



中國金融國際
投資有限公司

China Financial International Investments Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 721)

ANNUAL REPORT | 2013

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wang Dehe (*Vice Chairman*)
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>

Dear shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of China Financial International Investments Limited (the **"Company"**), I am pleased to present the audited results of the Company and its subsidiaries (collectively, the **"Group"**) for the year ended 30 June 2013 (the **"Year"**).

During the Year, the total assets of the Group amounted to approximately HK\$1,295.12 million, representing an increase of 42.27% as compared with HK\$910.32 million last year. Net assets amounted to approximately HK\$994.61 million, representing an increase of 10.46% as compared with HK\$900.41 million in last year. The increase was mainly due to the allotment and issue of 240,000,000 ordinary shares of the Company as a result of the completion of the share subscription and raising approximately HK\$107.96 million and the issue of convertible bond and raising approximately HK\$279.91 million during the Year. These net proceeds had provided the Group the capital base for business expansion.

The problem of the tight liquidity in the People's Republic of China (the **"PRC"**), coupled with the uncertain impact created from the proposal to exit the stimulus economic program by the United States resulted in high volatility in stock market in June 2013 and dragged down the performance of global market. The Group recorded a loss of HK\$51.11 million (2012: HK\$45.38 million) in respect of listed securities business, which included unrealised loss of HK\$50.73 million (2012: HK\$37.95 million). As at 30 June 2013, all listed securities were brought forward from last year. On the other hand, the gain on unlisted investment was HK\$67.40 million for the Year (2012: HK\$19.87 million), which was mainly attributable to investments in the small loan companies and the guarantee company. In accordance with the investment strategy of the Board, combined with an experienced and proven management team of the Group and the support from the major shareholders, the Group is able to continue to actively invest in small loan companies with outstanding management, well-organised operation and excellent performance in order to achieve better returns for our shareholders of the Company.

Since late 2010, the Group is extending its investment to micro finance service sectors (including small loan companies and guarantee company etc.) in the PRC. The Group now has become one of the sizeable investors with wide location coverage in small loan industry in the PRC. Furthermore, the Group is exploring new opportunities in integrated financial service business through cooperating with local government, local banks and local financial institutions to found financial management service companies in several provinces, establishing an *"Integrated financial service platform"* (including but not limited to information management, consultation, financing management and P2P business). The platform provides comprehensive and integrated financial services to the small and medium enterprises, offers a solution to their financing difficulties, reduces their high financing costs and grants them additional credit guarantee. The Board takes the view that the demand for such integrated financial service platform will continue to grow and that will bring better returns to the Group in the medium-long term.

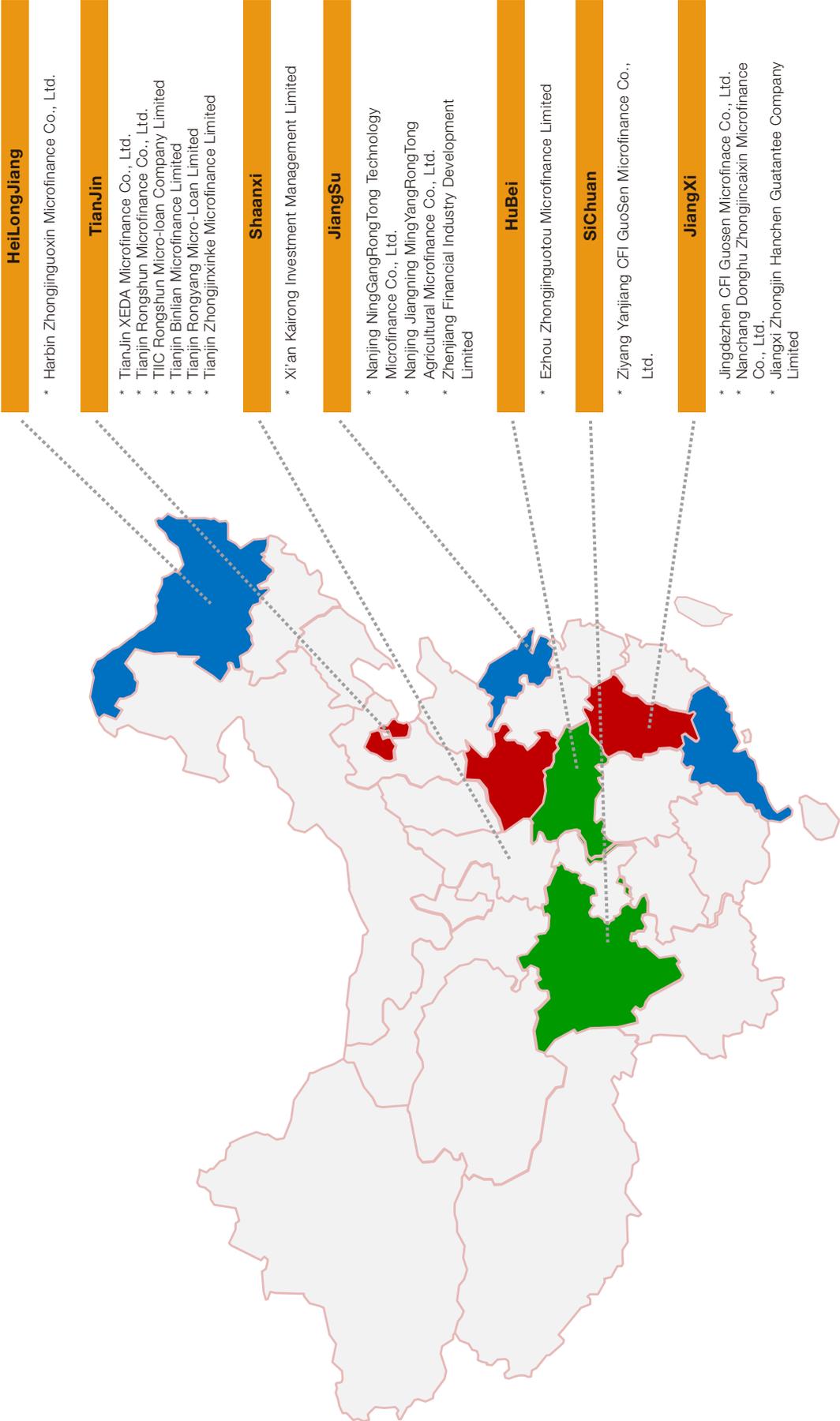
I would like to take this opportunity to thank all our business partners and shareholders for their continuous support to our Group. I would also like to express my deepest gratitude to all of our staffs and our Board of Directors for their effort and dedication to the Group.

Du Lin Dong
Chairman

Hong Kong, 27 September 2013

Overview of Principal Investment Business

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, a net loss for the Year attributable to ordinary equity shareholders of the Company (the “**Shareholders**”) amounted to HK\$43.52 million as compared to HK\$63.66 million in last year, representing a 31.64% decrease in the net loss for the 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 (i) unrealised losses on listed securities at fair value through profit or loss; (ii) the decrease in the dividend income of investments and other income; (iii) impairment loss of an unlisted investment in investment consultation services classified as available-for-sale financial asset; and (iv) finance cost of the Convertible Bond. The basic loss per share was HK0.942 cents (2012: HK1.499 cents).

During the Year, dividend income from investments decreased by 21.23% to HK\$7.20 million as compared to HK\$9.14 million in last year. The other income which comprised interest income and miscellaneous was HK\$0.01 million, representing a decrease of 99.59% as compared to HK\$2.46 million in last year. Administrative expenses decreased by 19.40% from HK\$37.62 million in last year to HK\$30.32 million this year due to effective cost control of the Group.

LISTED INVESTMENT REVIEW

The proposal to exit quantitative easing monetary policy in the United States and slow global economic growth have contributed to uncertainties in the securities markets. Under such adverse economic conditions, the market value of the Group’s listed securities portfolio had declined with total realised and unrealised losses on listed securities of HK\$51.11 million (2012: HK\$45.38 million). In addition, the dividend income from listed investments decreased 22.65% to HK\$1.81 million as compared to HK\$2.34 million in last year.

As at 30 June 2013, the market value of the listed securities amounted to HK\$173.31 million (2012: HK\$224.04 million), all the listed securities were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	% of equity interest	Market value at 30 June 2013 HK\$'000	Dividend income HK\$'000
VODone Limited	Tele-media, lottery-related and mobile games business in the PRC	11,944,000	0.38	6,450	561
Hidili Industry International Development Limited	Coal mining, manufacture and sale of coke and clean coal and provision of transportation	15,009,000	0.72	21,163	1,250
China Water Property Group Limited	Property development and property investment businesses in the PRC	194,259,429	10.45	145,694	–
				173,307	1,811

Management Discussion and Analysis

UNLISTED INVESTMENT REVIEW

Our investments in small loan companies have covered various provinces and cities in the PRC in last three 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 edge 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.

For the year ended 30 June 2013, the gain on the Group's unlisted investment portfolio recorded as HK\$67.40 million (2012: HK\$19.87 million). The gain 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\$5.39 million (2012: HK\$6.80 million).

As at 30 June 2013, the fair value of the Group's unlisted investments amounted to HK\$1,043.63 million as compared to HK\$550.92 million in last year, representing a 89.43% increase.

Unlisted Investments Portfolio

Name of company	Location	Business nature	Cost HK\$'000	Fair value at 30 June 2013 HK\$'000	Dividend income HK\$'000
Micro-loan service					
1 Jingdezhen CFI Guosen Microfinance Co., Ltd.	Jingdezhen, Jiangxi Province	Provision of small loan and financial consultation services	188,690	201,906	-
2 TianJin XEDA Microfinance Co., Ltd.	Tianjin	Provision of small loan and financial consultation services	72,450	87,084	-
3 Tianjin Rongshun Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	36,606	41,242	-
4 TIIC RongShun Micro-Loan Company Limited	Tianjin	Provision of small loan and financial consultation services	12,189	14,451	1,002
5 Zhengzhou Economic Technological Development Mingyang Micro-loan Limited	Zhengzhou, Henan Province	Provision of small loan and financial consultation services	35,549	39,000	-
6 Harbin Zhongjinguoxin Microfinance Co., Ltd.	Harbin, Heilongjiang Province	Provision of small loan and financial consultation services	36,693	44,858	-
7 Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	Donghu District, Nanchang, Jiangxi Province	Provision of small loan and financial consultation services	36,901	42,525	3,937
8 Tianjin Binlian Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	12,271	13,955	454
9 Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	36,870	38,568	-

Management Discussion and Analysis

Name of company	Location	Business nature	Cost HK\$'000	Fair value at 30 June 2013 HK\$'000	Dividend income HK\$'000
10 Ezhou Zhongjinguotou Microfinance Limited	Ezhou, Hubei Province	Provision of small loan and financial consultation services	185,000	199,560	-
11 Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	Provision of small loan and financial consultation services	73,730	82,862	-
12 Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	36,673	41,136	-
13 Tianjin Zhongjinxinke Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	36,710	40,309	-
14 Tianjin Rongyang Micro-Loan Limited	Tianjin	Provision of small loan and financial consultation services	36,741	40,216	-
		Sub-total:	837,073	927,672	5,393
Guarantee service					
15 Jiangxi Zhongjin Hanchen Guarantee Company Limited	Nanchang, Jiangxi Province	Provision of financing guarantees to small and medium enterprises (the "SMEs")	43,150	50,300	-
		Sub-total:	880,223	977,972	5,393
Investment and management consultation service					
16 Shenzhen Zhongtougxin Asset Management Company Limited	Shenzhen, Guangdong Province	Provision of consultation services on project investments	18,350	10,876	-
17 Xi'an Kairong Investment Management Limited	Xi'an, Shaanxi Province	Provision of financing management services	18,724	21,037	-
18 Zhenjiang Financial Industry Development Limited	Zhenjiang, Jiangsu Province	Provision of financing management services	18,591	18,591	-
		Sub-total:	55,665	50,504	-
Information system service and mining					
19 Globe Capital Resources Investment Limited	British Virgin Islands	Investment holding	-	15,157	-
		Total:	<u>935,888</u>	<u>1,043,633</u>	<u>5,393</u>

Management Discussion and Analysis

Micro-loan service

- (1) The Company holds a 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 SMEs, rural sector (farmers, villages and agricultural industry) and 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 holds a 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 holds a 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 holds a 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 a 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 Group’s PRC legal advisers, the Directors are of the opinion that the Group has beneficial interests on this 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations.

