Continued)****DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or its subsidiary a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

**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.

There was no option granted, exercised during the Period and the following table discloses movements in the Company's share options during the Period:

Name or category of participant	Number of share options			Exercise period	Exercise price HK\$ per share	Date of grant
	At 1 July 2012 '000	Lapsed or forfeited during the Period '000	At 31 December 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>			
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	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
	6,600	(3,300)	3,300	16/5/2011-15/2/2014	0.445	16/2/2011
	6,600	(3,300)	3,300	16/2/2012-15/2/2014	0.445	16/2/2011
	6,800	(3,400)	3,400	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>42,000</u>	<u>(10,000)</u>	<u>32,000</u>			
	<u>79,800</u>	<u>(10,000)</u>	<u>69,800</u>			



## OTHER INFORMATION (Continued)

### 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 Period.

### CORPORATE GOVERNANCE

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. During the six months ended 31 December 2012, the Company complied with the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Since the resignation of Mr. Liu Baorui as chief executive officer on 11 January 2013, the Company does not at present have chief executive officer and is in the process of identifying suitable candidate to fill the vacancy of chief executive officer.

In respect of the code provision A.6.7 of the CG Code, Mr. Wan Hongchun, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 22 November 2012 due to his business engagement.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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 to 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 period ended 31 December 2012.

### CHANGE IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Pong Po Lam Paul, an executive Director of the Company, is a former chairman and current board member of the Institute of Financial Planners of Hong Kong in September 2012. He was appointed as vice president of the Hong Kong Institute of Financial Analysts and Professional Commentators Ltd in August 2012.

Dr. Cheung Wai Bun Charles, an independent non-executive Director of the Company, was appointed as chairman of the board of Grand TG Gold Holdings Limited listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8299) with effect from 9 November 2012.

### AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors namely, Dr. Cheung Wai Bun Charles (*chairman of the Audit Committee*), Mr. Wan Hongchun and Mr. Zeng Xianggao. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim consolidated financial statements for the six months ended 31 December 2012.

On behalf of the Board  
**China Financial International Investments Limited**  
**Du Lin Dong**  
*Chairman*

Hong Kong, 26 February 2013