Please also refer to note 38(c) of “Events after reporting period” to the financial statements.

- (6) The Company holds a 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 holds a 30% equity interest of Nanchang Donghu Zhongjincaixin Microfinance Co., Limited. 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 individually-owned businesses in Donghu District, Nanchang, Jiangxi Province, the PRC.
- (8) The Company holds a 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.

Management Discussion and Analysis

- (9) The Company holds a 30% equity interest of Nanjing NingGangRongTong Technology Microfinance Co., Ltd. (“**NingGangRongTong**”). It is principally engaged in the provision of (i) rapid and nimble small loans and enterprise development, management and financial consultation services; (ii) financing guarantee to technology enterprises, SMEs and sole proprietors; and (iii) investing in equity interest of (up to 30% of the total amount of 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 holds a 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 sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Ezhou, Hubei Province, the PRC.
- (11) The Company holds a 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 holds a 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 holds a 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 holds a 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 holds a 30% equity interest of 江西中金漢辰擔保有限公司 (transliterated as Jiangxi Zhongjin Hanchen Guarantee Company Limited (“**Jiangxi Zhongjin**”). It is principally engaged in the provision of financing guarantees to SMEs and assists such enterprises in obtaining loans from financial institutions in Jiangxi Province, the PRC.

The name of Jiangxi Zhongjin has been changed to Jiangxi Huazhang Hanchen Guarantee Group Company Limited with effect from 30 July 2013.

Investment consultation service

- (16) The Company holds a 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 holds a 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 financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC.

Management Discussion and Analysis

- (18) the Group holds a 30% equity interest of Zhenjiang Financial Industry Development Limited. It is principally engaged in the provision of financial management services to SMEs in Zhenjiang, Jiangsu Province, the PRC.

Information system service and mining

- (19) The Company holds a 30% equity interest in Globe Capital Resources Investment Limited. It is principally engaged in investment holding which had two investments with a 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 a 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.

PROSPECT

Looking forward, the global economic environment will continue to be uncertain due to various factors including concerns over the sluggish economic recovery in the United States and Europe. Despite uncertain economic environments, the demand for integrated financial service platforms is expected to continue to grow in the PRC. Given that the financial service industry will remain buoyant, to achieve a stable growth in the future, the Group will continue to invest in financial service industry in the PRC. At the same time, the Group will continue to explore potential investment opportunities including new technology, new energy and new industries, in order to provide a better return for the Shareholders.

As we continue our journey of transformation with a clear strategy and persistence to strive for our long term vision, we also understand that a successful transformation will take time, efforts and concentration. We remain excited about the prospect and opportunities ahead. With our collaborative and professional management team and determination to succeed, we will continue to utilize our competitive advantage and strive for business excellence to maximize the value of our Shareholders.

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 2013, the Group had cash and cash equivalents of HK\$7.94 million (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 30 June 2013 was approximately 35.51 times (2012: 53.97 times), gearing ratio (calculated as the percentage of long term debts to the total Shareholders' equity) of the Group as at 30 June 2013 was approximately 28.52% (2012: Nil).

The Group did not have any bank borrowing as at 30 June 2013 (2012: Nil). The capital commitments of the Group are set out in note 34 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2012: Nil).

PLEDGE ON ASSETS

Pledge on assets of the Group is set out in note 27 to the financial statements.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (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\$279.91 million by issuing convertible bond with a nominal value of HK\$280 million on 27 December 2012. The convertible bond carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. The bond is convertible at the option of the 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. Details are set out in the announcement of the Company dated 20 November 2012.

The Company has issued 2,000,000 ordinary shares with par value of HK\$0.01 each upon the exercise of the share options at an exercise price of HK\$0.05 per share 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 2013, the Group had 19 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$16.10 million (2012: HK\$23.34 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Du Lin Dong, aged 45, 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 23 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. Pong Po Lam Paul, aged 57, is an authorised 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 over 20 years. He is a non-official member of Human Capital Committee – Financial Services Development Council, 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, a member of Mandatory Provident Fund Schemes Advisory Committee and a Convener – Financial Section of Hong Kong Professionals & Senior Executives Association. He is also a former chairman and current board member of the Institute of Financial Planners of Hong Kong, vice president of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd., the 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, economic advisor of The People's Government of Najiing City, Sichuan Province.

NON-EXECUTIVE DIRECTORS

Mr. Wang Dehe, aged 63, appointed as a non-executive Director and vice chairman of the Board on 17 June 2013. He graduated from Zhejiang University in 1976 majoring in Architectural Engineering and postgraduated from Peking University in 1998 majoring in Regional Economics. He has the titles of senior engineer and senior economist. He was the factory director of Guangfeng Cigarette Factory in Jiangxi Province, the PRC in 1991. Mr. Wang has been acted as the deputy secretary and county governor of Guangfeng County, Jiangxi Province; the vice mayor of Shangrao City, Jiangxi Province; the deputy secretary and executive vice mayor of Yichun City, Jiangxi Province; the deputy secretary, acting mayor, mayor, secretary and chairman of the standing committee of the Municipal People's Congress in Xinyu City, Jiangxi Province, the PRC. He has been the chairman of the People's Government of Jiangxi Province Consult Committee.

Mr. Sha Naiping, aged 60, appointed as a non-executive Director on 11 January 2013. He graduated from 上海海運學院 (transliterated as Shanghai Maritime University) in 1982 majoring in financial accounting. Mr. Sha is a senior accountant in the PRC. He was an executive director of China Merchants Holdings (International) Company Limited ("**China Merchants**") (Stock code: 0144), a company listed on the main board of the Stock Exchange. He also acted as the general manager in the finance department in China Merchants during 1997 to 2000. He was the director of China Communication Securities Company Limited during 1997 to 2000 and the executive director of CM-CCS Securities Limited during 2000 to 2004. He was the senior financial consultant of China International Marine Containers (Group) Co., Ltd. during 2004 to 2005. He was an executive director of Gene Harbor (Hong Kong) Technologies Limited during 2005 to 2010. He is currently the director and president of China Glory International Limited since 2010. He has over 20 years of experience in accounting field.

Biographical Details of Directors and Senior Management

Mr. Ding Xiaobin, aged 44, 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 Holdings 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 fund corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Bun Charles, JP, aged 77, who 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 the 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 and the director general of audit committee of China Resources Bank of Zhuhai Co. Ltd., an independent non-executive director and chairman of the 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 nomination committee and the chairman of remuneration committee of Universal Technologies Holdings Limited (Stock code: 1026), the latter three are listed on the main board of the Stock Exchange. He is currently chairman of the board, an independent non-executive director and chairman of remuneration committee of Grand TG Gold Holdings Limited (Stock code: 8299) which is listed on the Growth Enterprise Market (the “**GEM**”) of the Stock Exchange. He is the executive chairman of Lightscape Technologies Inc. Dr. Cheung is also a council member of the Hong Kong Institute of Directors. He was formerly a visiting professor of school of business of Nanjing University in the PRC and he is 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 Hong Kong 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, 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 by 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.

Biographical Details of Directors and Senior Management

Mr. Wan Hongchun, aged 53, graduated with a master of business administration degree from Harbin Institute of Technology, has been the director and 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 55, 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 the PRC Certified Public Accountant. 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 45, is currently a solicitor practicing 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 PINE Technology Holdings Limited (Stock code: 1079) and Kenford Group Holdings Limited (Stock code: 0464) respectively, both 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. He is also the company secretary of China Nonferrous Metals Company Limited (Stock code: 8306) and TLT Lottotainment Group Limited (Stock code: 8022), both of which are companies listed on the GEM. 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); from 21 April 2011 to 26 June 2012, Mr. Li was the company secretary of China Water Property Group Limited (Stock code: 2349); and from November 2002 to 27 February 2013, Mr. Li was an independent non-executive director of Eagle Nice (International) Holdings Limited (Stock code: 2368), all companies are listed on the main board of the Stock Exchange.

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are investment holding and investing 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.

OPERATING SEGMENT INFORMATION

Operating segment information of the Group is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 31.

The Board does not recommend the payment of any dividend for the year ended 30 June 2013 (2012: Nil).

FIVE YEAR FINANCIAL SUMMARY

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 98. 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 29 and 30 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 32(b) to the financial statements and in the consolidated statement of changes in equity on page 33 respectively.

DISTRIBUTABLE RESERVES

At 30 June 2013, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK\$886,807,000 (2012: HK\$817,749,000) calculated in accordance with the Companies Act 1981 of Bermuda.

Report of Directors

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 which require disclosure.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors:

Mr. Du Lin Dong (Chairman)
Mr. Liu Baorui (Chief executive officer, resigned on 11 January 2013)
Mr. Pong Po Lam Paul

Non-executive Directors:

Mr. Wang Dehe (Vice Chairman, appointed on 17 June 2013)
Mr. Sha Naiping (Appointed on 11 January 2013)
Mr. Ma Jie (Resigned on 17 December 2012)
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. Ding Xiaobin and Mr. Wan Hongchun shall retire from office by rotation at the annual general meeting (the "AGM"); whereas in accordance with Bye-law 87(2), Mr. Wang Dehe and Mr. Sha Naiping shall retire from office at the AGM. Being eligible, each of Mr. Ding Xiaobin, Mr. Wan Hongchun, Mr. Wang Dehe and Mr. Sha Naiping will offer himself for re-election as non-executive Director/independent non-executive Director (the "INED") at the forthcoming AGM (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 Bye-laws.

Biographical details of the Directors are set out on pages 12 to 14 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, a housing allowance of not more than HK\$50,000 per month 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.

Save as disclosed above, no Directors have entered into service contracts with the Company which are not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

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

As at 30 June 2013, the interests and short positions of the Directors and the chief executive in the shares, 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 the ordinary shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held			Approximately percentage of shareholding in the Company
		Personal interests	Corporate interests	Total interests	
Du Lin Dong	Beneficial owner and interest of a controlled corporation	51,680,000	634,234,830 <i>Note</i>	685,914,830	14.72%
Ding Xiaobin	Beneficial owner	500,000	–	500,000	0.01%

Note: The 634,234,830 ordinary shares were held by Rightfirst Holdings Limited, a company wholly owned by Mr. Du Lin Dong.

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

Name of Director	Number of options directly beneficially owned
Ding Xiaobin	800,000
Zeng Xianggao	1,000,000
	<u>1,800,000</u>

Save as disclosed above, as at 30 June 2013, 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.

Report of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2013, 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.

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

Name of Shareholder	Capacity	Notes	Number of issued ordinary shares held			Approximately percentage of shareholding in the Company
			Personal interests	Corporate interests	Total interests	
Du Lin Dong	Beneficial owner and interest of a controlled corporation	(1)	51,680,000	634,234,830	685,914,830	14.72%
Rightfirst Holdings Limited	Beneficial owner	(1)	634,234,830	–	634,234,830	13.61%
Chen Jian	Beneficial owner and interest of a controlled corporation	(2)	19,780,000	148,590,000	168,370,000	3.61%
Jumbo View Holdings Limited	Beneficial owner	(2)	148,590,000	–	148,590,000	3.19%

(ii) Long positions in the underlying shares of the Company

Name of Shareholder	Capacity	Notes	Number of underlying shares held			Approximately percentage of shareholding in the Company
			Personal interests	Corporate interests	Total interests	
Jumbo View Holdings Limited	Beneficial owner	(2,3)	560,000,000	–	560,000,000	12.02%
Chen Jian	Interest of controlled corporation	(2,3)	–	560,000,000	560,000,000	12.02%

Notes:

- (1) The 634,234,830 ordinary shares were held by Rightfirst Holdings Limited, a company wholly owned by Mr. Du Lin Dong, who is the executive Director.
- (2) The 148,590,000 ordinary shares and 560,000,000 underlying shares were held by Jumbo View Holdings Limited, a company wholly owned by Mr. Chen Jian.
- (3) The Company has raised approximately HK\$279.91 million by issuing convertible bond with a nominal value of HK\$280 million on 27 December 2012. The convertible bond carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. The bond is convertible at the option of the 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 30 June 2013, 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.

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 30 to the financial statements.

There was no option granted during the Year. The following table discloses movements in the Company’s share options during the Year:

Name or category of participant	Number of share options				At 30 June 2013	Exercise period*	Exercise price**	Date of grant
	At 1 July 2012	Exercised during the Year#	Lapsed during the Year	Forfeited during the Year				
	'000	'000	'000	'000	'000		HK\$	
							per share	
Directors								
Liu Baorui	12,000	-	(12,000)	-	-	16/5/2011-15/2/2014	0.445	16/2/2011
(resigned on 11 January 2012)	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>(24,000)</u>	<u>(12,000)</u>	<u>-</u>			
Ding Xiaobin	300	-	-	-	300	17/2/2009-16/11/2013	0.050	17/11/2008
	500	-	-	-	500	18/3/2010-17/12/2014	0.130	18/12/2009
	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>			
Zeng Xianggao	500	-	-	-	500	17/2/2009-16/11/2013	0.050	17/11/2008
	500	-	-	-	500	18/3/2010-17/12/2014	0.130	18/12/2009
	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>			
Qualified allottees in aggregate	2,000	(2,000)	-	-	-	17/2/2009-16/11/2013	0.050	17/11/2008
	10,000	-	-	-	10,000	18/3/2010-17/12/2014	0.130	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>(2,000)</u>	<u>(16,600)</u>	<u>(3,400)</u>	<u>20,000</u>			
	<u>79,800</u>	<u>(2,000)</u>	<u>(40,600)</u>	<u>(15,400)</u>	<u>21,800</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\$0.40 per share.

Report of Directors

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or 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 aggregate 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 2014. The cap amount for the year ended 30 June 2013 was HK\$6.00 million. During the Year, the aggregate management fees paid/payable by the Company under the Investment Management Agreement to CFIIM amounted to HK\$1.25 million (2012: HK\$1.30 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 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 transaction 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 the 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/payable during the Year amounted to HK\$0.14 million (2012: HK\$0.18 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 cap; 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 38 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Du Lin Dong

Chairman

Hong Kong

27 September 2013

Corporate Governance Report

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.

During the Year, the Company has applied the principles and complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, saved for the deviations discussed below:

- (1) 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 have chief executive officer as at the date of this annual report and is in the process of identifying suitable candidate to fill the vacancy of chief executive officer; and
- (2) under the code provision A.6.7 of the CG Code, Mr. Wan Hongchun, an INED, was unable to attend the Company's AGM held on 22 November 2012 due to his business engagement.

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 by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Year.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and performance in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its Shareholders at all times. 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, details are set out in the section headed "Board Committee" below.

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.

Composition

As at the date of this report, the Board is made up of 8 Directors, including 2 executive Directors, 3 non-executive Directors and 3 INEDs. The Board comprises the following Directors:

Executive Directors:

Mr. Du Lin Dong (Chairman)
Mr. Liu Baorui (Chief executive officer, resigned on 11 January 2013)
Mr. Pong Po Lam Paul

Non-executive Directors:

Mr. Wang Dehe (Vice Chairman, appointed on 17 June 2013)
Mr. Sha Naiping (Appointed on 11 January 2013)
Mr. Ma Jie (Resigned on 17 December 2012)
Mr. Ding Xiaobin

Independent non-executive Directors:

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

THE BOARD (Continued)

Composition (continued)

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 12 to 14 of this annual report.

The Board's constitution is governed by Bye-laws 87(1) under which the number of Directors shall not be less than two and Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules under which every board of directors of a listed issuer must include at least three independent non-executive directors, at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise, and an issuer must appoint independent non-executive directors representing at least one-third of the board. Its composition also ensures that there is a balance of skills and experience appropriate to the requirements of the business of the Group and a balance of executive and non-executive directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board during the Year. All of them are free to exercise their individual judgments.

Chairman and Chief Executive Officer

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 have chief executive officer as at the date of this annual report and is in the process of identifying suitable candidate to fill the vacancy of chief executive officer.

Independent Non-executive Directors

To determine the non-executive Directors' independence, assessments are carried out upon appointment, annually and at any time where the circumstances warrant reconsideration. Each of the INEDs is appointed for a term of not more than 3 years and they are also subject to retirement by rotation at least once every 3 years in accordance with Bye-laws 88(1) and the CG Code. Also, if an INED serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by Shareholders in accordance with the CG Code.

The Company has received written annual confirmation from each INED of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in light of the independence guidelines set out in the Listing Rules.

Dr. Cheung Wai Bun Charles has served as an INED of the Company for more than 9 years. Dr. Cheung already offered himself for re-election and his further appointment was approved by the Shareholders at the AGM held on 22 November 2012. 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

All non-executive Directors are appointed for a specific term of two years. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws.

Corporate Governance Report

THE BOARD *(Continued)*

Continuous Professional Development

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.

Meetings

Each Director makes every effort to contribute to the formulation of strategy, policy and decision-making by attending each meeting, whether in person or by telephonic conference, and each of them is prepared to contribute to the Group's business. All Directors are also encouraged to attend general meetings and develop a balanced understanding of the views of the Shareholders.

Besides the AGM, regular Board and committee meetings are held for reviewing, discussing, considering and approving the financial and operating performance, the overall strategies and policies of the Company.

During the Year, 14 Board meetings, 2 audit committee (the "**Audit Committee**") meetings, 4 remuneration committee (the "**Remuneration Committee**") meetings, 4 nomination committee (the "**Nomination Committee**") meetings, 5 executive committee (the "**Executive Committee**") meetings, 2 risk management committee (the "**Risk Management Committee**") meetings and 1 general meeting (including the AGM) were held. The attendance record of each Director was 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	14/14	N/A	4/4	N/A	5/5	2/2	1/1
Mr. Liu Baorui (<i>resigned on 11 January 2013</i>)	6/7	N/A	N/A	3/3	3/3	2/2	1/1
Mr. Wang Dehe (<i>appointed on 17 June 2013</i>)	0/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Pong Po Lam Paul	10/14	N/A	N/A	N/A	5/5	N/A	0/1
Mr. Ma Jie (<i>resigned on 17 December 2012</i>)	6/6	N/A	N/A	N/A	N/A	2/2	1/1
Mr. Sha Naiping (<i>appointed on 11 January 2013</i>)	3/7	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ding Xiaobin	4/14	N/A	N/A	N/A	N/A	N/A	1/1
Dr. Cheung Wai Bun Charles	11/14	2/2	4/4	4/4	N/A	2/2	1/1
Mr. Wan Hongchun	7/14	2/2	4/4	4/4	N/A	2/2	0/1
Mr. Zeng Xianggao	10/14	2/2	N/A	1/1	N/A	N/A	1/1

BOARD COMMITTEES

The Company has five Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Executive Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee and the Risk Management Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made. The attendance record of the Board committee members for the Year is shown on page 24 of this Annual Report.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three members, being three INEDs of the Company, namely, Dr. Cheung Wai Bun Charles (*chairman of the Audit Committee*), Mr. Wan Hongchun and Mr. Zeng Xianggao. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the Year, the Audit Committee has performed the following major duties:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 30 June 2012, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the reappointment of the external auditors; and
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 31 December 2012 and the related accounting principles and practices adopted by the Group.

The external auditors attended all the above meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee comprises 1 executive Director, namely, Mr. Du Lin Dong, and 2 INEDs, namely, Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun (*chairman of the Remuneration Committee*).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the Year, the Remuneration Committee has performed the following major duties:

- generally reviewed the remuneration policy and remuneration package of the Group; and
- to review and approve the remuneration of the non-executive Directors.

Details of Directors' remuneration of the Group for the Year are disclosed in note 10 to the financial statements.

Nomination Committee

The Nomination Committee comprises 1 executive Director, namely, Mr. Liu Baorui (*resigned on 11 January 2013*), and 3 INEDs, namely, Dr. Cheung Wai Bun Charles (*chairman of the Nomination Committee*), Mr. Wan Hongchun and Mr. Zeng Xianggao (*appointed on 11 January 2013*).

- The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendation to the Board on the appointment or re-appointment of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

During the Year, the Nomination Committee has performed the following major duties:

- to review the structure, size and composition of Board;
- to make recommendations to the Board on the appointment and re-appointment of Directors;
- to review the policy and procedures for nomination of Directors; and
- to assess the independence of all the Company's INEDs.

Details of re-appointments were set out in the circular of the Company dated 22 October 2012 and all re-appointments were approved by the Shareholders at the AGM held on 22 November 2012.

BOARD COMMITTEES *(Continued)*

Executive Committee

The Executive Committee comprises all the executive Directors, namely, Mr. Du Lin Dong (*chairman of the Executive Committee*), Mr. Liu Baorui (*resigned on 11 January 2013*) and Mr. Pong Po Lam Paul. The Executive Committee has been authorised to make investment decisions on behalf of the Group and operate normal course of business of the Group.

Risk Management Committee

The Risk Management Committee comprises 2 executive Directors, namely, Mr. Du Lin Dong (*chairman of Risk Management Committee*) and Mr. Liu Baorui (*resigned on 11 January 2013*), 1 non-executive Director, namely, Mr. Ma Jie (*resigned on 17 December 2012*) and 2 INEDs, namely, Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun. 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.

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 CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG 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 30.

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.

Corporate Governance Report

COMPANY SECRETARY

As at 30 June 2013, 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

The Audit Committee reviews each year with the external auditors, Ernst & Young, of the Group with regards their independence, their appointment, the scope of their audit, their fees, and the scope and appropriate fees for any non-audit services provided by them.

During the Year, the fees paid/payable to the Group’s external auditors in respect of audit services and non-audit services amounted to HK\$555,000 (2012: HK\$434,000) and HK\$131,000 (2012: HK\$166,000) respectively. It should be noted that the non-audit services e.g. review of interim financial statements, results announcements and continuing connected transactions of the Group, provided by the external auditors during the Year were incidental to their audit services.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of continuing communications with the 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 AGM 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 AGM.

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>.

A Shareholders’ communication policy of the Company (the “**Policy**”) has been adopted by the Company 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, details of the Policy are available on the Company’s website.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

In accordance with the Company's Bye-law 58, the Shareholders 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 months after the deposit of such requisition. If within twenty-one 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.

Right to put forward proposals at general meetings

Any number of shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. Shareholders should follow the procedures as set out in Section 79 of the Companies Act 1981 of Bermuda for putting forward such proposals.

Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Suite 5802, 58/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board.

INVESTOR RELATIONS

Constitutional Documents

There were changes in the Company's constitutional documents during the Year. Details of the changes were set out in the circular of the Company dated 22 October 2012 and all changes were approved by the Shareholders at the AGM held on 22 November 2012.

General Meetings

A general meeting is an important forum where communications with the Shareholders can be effectively conducted. During the Year, the AGM was held at the principal place of business of the Company on 22 November 2012. All resolutions proposed at the AGM were duly passed. Details of the poll results were posted on the websites of the Stock Exchange and the Company.

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.

Independent Auditors' Report



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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 31 to 97, which comprise the consolidated and company statements of financial position as at 30 June 2013, 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 2013, 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
Hong Kong
27 September 2013

Consolidated Statement of Comprehensive Income

Year ended 30 June 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	6	7,204	9,137
Other income	6	13	2,458
Net change in fair value of financial assets at fair value through profit or loss	7	5,609	(37,039)
Impairment loss of available-for-sale financial assets		(7,474)	–
Finance costs	8	(12,953)	–
Administrative expenses		(30,316)	(37,621)
Share of profit of an associate		53	138
Loss before tax	9	(37,864)	(62,927)
Income tax expense	13	(5,658)	(732)
Loss for the year		(43,522)	(63,659)
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets:			
Change in fair value of available-for-sale financial assets		18,155	11,528
Reclassification adjustment for loss included in profit or loss		7,474	–
– Impairment loss		(1,735)	(1,645)
Income tax effect		23,894	9,883
Exchange differences on translation of financial statements of overseas subsidiaries		373	124
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		24,267	10,007
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(19,255)	(53,652)
Loss per share attributable to ordinary equity holders of the Company			
– Basic	15(a)	(0.942) cents	(1.499) cents
– Diluted	15(b)	(0.942) cents	(1.499) cents

Consolidated Statement of Financial Position

30 June 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,511	3,872
Interest in an associate	18	461	407
Available-for-sale financial assets	19	400,872	334,027
Financial assets at fair value through profit or loss	20	639,310	213,581
Other receivable	22	40,606	10,000
Total non-current assets		1,082,760	561,887
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	176,758	227,350
Loan receivable	21	–	35,894
Prepayments, deposits and other receivables	22	27,659	53,075
Cash and cash equivalents	23	7,944	32,110
Total current assets		212,361	348,429
CURRENT LIABILITIES			
Other payables and accruals	24	1,664	1,164
Due to a related company	25	7	950
Due to an associate	18	111	143
Tax payable		4,199	4,199
Total current liabilities		5,981	6,456
NET CURRENT ASSETS		206,380	341,973
TOTAL ASSETS LESS CURRENT LIABILITIES		1,289,140	903,860
NON-CURRENT LIABILITIES			
Interest bearing loan	26	9,979	–
Convertible bond	26, 27	273,707	–
Deferred tax liabilities	28	10,841	3,448
		294,527	3,448
Net assets		994,613	900,412
EQUITY			
Issued capital	29	46,599	44,179
Reserves	32(a)	948,014	856,233
TOTAL EQUITY		994,613	900,412
Net asset value per share	31	21.3 cents	20.4 cents

Du Lin Dong
Director

Pong Po Lam Paul
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2013

Attributable to equity holders of the Company

	Issued 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	Equity component of a convertible bond HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2011	41,094	440,513	278,979	2,766	11,700	7,072	421	-	29,945	812,490
Loss for the year	-	-	-	-	-	-	-	-	(63,659)	(63,659)
Other comprehensive income for the year:										
Exchange difference 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 30)	-	-	-	-	-	3,912	-	-	-	3,912
Issue of shares										
- upon exercise of share options (note 29(a))	35	579	-	-	-	(159)	-	-	-	455
- upon share placing (note 29(b))	3,050	134,157	-	-	-	-	-	-	-	137,207
At 30 June 2012 and 1 July 2012	44,179	575,249*	278,979*	2,766*	21,583*	10,825*	545*	-*	(33,714)*	900,412
Loss for the year	-	-	-	-	-	-	-	-	(43,522)	(43,522)
Other comprehensive income for the year:										
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	373	-	-	373
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	23,894	-	-	-	-	23,894
Total comprehensive income for the year	-	-	-	-	23,894	-	373	-	(43,522)	(19,255)
Equity-settled share-based transactions (note 30)	-	-	-	-	-	790	-	-	-	790
Lapse of share options	-	-	-	-	-	(6,682)	-	-	6,682	-
Forfeiture of share options	-	-	-	-	-	(2,626)	-	-	-	(2,626)
Issue of shares										
- upon exercise of share options (note 29(a))	20	112	-	-	-	(32)	-	-	-	100
- upon share placing (note 29(b))	2,400	105,561	-	-	-	-	-	-	-	107,961
Issue of a convertible bond										
- recognition of equity component of a convertible bond	-	-	-	-	-	-	-	7,231	-	7,231
At 30 June 2013	<u>46,599</u>	<u>680,922*</u>	<u>278,979*</u>	<u>2,766*</u>	<u>45,477*</u>	<u>2,275*</u>	<u>918*</u>	<u>7,231*</u>	<u>(70,554)*</u>	<u>994,613</u>

* These reserve accounts comprise the consolidated reserves of HK\$948,014,000 (2012: HK\$856,233,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Loss before tax		(37,864)	(62,927)
Adjustments for:			
Share of profit of an associate		(53)	(138)
Interest income	6	(8)	(2,421)
Dividend income	6	(7,204)	(9,137)
Finance costs	8	12,953	–
Depreciation	9	1,750	1,789
Staff cost (not settled in cash)	16	875	–
Gain on disposal of property, plant and equipment	16	(185)	–
Net realised loss on disposal of financial assets at fair value through profit or loss	7	380	7,428
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	7	(5,989)	29,611
Impairment loss on available-for-sale financial assets		7,474	–
Equity-settled share option (credit)/expense		(1,836)	3,912
Operating cash flows before movements in working capital		(29,707)	(31,883)
(Increase)/decrease in prepayments, deposits and other receivables		(8,159)	20,960
Increase in other payables and accruals		500	744
Decrease in amounts due to a related company		(943)	(283)
Decrease in an amount due to an associate		(32)	(177)
Increase in available-for-sale financial assets		(48,690)	(11,150)
Increase in financial assets at fair value through profit or loss		(368,969)	(177,409)
Cash used in operations		(456,000)	(199,198)
Tax paid		–	(6,344)
Tax refunded		–	4,321
Interest received		114	2,315
Dividend received		9,507	11,603
Net cash used in operating activities		(446,379)	(187,303)
Cash flows from investing activities			
Proceeds from repayment of a loan	21	35,894	–
Proceeds of property, plant and equipment	16	(7)	(123)
Net cash generated from/(used in) investing activities		35,887	(123)
Cash flows from financing activities			
Proceeds from issue of shares	29(b)	108,000	137,228
Share issue expenses	29(b)	(39)	(21)
Proceeds from issue of share upon exercise of share options	29(a)	100	455
Proceeds from issue of a convertible bond	27	280,000	–
Convertible bond issue expenses	27	(94)	–
Proceeds from issue of an interest bearing loan	26	10,000	–
Interest bearing loan issue expenses	26	(25)	–
Interest paid		(11,916)	–
Net cash generated from financing activities		386,026	137,662
Net decrease in cash and cash equivalents		(24,466)	(49,764)
Cash and cash equivalents at beginning of the year		32,110	81,789
Effect of foreign exchange rate changes		300	85
Cash and cash equivalents at end of the year		7,944	32,110
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	23	7,944	32,110

Statement of Financial Position

30 June 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,511	3,872
Investments in subsidiaries	17	20,036	20,724
Interest in an associate	18	290	290
Available-for-sale financial assets	19	389,022	322,177
Financial assets at fair value through profit or loss	20	639,310	213,581
Other receivable	22	40,606	10,000
Total non-current assets		1,090,775	570,644
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	175,608	226,247
Loan receivable	21	–	35,894
Due from subsidiaries	17	333	246
Prepayments, deposits and other receivables	22	27,530	52,264
Cash and cash equivalents	23	2,749	26,151
Total current assets		206,220	340,802
CURRENT LIABILITIES			
Other payables and accruals	24	1,664	1,164
Due to subsidiaries	17	5,182	4,308
Due to a related company	25	7	950
Due to an associate	18	111	143
Tax payable		4,199	4,199
Total current liabilities		11,163	10,764
NET CURRENT ASSETS		195,057	330,038
TOTAL ASSETS LESS CURRENT LIABILITIES		1,285,832	900,682
NON-CURRENT LIABILITIES			
Interest bearing loan	26	9,979	–
Convertible bond	26, 27	273,707	–
Deferred tax liabilities	28	10,841	3,448
		294,527	3,448
NET ASSETS		991,305	897,234
EQUITY			
Issued capital	29	46,599	44,179
Reserves	32(b)	944,706	853,055
TOTAL EQUITY		991,305	897,234

Du Lin Dong
Director

Pong Po Lam Paul
Director

Notes to Financial Statements

30 June 2013

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 Companies 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 2013. 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.

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.

HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

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

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

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

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.

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 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. The Group is in the process of assessing the quantitative impact in this aspect.

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.

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

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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.

Associate

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 the 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 an 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, 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).

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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 including 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, a 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 presented as "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 in HKAS 39 are satisfied.

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 them. 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 as at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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, which is included in other 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 equity 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 gain 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets (continued)

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 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 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 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 and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include other payables, an interest bearing loan, a convertible bond, due to a related company and due to an associate.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. 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 on 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)*

Financial liabilities *(continued)*

Convertible bond

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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 the 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 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 and 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 on hand and at banks, including term deposits, which are 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.

Notes to Financial Statements

30 June 2013

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 over 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 payments

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 payments, 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 30 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(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 payments, 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.

Notes to Financial Statements

30 June 2013

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in 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 other comprehensive income.

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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is 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 prevailing at the end of the reporting period and their profit or loss 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 revenue, expenses, assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, 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 end of the reporting period, 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.

Notes to Financial Statements

30 June 2013

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

Estimation 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 2013 were HK\$400,872,000 (2012: HK\$334,027,000) and HK\$642,761,000 (2012: HK\$216,890,000), 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

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 year 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 year presented is restated to reflect the new segmentation basis adopted by management.

4. OPERATING SEGMENT INFORMATION (continued)

Segment results

	Micro-loan service HK\$'000	Real estates HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 30 June 2013				
Segment results	<u>59,802</u>	<u>(38,852)</u>	<u>(15,611)</u>	5,339
Share of profit of an associate				53
Unallocated income				13
Unallocated expenses				<u>(43,269)</u>
Loss before tax				<u>(37,864)</u>
Income tax expense				<u>(5,658)</u>
Loss for the year				<u><u>(43,522)</u></u>
Year ended 30 June 2012				
Segment results	<u>15,142</u>	<u>(6,323)</u>	<u>(36,721)</u>	(27,902)
Share of profit of an associate				138
Unallocated income				2,458
Unallocated expenses				<u>(37,621)</u>
Loss before tax				<u>(62,927)</u>
Income tax expense				<u>(732)</u>
Loss for the year				<u><u>(63,659)</u></u>

Segment results represent loss on disposal of listed securities, fair value gain/(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 Financial Statements

30 June 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets

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

	2013 HK\$'000	2012 HK\$'000
Micro-loan service	927,672	475,260
Real estates	145,694	184,546
Others	143,574	115,152
Total segment assets	1,216,940	774,958
Unallocated assets	78,181	135,358
	1,295,121	910,316

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, interest in an associate, loan receivable, prepayments, deposits and other receivables, a deposit paid for an investment and cash and cash equivalents.

All liabilities as at 30 June 2013 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.

5. GAIN/(LOSS) ON INVESTMENTS

	Listed securities HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
Year ended 30 June 2013			
<i>Included in profit or loss:</i>			
Realised loss:			
Financial assets at FVTPL	(380)	–	(380)
Unrealised (loss)/gain:			
Financial assets at FVTPL	(50,733)	56,722	5,989
Impairment loss:			
Available-for-sale financial assets	–	(7,474)	(7,474)
Total realised and unrealised (loss)/gain included in profit or loss	<u>(51,113)</u>	<u>49,248</u>	<u>(1,865)</u>
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale financial assets	–	18,155	18,155
Total realised and unrealised (loss)/gain for the year	<u><u>(51,113)</u></u>	<u><u>67,403</u></u>	<u><u>16,290</u></u>

Year ended 30 June 2012

<i>Included in profit or loss:</i>			
Realised loss:			
Financial assets at FVTPL	(7,428)	–	(7,428)
Unrealised (loss)/gain:			
Financial assets at FVTPL	(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><u>(45,379)</u></u>	<u><u>19,868</u></u>	<u><u>(25,511)</u></u>

Notes to Financial Statements

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6. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Revenue		
Dividend income from listed securities	1,811	2,336
Dividend income from unlisted investments, net of withholding tax	5,393	6,801
	<u>7,204</u>	<u>9,137</u>
Other income		
Bank interest income	8	14
Interest income from a loan receivable	–	2,407
Miscellaneous	5	37
	<u>13</u>	<u>2,458</u>

The Group's turnover comprises of sales proceeds from disposal of investments amounting to HK\$180,000 (2012: HK\$222,376,000) and the dividend income of HK\$7,204,000 (2012: HK\$9,137,000) for the year.

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Net realised loss on financial assets at FVTPL	(380)	(7,428)
Net unrealised gain/(loss) on financial assets at FVTPL	5,989	(29,611)
	<u>5,609</u>	<u>(37,039)</u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Interest on convertible bond wholly repayable within five years	11,101	–
Interest on other loans	1,852	–
	<u>12,953</u>	<u>–</u>

9. LOSS BEFORE TAX

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Auditors' remuneration		
– audit services	555	434
– non-audit services	131	166
Custodian fees	144	178
Depreciation (<i>note 16</i>)	1,750	1,789
Investment management fees (<i>note 12</i>)	1,246	1,305
Gain on disposal of property, plant and equipment	(185)	–
Minimum operating lease payments in respect of properties	3,397	3,353
Staff costs, excluding directors' remuneration (<i>note 10</i>)		
Salaries and wages	10,711	9,715
Pension scheme contributions	59	47
Equity-settled share option (credits)/expenses	(243)	1,401
Foreign exchange differences, net	62	176
	62	176

10. DIRECTORS' REMUNERATION

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Fees	635	520
Other emoluments:		
Salaries, allowances and benefits in kind	6,496	9,117
Pension scheme contributions	31	30
Equity-settled share option (credits)/expenses	(1,593)	2,511
	4,934	11,658
	5,569	12,178

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 30 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.

Notes to Financial Statements

30 June 2013

10. DIRECTORS' REMUNERATION (continued)

The remuneration of each director for the years ended 30 June 2013 and 2012 is set out below:

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share option (credit)/ expense HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Year ended 30 June 2013					
Executive directors					
Du Lin Dong	120	3,079	-	15	3,214
Pong Po Lam Paul	60	-	-	-	60
Liu Baorui (resigned on 11 January 2013)	-	2,917	(1,593)	9	1,333
Non-executive directors					
Ma Jie (resigned on 17 December 2012)	30	500	-	7	537
Wang Dehe (appointed on 17 June 2013)	117	-	-	-	117
Sha Naiping (appointed on 11 January 2013)	28	-	-	-	28
Ding Xiaobin	60	-	-	-	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun	60	-	-	-	60
Zeng Xianggao	60	-	-	-	60
	635	6,496	(1,593)	31	5,569
Year ended 30 June 2012					
Executive directors					
Du Lin Dong	120	3,317	-	12	3,449
Pong Po Lam Paul	60	-	-	-	60
Liu Baorui	-	5,000	2,511	6	7,517
Non-executive directors					
Ma Jie	60	800	-	12	872
Ding Xiaobin	60	-	-	-	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun	60	-	-	-	60
Zeng Xianggao	60	-	-	-	60
	520	9,117	2,511	30	12,178

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 (2012: 2) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 3 (2012: 3) non-director, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	5,060	5,060
Pension scheme contributions	15	–
Equity-settled share option expenses	–	1,401
	5,075	6,461

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

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$3,000,000	1	2
	3	3

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 30 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 prior year is included in the above non-director, highest paid employees' remuneration disclosures.

12. INVESTMENT MANAGEMENT FEES

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.

The management fee paid to CFIIM for the year ended 30 June 2013 amounted to HK\$1,246,000 (2012: HK\$1,305,000). At 30 June 2013, the balance due to CFIIM of HK\$111,000 (2012: HK\$143,000) was unsecured, interest-free and repayable within 1 month.

Notes to Financial Statements

30 June 2013

13. INCOME TAX EXPENSE

(a) Income tax in the financial statements represents:

	Group	
	2013 HK\$'000	2012 HK\$'000
Current tax – PRC Enterprise Income Tax		
– Underprovision in prior years	–	104
– Provision for the year	–	125
Deferred tax (<i>note 28</i>)	5,658	503
	<hr/>	<hr/>
Total tax charge for the year	5,658	732
	<hr/> <hr/>	<hr/> <hr/>

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 ended 30 June 2013 and 2012.

The last year's provision for the PRC Enterprise Income Tax for the Group's subsidiary in the PRC is based on a statutory rate of 25% (2012: 25%) of the assessable profit as determined in accordance with the relevant tax rules and regulations of the PRC. The Group's PRC subsidiaries had no assessable profit for the year.

(b) A reconciliation of the tax expenses applicable to loss 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 2013 and 30 June 2012 are as follows:

	2013		2012	
	HK\$'000	%	HK\$'000	%
Loss before tax	(37,864)		(62,927)	
	<hr/>		<hr/>	
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	(6,248)	(16.5)	(10,383)	(16.5)
Expenses not deductible for tax	7,615	20.1	1,092	1.8
Income not subject to tax	(10,855)	(28.7)	(2,886)	(4.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	5,658	14.9	628	1.0
Profit attributable to an associate	(9)	–	(23)	–
Tax losses not recognised	9,248	24.4	11,986	19.0
Adjustments in respect of current tax of previous periods	–	–	104	0.2
Others	249	0.7	214	0.3
	<hr/>		<hr/>	
Tax charge at the Group's effective rate	5,658	14.9	732	1.2
	<hr/> <hr/>		<hr/> <hr/>	

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 30 June 2013 includes a loss of HK\$43,297,000 (2012: HK\$65,317,000) which has been dealt with in the financial statements of the Company (*note 32(b)*).

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

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK\$43,522,000 (2012: HK\$63,659,000) and the weighted average number of 4,617,839,000 (2012: 4,246,804,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
	Number	Number
	of shares	of shares
	'000	'000
Issued ordinary shares	4,417,834	4,109,384
Effect of exercise of share options (<i>note 29(a)</i>)	115	1,237
● Effect of share placing (<i>note 29(b)</i>)	199,890	136,183
	<hr/>	<hr/>
Weighted average number of ordinary shares	<u>4,617,839</u>	<u>4,246,804</u>

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2013 and 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.

Notes to Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
30 June 2013				
At 1 July 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>
At 1 July 2012, net of accumulated depreciation and impairment	1,150	125	2,597	3,872
Additions	–	7	–	7
Disposals/write-off	–	(3)	(687)*	(690)
Depreciation provided during the year	(445)	(71)	(1,234)	(1,750)
Exchange realignment	17	1	54	72
At 30 June 2013, net of accumulated depreciation and impairment	<u>722</u>	<u>59</u>	<u>730</u>	<u>1,511</u>
At 30 June 2013:				
Cost	1,856	218	2,714	4,788
Accumulated depreciation and impairment	(1,134)	(159)	(1,984)	(3,277)
Net carrying amount	<u>722</u>	<u>59</u>	<u>730</u>	<u>1,511</u>
30 June 2012				
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>

* A vehicle with carrying value of HK\$687,000 was transferred to an employee of the Company as part of the non-cash salary compensation.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 HK\$'000	2012 HK\$'000
Non-current:		
Unlisted investments, at cost	1,099	1,099
Due from a subsidiary (note (a))	18,937	19,625
	20,036	20,724
Current:		
Due from subsidiaries (note (b))	333	246
Due to subsidiaries (note (b))	(5,182)	(4,308)
	(4,849)	(4,062)
Total	15,187	16,662

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 Enterprises Limited	British Virgin Islands	United States dollar ("US\$") 1	100%	-	Dormant
Best Joy Asia Investment Limited	British Virgin Islands/ Hong Kong	US\$1,000	100%	-	Investment holding
Zhongkang Jinyi Technology (Shenzhen) Limited	PRC	Renminbi ("RMB") 8,000,000	-	100%	Dormant
Joy State Holdings Limited	Hong Kong	HK\$1	100%	-	Dormant
China Financial International Investments (Nanchang) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant

Notes to Financial Statements

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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 (Guangdong) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
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%	-	Investment holding
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%	-	Investment holding

18. INTEREST IN AN ASSOCIATE

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Unlisted investments, at cost	–	–	290	290
Share of net assets	461	407	–	–
	461	407	290	290
Due to an associate (<i>note</i>)	(111)	(143)	(111)	(143)
Total	350	264	179	147

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 (<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:

	2013 HK\$'000	2012 HK\$'000
Assets	1,695	1,487
Liabilities	(107)	(83)
Revenue	1,246	1,305
Profit after tax	184	475

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Unlisted investments, at fair value	400,872	334,027	389,022	322,177

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\$18,155,000 (2012: HK\$11,528,000) of which impairment loss of HK\$7,474,000 (2012: Nil) 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 2013, the Group held the following available-for-sale financial assets:

Name	Notes	Place of incorporation/ operations	Group's effective interest		Principal activities	2013	2012
			2013	2012		Cost HK\$'000	Cost HK\$'000
Jiangxi Zhongjin Hanchen Guarantee Company Limited ("Jiangxi Zhongjin")	(a)	PRC	30%	30%	Provision of financing guarantees to small and medium enterprises ("SMEs")	43,150	43,150
Shenzhen Zhongtougjinxin Asset Management Company Limited ("Zhongtougjinxin")	(b)	PRC	30%	30%	Provision of consultation services on project investments	18,350	18,350
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(c)	PRC	30%	23.33%	Provision of small loan and financial consultation services	188,690	140,000
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	(d)	PRC	30%	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%	30%	Investment holding	-	-

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 a 30% equity interest of Jiangxi Zhongjin, a joint venture established in the PRC. Jiangxi Zhongjin is principally engaged in the provision of financing guarantees to small and medium enterprises in the Jiangxi Province, the PRC. No dividend was declared and received during the year (2012: Nil). The unaudited loss for the 12-months ended 30 June 2013 of Jiangxi Zhongjin was approximately RMB1,884,000 (2012: profit of RMB7,994,000) and the unaudited net asset value of Jiangxi Zhongjin at 30 June 2013 was approximately RMB128,917,000 (2012: RMB131,446,000). The name of Jiangxi Zhongjin has been changed to Jiangxi Huazhang Hanchen Guarantee Group Company Limited with effect from 30 July 2013.
- (b) On 29 April 2011, the Group invested in a 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 in 2011 and the second contribution of RMB9,000,000 (equivalent to HK\$11,150,000) was made on 10 May 2012. Zhongtoujinxin is principally engaged in the provision of consultation services for project investments in the PRC.
- There was a significant decline in the market value of Zhongtoujinxin during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired and an impairment loss of HK\$7,474,000 (2012: Nil), which included a reclassification from other comprehensive income of HK\$7,474,000 (2012: Nil), has been recognised in profit or loss for the year. No dividend was declared and received during the year (2012: Nil). The unaudited loss for the 12-months ended 30 June 2013 of Zhongtoujinxin was approximately RMB8,061,000 (2012: RMB9,805,000) and the unaudited net asset value of Zhongtoujinxin at 30 June 2013 was approximately RMB28,640,000 (2012: RMB36,700,000).
- (c) On 26 May 2011 and on 28 November 2012, the Group invested in 23.33% and 6.67% equity interests 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. No dividend was declared and received during the year (2012: HK\$4,583,000). The unaudited loss for the 12-months ended 30 June 2013 of Jingdezhen CFI Guosen was approximately RMB7,034,000 (2012: profit of RMB24,975,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2013 was approximately RMB504,489,000 (2012: RMB512,717,000).
- (d) On 21 June 2011, the Group invested in a 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. No dividend was declared and received during the year (2012: Nil). The unaudited profit for the 12-months ended 30 June 2013 of TianJin XEDA was approximately RMB21,461,000 (2012: RMB7,368,000) and the unaudited net asset value of TianJin XEDA at 30 June 2013 was approximately RMB218,124,000 (2012: RMB207,519,000).

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

Notes: (continued)

- (e) The Group entered into a sales and purchase agreement to acquire a 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 this 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations.

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.

No dividend was declared and received during the year (2012: HK\$2,218,000).

Please refer to note 38(c) for an event after the reporting period related to Zhengzhou Mingyang.

- (f) The Group holds a 30% equity interest of Globe Capital. Globe Capital is principally engaged in investment holding and has two investments with a 29% equity interest in Jiangxi 933 Technology Development Company Limited ("Jiangxi 933") and a 25% equity interest in 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 unaudited loss for the 12-months ended 30 June 2013 of Globe Capital was approximately HK\$7,000 (2012: profit of HK\$200,000) and the unaudited net asset value of Globe Capital at 30 June 2013 was approximately HK\$9,328,000 (2012: HK\$6,470,000).

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 2013.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	Group		Company	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Financial assets held-for-trading:					
Listed securities	(i)	173,307	224,041	173,307	224,041
Derivative contract	(ii)	3,451	3,309	2,301	2,206
		176,758	227,350	175,608	226,247
Financial assets designated at FVTPL:					
Unlisted investments	(iii)	639,310	213,581	639,310	213,581

The above financial assets at 30 June 2013 and 30 June 2012 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 2013, 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 2013, the Group held 194,259,429 shares (2012: 194,259,429 shares) in China Property, representing 10.45% (2012: 10.74%) in the issued share capital in China Property. No dividend was received during the year (2012: Nil). As at 30 June 2013, the market value of the Group's investment in the shares of China Property was HK\$145,694,000 (2012: HK\$184,547,000). The audited profit attributable to shareholders of China Property for the year ended 31 December 2012 was approximately HK\$49,090,000 (2011: HK\$33,373,000) and the unaudited loss attributable to shareholders of China Property for the 6-months ended 30 June 2013 was approximately HK\$47,652,000 (2012: profit of HK\$10,078,000). The unaudited net assets attributable to shareholders of China Property at 30 June 2013 was approximately HK\$1,787,425,000 (2012: HK\$1,709,945,000).

- (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 2013, the Group had the following unlisted investments:

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest		Principal activities	2013	2012
			2013	2012		Cost HK\$'000	Cost HK\$'000
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	PRC	30%	30%	Provision of small loan and financial consultation services	36,606	36,606
TiIC RongShun Micro-Loan Company Limited ("TiIC Rongshun")	(b)	PRC	10%	10%	Provision of small loan and financial consultation services	12,189	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	PRC	30%	30%	Provision of small loan and financial consultation services	36,693	36,693
Nanchang Donghu Zhongjincaxin Microfinance Co., Ltd. ("Nanchang Donghu")	(d)	PRC	30%	30%	Provision of small loan and financial consultation services	36,901	36,901
Tianjin Binlian Microfinance Limited ("Tianjin Binlian")	(e)	PRC	10%	10%	Provision of small loan and financial consultation services	12,271	12,271
Nanjing NingGangRongTong Technology Microfinance Co., Ltd. ("NingGangRongTong")	(f)	PRC	30%	30%	Provision of small loan and financial consultation services	36,870	36,870
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(g)	PRC	30%	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	-

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

(iii) As at 30 June 2013, the Group had the following unlisted investments: (continued)

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest		Principal activities	2013	2012
			2013	2012		Cost	Cost
						HK\$'000	HK\$'000
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 financial management services	18,724	-
Zhenjiang Financial Industry Development Limited ("Zhenjiang FID")	(m)	PRC	30%	-	Provision of financial management services	18,591	-

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 a 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. No dividend was declared and received during the year (2012: Nil). The unaudited profit for the 12-months ended 30 June 2013 of Tianjin Rongshun was approximately RMB8,842,000 (2012: RMB2,905,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2013 was approximately RMB103,047,000 (2012: RMB102,905,000).
- (b) On 2 September 2011, the Group invested in a 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. During the year, a dividend of HK\$1,002,000 (2012: Nil) was declared and received from TIIC Rongshun after deducting the withholding tax. The unaudited profit for the 12-months ended 30 June 2013 of TIIC Rongshun was approximately RMB14,486,000 (2012: RMB2,825,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2013 was approximately RMB108,325,000 (2012: RMB102,825,000).

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

(iii) Notes: *(continued)*

- (c) On 29 August 2011, the Group invested in a 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. No dividend was declared and received during the year (2012: Nil). The unaudited profit for the 12-months ended 30 June 2013 of Harbin Zhongjinguoxin was approximately RMB7,156,000 (2012: RMB3,515,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2013 was approximately RMB112,084,000 (2012: RMB104,256,000).
- (d) On 21 December 2011, the Group invested in a 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. During the year, a dividend of HK\$3,937,000 (2012: Nil) was declared and receivable from Nanchang Donghu after deducting the withholding tax. The unaudited profit for the 12-months ended 30 June 2013 of Nanchang Donghu was approximately RMB14,923,000 (2012: RMB2,852,000) and the unaudited net asset value of Nanchang Donghu at 30 June 2013 was approximately RMB106,255,000 (2012: RMB103,582,000).
- (e) On 13 January 2012, the Group invested in a 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. During the year, a dividend of HK\$454,000 (2012: Nil) was declared and received from Tianjin Binlian after deducting the withholding tax. The unaudited profit for the 12-months ended 30 June 2013 of Tianjin Binlian was approximately RMB8,574,000 (2012: RMB89,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2013 was approximately RMB104,608,000 (2012: RMB100,089,000).
- (f) On 19 January 2012, the Group invested in a 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. No dividend was declared and received during the year (2012: Nil). The unaudited loss for the 12-months ended 30 June 2013 of NingGangRongTong was approximately RMB4,465,000 (2012: profit of RMB1,853,000) and the unaudited net asset value of NingGangRongTong at 30 June 2013 was approximately RMB96,369,000 (2012: RMB101,859,000).
- (g) On 2 March 2012, the Group invested in a 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. No dividend was declared and received during the year (2012: Nil). The unaudited loss for the 12-months ended 30 June 2013 of Ezhou Zhongjinguotou was approximately RMB1,472,000 (2012: profit of RMB101,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2013 was approximately RMB498,629,000 (2012: RMB100,101,000).

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

- (h) On 6 August 2012, the Group invested in a 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. No dividend was declared and received during the year. The unaudited profit for the 11-months ended 30 June 2013 of Ziyang Yanjiang was approximately RMB5,057,000 and the unaudited net asset value of Ziyang Yanjiang at 30 June 2013 was approximately RMB207,043,000.
- (i) On 31 August 2012, the Group invested in a 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. No dividend was declared and received during the year. The unaudited profit for the 10-months ended 30 June 2013 of Nanjing Jiangning was approximately RMB2,784,000 and the unaudited net asset value of Nanjing Jiangning at 30 June 2013 was approximately RMB102,784,000.
- (j) On 13 September 2012, the Group invested in a 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. No dividend was declared and received during the year. The unaudited profit for the 10-months ended 30 June 2013 of Tianjin Zhongjinxinke was approximately RMB709,000 and the unaudited net asset value of Tianjin Zhongjinxinke at 30 June 2013 was approximately RMB100,716,000.
- (k) On 13 September 2012, the Group invested in a 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. No dividend was declared and received during the year. The unaudited profit for the 10-months ended 30 June 2013 of Tianjin Rongyang was approximately RMB486,000 and the unaudited net asset value of Tianjin Rongyang at 30 June 2013 was approximately RMB100,486,000.
- (l) On 18 December 2012, the Group invested in a 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC. No dividend was declared and received during the year. The unaudited profit for the 7-months ended 30 June 2013 of Xi'an Kairong was approximately RMB2,562,000 and the unaudited net asset value of Xi'an Kairong at 30 June 2013 was approximately RMB52,562,000.
- (m) On 4 April 2013, the Group invested in a 30% equity interest of Zhenjiang FID, a joint venture established in the PRC. Zhenjiang FID is principally engaged in the provision of financial management services to SMEs in Zhenjiang, Jiangsu Province, the PRC. No dividend was declared and received during the year. The unaudited loss for the 3-months ended 30 June 2013 of Zhenjiang FID was approximately RMB276,000 and the unaudited net asset value of Zhenjiang FID at 30 June 2013 was approximately RMB49,724,000.

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 financial assets at FVTPL for the year ended 30 June 2013.

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21. LOAN RECEIVABLE

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Secured loan	-	35,894
Portion classified as a current asset	-	(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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current portion:				
Prepayments	225	251	225	251
Deposits (note (a))	18,686	738	18,686	738
Dividends receivable	3,937	6,801	3,937	6,113
Interest receivable	-	106	-	106
Loan to an investee (note (b))	-	40,606	-	40,606
Receivable on partial disposal of equity interest in Globe Capital (note (c))	4,199	4,199	4,199	4,199
Other receivables	612	374	483	251
	<hr/>	<hr/>	<hr/>	<hr/>
	27,659	53,075	27,530	52,264
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Non-current portion:				
Loan to an investee (note (b))	40,606	-	40,606	-
Deposit paid for an investment (note (d))	-	10,000	-	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
	40,606	10,000	40,606	10,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) On 9 and 13 June 2013, the Group paid totaling HK\$18,000,000 deposits to invest in 30% equity interest of Wuhan Changruan Huacheng System Limited (“Wuhan Changruan”) established in the PRC. Wuhan Changruan is principally engaged in the provision of information system service in Wuhan City, Hubei Province, the PRC. The investment was subsequently cancelled and the whole amount was subsequently refunded to the Group.
- (b) The loan to an investee is unsecured, interest-free and will be repaid by end of 2016.
- (c) This is the unsettled balance from the disposal of a 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 a 30% equity interest of Ziyang Yanjiang. The investment was completed on 6 August 2012 and classified as a financial asset at fair value through profit or loss in the year.

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash and bank balances	7,944	32,110	2,749	26,151

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$396,000 (2012: HK\$2,596,000).

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	
	2013 HK\$'000	2012 HK\$'000
Accruals	555	350
Other payables	1,109	814
	1,664	1,164

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

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25. DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand. Further details of the related company are in note 33(b)(ii) to the financial statements.

26. BORROWINGS

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Non-current liabilities		
Interest bearing loan – unsecured	9,979	–
Convertible bond (note 27)	273,707	–
	<hr/>	<hr/>
	283,686	–
	<hr/> <hr/>	<hr/> <hr/>
Analysed into:		
Loans repayable:		
In the third to fifth years, inclusive	273,707	–
Beyond five years	9,979	–
	<hr/>	<hr/>
	283,686	–
	<hr/> <hr/>	<hr/> <hr/>

On 28 June 2013, a bond of HK\$10,000,000 was issued to an independent third party at 5% interest rate per annum with 7 years' maturity from the date of issue. The net proceeds are used for general working capital of the Group.

27. CONVERTIBLE BOND

On 27 December 2012 (the "Issue Date"), the Company issued a 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 the year.

The Convertible Bond carries interest at a rate of 7% per annum payable by the Company 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 the 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 bondholder 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.

27. CONVERTIBLE BOND (continued)

The fair value of the liability component was estimated at the Issue 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 year has been split into the liability and equity components as follows:

	2013 HK\$'000	2012 HK\$'000
Nominal value of Convertible Bond issued during the year	280,000	–
Equity component after allocated transaction costs	(7,231)	–
Direct transaction costs attributable to the equity component	(2)	–
Direct transaction costs attributable to the liability component	(92)	–
	<hr/>	<hr/>
Liability component at the Issue Date	272,675	–
Interest expense	11,101	–
Interest paid	(10,069)	–
	<hr/>	<hr/>
Liability component	273,707	–
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the subscription agreement, the Convertible Bond can be 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. As at 30 June 2013, the Convertible Bond is unsecured as the process for the registration/filing for the pledges of certain of the Company's available-for-sale financial assets and financial assets at fair value through profit or loss are still pending from the final approval of the relevant PRC authorities.

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28. DEFERRED TAX

(a) Deferred tax liabilities Group and Company

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Fair value adjustments of the available- for-sale financial assets <i>HK\$'000</i>	Fair value adjustments of financial assets at fair value through profit or loss <i>HK\$'000</i>	Total <i>HK\$000</i>
2013				
At 1 July 2012	272	2,945	503	3,720
Deferred tax (credited)/charged to profit or loss during the year	(235)	-	5,658	5,423
Deferred tax charged to equity during the year	-	1,735	-	1,735
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross deferred tax liabilities at at 30 June 2013	37	4,680	6,161	10,878
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
2012				
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross deferred tax liabilities at at 30 June 2012	272	2,945	503	3,720
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

28. DEFERRED TAX (continued)**(b) Deferred tax assets
Group and Company**

	Losses available for offsetting against future taxable profits	
	2013 HK\$'000	2012 HK\$'000
At 1 July	(272)	–
Deferred tax charged/(credited) to profit or loss during the year	235	(272)
Gross deferred tax assets at 30 June	<u>(37)</u>	<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:

	2013 HK\$'000	2012 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(37)	(272)
Net deferred tax liabilities recognised in the consolidated statement of financial position	10,878	3,720
Deferred tax balances at 30 June	<u>10,841</u>	<u>3,448</u>

(c) Deferred tax assets not recognised

At 30 June 2013, deferred tax has not been recognised in respect of the following items:

Group and Company

	2013 HK\$'000	2012 HK\$'000
Unused tax losses	<u>130,458</u>	<u>72,642</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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29. ISSUED CAPITAL

	Notes	2013		2012	
		Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each		30,000,000	300,000	30,000,000	300,000
Issued and fully paid:					
As at 1 July					
Ordinary shares of HK\$0.01 each		4,417,834	44,179	4,109,384	41,094
Issue of shares upon exercise of share options	(a)	2,000	20	3,500	35
Issue of shares upon share placing	(b)	240,000	2,400	304,950	3,050
As at 30 June					
Ordinary shares of HK\$0.01 each		4,659,834	46,599	4,417,834	44,179

Notes:

(a) Issue of shares upon exercise of share options

During the years ended 30 June 2013 and 2012, share options to subscribe for 2,000,000 shares and 3,500,000 shares were exercised. The gross proceeds from the exercise of share options during the years ended 30 June 2013 and 2012 were approximately HK\$100,000 and HK\$455,000, of which HK\$20,000 and HK\$35,000 were credited to share capital, and the balance of HK\$112,000 and HK\$579,000 were credited to share premium, respectively.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

(b) Issue of shares upon share placing

On 31 August 2012, the Company issued 240,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.45 per share 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 was credited to share premium.

On 20 January 2012, the Company issued 304,950,000 ordinary shares of HK\$0.01 each at a price of HK\$0.45 per share 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 was credited to share premium.

All the ordinary shares issued during the years ended 30 June 2013 and 30 June 2012 rank pari passu in all respects with the then existing ordinary shares of the Company.

30. 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 highest of:

- (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.

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30. SHARE OPTION SCHEME (continued)

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

	2013		2012	
	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	0.390	79,800	0.380	83,300
Exercised during the year	0.050	(2,000)	0.130	(3,500)
Lapsed during the year	0.445	(40,600)	-	-
Forfeited during the year	0.445	(15,400)	-	-
At 30 June	0.270	21,800	0.390	79,800

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.40 per share (2012: HK\$0.52 per share).

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

At 1 July	Number of share options			At 30 June	Exercise price*	Exercise period
	Exercised during the year	Lapsed during the year	Forfeited during the year			
2012	during the year	during the year	during the year	2013	HK\$ per share	
'000	'000	'000	'000	'000		
2,800	(2,000)	-	-	800	0.050	17/2/2009-16/11/2013
11,000	-	-	-	11,000	0.130	18/3/2010-17/12/2014
28,600	-	(25,300)	-	3,300	0.445	16/5/2011-15/2/2014
18,600	-	(15,300)	-	3,300	0.445	16/2/2012-15/2/2014
18,800	-	-	(15,400)	3,400	0.445	16/2/2013-15/2/2014
79,800	(2,000)	(40,600)	(15,400)	21,800		

* 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.

30. SHARE OPTION SCHEME (*continued*)

The 2,000,000 share options exercised during the year ended 30 June 2013 resulted in the issue of 2,000,000 ordinary shares of the Company and new share capital of HK\$20,000 and share premium of HK\$112,000, as further detailed in note 29(a) to the financial statements.

The Group recognised a total expense of approximately HK\$790,000 for the year ended 30 June 2013 (2012: HK\$3,912,000) in relation to the share options granted by the Company.

At the end of the reporting period, the Company had 21,800,000 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 21,800,000 additional ordinary shares of the Company and additional share capital of HK\$218,000 and share premium of HK\$7,977,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 21,800,000 share options outstanding under the Scheme, which represented approximately 0.47% of the Company's shares in issue as at that date.

31. 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 2013 of HK\$994,613,000 (2012: HK\$900,412,000) and on 4,659,834,000 ordinary shares being in issue as at 30 June 2013 (2012: 4,417,834,000 ordinary shares).

32. 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 33 of the financial statements.

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32. RESERVES (continued)

(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	Equity component of a convertible bond HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2011	440,513	278,979	2,766	11,700	7,072	124	-	28,838	769,992
Loss for the year (note 14)	-	-	-	-	-	-	-	(65,317)	(65,317)
Other comprehensive income for the year:									
Exchange difference 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 30)	-	-	-	-	3,912	-	-	-	3,912
Issue of shares									
- upon exercise of share options (note 29(a))	579	-	-	-	(159)	-	-	-	420
- upon share placing share placing (note 29(b))	134,157	-	-	-	-	-	-	-	134,157
At 30 June 2012 and 1 July 2012	575,249	278,979	2,766	21,583	10,825	132	-	(36,479)	853,055
Loss for the year (note 14)	-	-	-	-	-	-	-	(43,297)	(43,297)
Other comprehensive income for the year:									
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	18	-	-	18
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	23,894	-	-	-	-	23,894
Total comprehensive income for the year	-	-	-	23,894	-	18	-	(43,297)	(19,385)
Equity-settled share-based transactions (note 30)	-	-	-	-	790	-	-	-	790
Lapse of share options	-	-	-	-	(6,682)	-	-	6,682	-
Forfeiture of share options	-	-	-	-	(2,626)	-	-	-	(2,626)
Issue of shares									
- upon exercise of share options (note 29(a))	112	-	-	-	(32)	-	-	-	80
- upon share placing (note 29(b))	105,561	-	-	-	-	-	-	-	105,561
Issue of a convertible bond - recognition of equity component of a convertible bond	-	-	-	-	-	-	7,231	-	7,231
At 30 June 2013	680,922	278,979	2,766	45,477	2,275	150	7,231	(73,094)	944,706

32. 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 the 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 an 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 of association and the bye-laws of the Company 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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33. RELATED PARTY TRANSACTIONS

In addition to the 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 and their remuneration is 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:

	Notes	2013 HK\$'000	2012 HK\$'000
Investment management fee paid/payable to CFIIM (the "Investment Manager")	(i)	1,246	1,305
Legal advisory fees paid/payable to Michael Li & Co	(ii)	36	260
		<u>1,282</u>	<u>1,565</u>

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 2013, the balance due to Michael Li & Co of HK\$7,000 (2012: HK\$950,000) was unsecured, interest-free and repayable on demand.

34. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2013 not provided for in the financial statements are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Contracted, but not provided for, acquisition of unlisted investments	892,582	975,881	549,544	811,247

- (b) At 30 June 2013, the total future outstanding minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Within one year	1,456	3,399
In the second to fifth years, inclusive	–	1,456
	<u>1,456</u>	<u>4,855</u>

35. 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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Financial assets				
Available-for-sale financial assets	400,872	334,027	389,022	322,177
Financial assets at fair value through profit or loss				
– Held for trading	176,758	227,350	175,608	226,247
– Designated as such upon initial recognition	639,310	213,581	639,310	213,581
Other receivable	40,606	10,000	40,606	10,000
Loan receivable	–	35,894	–	35,894
Due from subsidiaries	–	–	333	246
Financial assets included in prepayments, deposits and other receivables	27,434	52,824	27,305	52,013
Cash and cash equivalents	7,944	32,110	2,749	26,151
	<u>1,292,924</u>	<u>905,786</u>	<u>1,274,933</u>	<u>886,309</u>
Financial liabilities				
Financial liabilities included in other payables and accruals	1,109	814	1,109	814
Due to subsidiaries	–	–	5,182	4,308
Due to a related company	7	950	7	950
Due to an associate	111	143	111	143
Interest bearing loan	9,979	–	9,979	–
Convertible bond	273,707	–	273,707	–
	<u>284,913</u>	<u>1,907</u>	<u>290,095</u>	<u>6,215</u>

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35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, other receivable, loan receivable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, due to subsidiaries, due to related company and due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest bearing loan and the liability portion of the convertible bond have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the interest bearing loan and the liability portion of the convertible bond as at 30 June 2013 amounted to HK\$10,000,000 (2012: Nil) and HK\$275,602,000 (2012: Nil), respectively.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments and unlisted investments designated at fair value through profit or loss have been estimated using a valuation technique with reference to multiples of comparable listed companies, prices of recent transactions or net asset value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

36. 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.

36. FAIR VALUE HIERARCHY (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Group				
As at 30 June 2013				
Available-for-sale financial assets:				
– Unlisted investments	–	–	400,872	400,872
Financial assets at fair value through profit or loss:				
– Listed securities	173,307	–	–	173,307
– Unlisted investments	–	–	639,310	639,310
– Derivative contract	–	–	3,451	3,451
	<u>173,307</u>	<u>–</u>	<u>1,043,633</u>	<u>1,216,940</u>

As at 30 June 2012

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>

Company**As at 30 June 2013**

Available-for-sale financial assets:				
– Unlisted investments	–	–	389,022	389,022
Financial assets at fair value through profit or loss:				
– Listed securities	173,307	–	–	173,307
– Unlisted investments	–	–	639,310	639,310
– Derivative contract	–	–	2,301	2,301
	<u>173,307</u>	<u>–</u>	<u>1,030,633</u>	<u>1,203,940</u>

As at 30 June 2012

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
	<u>224,041</u>	<u>–</u>	<u>537,964</u>	<u>762,005</u>

During the year ended 30 June 2013, 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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30 June 2013

36. FAIR VALUE HIERARCHY (continued)

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

	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Total
	Derivative contract HK\$'000	Unlisted investments HK\$'000	Unlisted investments HK\$'000	
Group				
Year ended 30 June 2013				
At the beginning of the year	3,309	213,581	334,027	550,917
Total net gains recognised				
– in profit or loss	142	56,580	–	56,722
– in other comprehensive income	–	–	18,155	18,155
Purchases	–	369,149	48,690	417,839
	<u>3,451</u>	<u>639,310</u>	<u>400,872</u>	<u>1,043,633</u>
Year ended 30 June 2012				
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
	<u>3,309</u>	<u>213,581</u>	<u>334,027</u>	<u>550,917</u>
Company				
Year ended 30 June 2013				
At the beginning of the year	2,206	213,581	322,177	537,964
Total net gains recognised				
– in profit or loss	95	56,580	–	56,675
– in other comprehensive income	–	–	18,155	18,155
Purchases	–	369,149	48,690	417,839
	<u>2,301</u>	<u>639,310</u>	<u>389,022</u>	<u>1,030,633</u>
Year ended 30 June 2012				
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
	<u>2,206</u>	<u>213,581</u>	<u>322,177</u>	<u>537,964</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's potential financial instruments include cash and cash equivalents, loan receivable, other receivables, investments in listed securities and unlisted investments, due to a related company, due to an associate and other payables. 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, a dividend receivable and 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 of 2013 and 2012.

Notes to Financial Statements

30 June 2013

37. 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:

	30 June 2013	High/low 2013	30 June 2012	High/low 2012
Hong Kong – Hang Seng Index ("HSI")	20,803	23,945/ 18,711	19,441	22,835/ 16,170

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.

	% of reasonable possible change of the relevant benchmark index	Change in loss before tax HK\$'000
30 June 2013 Relevant market index Hong Kong – HSI	±7.00%	±12,140
30 June 2012 Relevant market index Hong Kong – HSI	±13.2%	±29,574

37. 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 receivable, 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 the 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 2013, the Group and the Company held cash and cash equivalents of HK\$7,944,000 (2012: HK\$32,110,000) and HK\$2,749,000 (2012: HK\$26,151,000), 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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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

Liquidity risk of financial liabilities

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	< 1 year	1 to 5 years	>5years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group				
2013				
Other payables	1,109	-	-	1,109
Due to a related company	7	-	-	7
Due to an associate	111	-	-	111
Interest bearing loan	504	2,000	10,996	13,500
Convertible bond	19,600	309,400	-	329,000
	<u>21,331</u>	<u>311,400</u>	<u>10,996</u>	<u>343,727</u>
2012				
Other payables	814	-	-	814
Due to a related company	950	-	-	950
Due to an associate	143	-	-	143
	<u>1,907</u>	<u>-</u>	<u>-</u>	<u>1,907</u>
Company				
2013				
Other payables	1,109	-	-	1,109
Due to subsidiaries	5,182	-	-	5,182
Due to a related company	7	-	-	7
Due to an associate	111	-	-	111
Interest bearing loan	504	2,000	10,996	13,500
Convertible bond	19,600	309,400	-	329,000
	<u>26,513</u>	<u>311,400</u>	<u>10,996</u>	<u>348,909</u>
2012				
Other payables	814	-	-	814
Due to subsidiaries	4,308	-	-	4,308
Due to a related company	950	-	-	950
Due to an associate	143	-	-	143
	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>6,215</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(v) Liquidity risk (continued)***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 2013 and 30 June 2012. 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 investment objectives and policies.

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

38. EVENTS AFTER REPORTING PERIOD

- (a) On 3 July 2013, the Company entered into the placing agreement with Fortune (HK) Securities Limited pursuant to which Fortune (HK) Securities Limited agreed to act as placing agent, on a best effort basis, for the purpose of procuring independent subscribers to subscribe in cash for the bonds in an aggregate principal amount of up to HK\$50,000,000. Subsequent to the year ended 30 June 2013 and up to the date of this report, a bond with an amount of HK\$10,000,000 was placed with an independent third party.
- (b) Subsequent to the year ended 30 June 2013 and up to the date of this report, the Company has entered into subscription agreements with independent third parties to issue bonds with a total amount of HK\$20,000,000.
- (c) On 13 September 2013, the Group entered into agreements with independent third parties to dispose of the 30% equity interest in Zhengzhou Mingyang for a cash consideration of HK\$39,000,000.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 September 2013.

Five Year Financial Summary

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				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	7,204	9,137	5,727	5,135	1,364
(Loss)/profit before tax	(37,864)	(62,927)	40,267	31,661	17,609
Income tax expense	(5,658)	(732)	(3,342)	(4,030)	87
(Loss)/profit for the year	(43,522)	(63,659)	36,925	27,631	17,696
Other comprehensive income for the year, net of tax	24,267	10,007	12,121	–	–
Total comprehensive income for the year	(19,255)	(53,652)	49,046	27,631	17,696

ASSETS AND LIABILITIES

	As at 30 June				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total assets	1,295,121	910,316	821,756	313,359	286,568
Total liabilities	(300,508)	(9,904)	(9,266)	(9,672)	(598)
Total equity	994,613	900,412	812,490	303,687	285,970