



China Financial International Investments Limited

中國金融國際投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 721)



Interim Report
2013



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Du Lin Dong (*Chief Executive Director*)
Mr. Pong Po Lam Paul

Non-executive Directors

Mr. Wang Dehe (*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/cfi>



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of

China Financial International Investments Limited

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

Introduction

We have reviewed the interim financial information set out on pages 3 to 26, which comprises the condensed consolidated statement of financial position of China Financial International Investments Limited (the "Company") and its subsidiaries as at 31 December 2013 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
26 February 2014

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2013

	Notes	Unaudited Six months ended 31 December	
		2013 HK\$'000	2012 HK\$'000
Revenue	7	3,163	1,811
Other income and gains	7	796	10
Net change in fair value of financial assets at fair value through profit or loss	8	(8,110)	(35,333)
Impairment loss of available-for-sale financial assets	16(b)	(1,430)	(6,200)
Finance costs	9	(12,037)	(530)
Administrative expenses		(12,997)	(16,605)
Share of profit of an associate		3	37
Loss before tax	10	(30,612)	(56,810)
Income tax expense	11	(624)	(2,658)
Loss for the period		<u>(31,236)</u>	<u>(59,468)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value of available-for-sale financial assets		(5,772)	17,609
Reclassification adjustment for loss included in the statement of profit or loss			
– Impairment loss		1,430	6,200
		<u>(4,342)</u>	23,809
Exchange differences on translation of financial statements of overseas subsidiaries		(780)	242
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>(5,122)</u>	24,051
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Income tax effect		159	(1,552)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>(4,963)</u>	<u>22,499</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(36,199)</u>	<u>(36,969)</u>
Loss per share attributable to ordinary equity holders of the Company			
Basic	13(a)	<u>(0.67) cents</u>	<u>(1.30) cents</u>
Diluted	13(b)	<u>(0.67) cents</u>	<u>(1.30) cents</u>

Interim Condensed Consolidated Statement of Financial Position

31 December 2013

	<i>Notes</i>	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	631	1,511
Interest in an associate	15	464	461
Available-for-sale financial assets	16	359,551	400,872
Financial assets at fair value through profit or loss	17	702,423	639,310
Other receivable	18	25,606	40,606
		<u>1,088,675</u>	<u>1,082,760</u>
TOTAL non-current assets			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	17	139,171	176,758
Prepayments, deposits and other receivables	18	63,966	27,659
Cash and cash equivalents		12,919	7,944
		<u>216,056</u>	<u>212,361</u>
TOTAL current assets			
CURRENT LIABILITIES			
Other payables and accruals		2,189	1,664
Due to a related company		–	7
Due to an associate	15	89	111
Tax payable		4,199	4,199
		<u>6,477</u>	<u>5,981</u>
TOTAL current liabilities			
NET CURRENT ASSETS		<u>209,579</u>	<u>206,380</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,298,254</u>	<u>1,289,140</u>
NON-CURRENT LIABILITIES			
Interest bearing loans	19	52,976	9,979
Convertible bond	19, 20	275,265	273,707
Deferred tax liabilities		11,306	10,841
		<u>339,547</u>	<u>294,527</u>
Net assets		<u>958,707</u>	<u>994,613</u>
EQUITY			
Issued capital	21	46,607	46,599
Reserves		912,100	948,014
TOTAL EQUITY		<u>958,707</u>	<u>994,613</u>
Net asset value per share		<u>20.6 cents</u>	<u>21.3 cents</u>



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 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	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2013 (audited)	46,599	680,922	278,979	2,766	45,477	2,275	918	7,231	(70,554)	994,613
Loss for the period	-	-	-	-	-	-	-	-	(31,236)	(31,236)
Other comprehensive income for the period:										
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(780)	-	-	(780)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(4,183)	-	-	-	-	(4,183)
Total comprehensive income for the period	-	-	-	-	(4,183)	-	(780)	-	(31,236)	(36,199)
Equity-settled share-based transactions	-	-	-	-	-	253	-	-	-	253
Issue of shares – upon exercise of share options	8	45	-	-	-	(13)	-	-	-	40
At 31 December 2013 (unaudited)	<u>46,607</u>	<u>680,967*</u>	<u>278,979*</u>	<u>2,766*</u>	<u>41,294*</u>	<u>2,515*</u>	<u>138*</u>	<u>7,231*</u>	<u>(101,790)*</u>	<u>958,707</u>
At 1 July 2012 (audited)	44,179	575,249	278,979	2,766	21,583	10,825	545	-	(33,714)	900,412
Loss for the period	-	-	-	-	-	-	-	-	(59,468)	(59,468)
Other comprehensive income for the period:										
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	242	-	-	242
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	22,257	-	-	-	-	22,257
Total comprehensive income for the period	-	-	-	-	22,257	-	242	-	(59,468)	(36,969)
Equity-settled share-based transactions	-	-	-	-	-	746	-	-	-	746
Lapse of share options	-	-	-	-	-	(1,101)	-	-	1,101	-
Forfeiture of share options	-	-	-	-	-	(452)	-	-	-	(452)
Issue of shares – upon share placing	2,400	105,561	-	-	-	-	-	-	-	107,961
Issue of a convertible bond – recognition of equity component of a convertible bond	-	-	-	-	-	-	-	7,231	-	7,231
At 31 December 2012 (unaudited)	<u>46,579</u>	<u>680,810</u>	<u>278,979</u>	<u>2,766</u>	<u>43,840</u>	<u>10,018</u>	<u>787</u>	<u>7,231</u>	<u>(92,081)</u>	<u>978,929</u>

* These reserve accounts comprise the consolidated reserves of HK\$912,100,000 (30 June 2013: HK\$948,014,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	Unaudited	
	Six months ended 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(26,800)	(369,228)
Net cash used in investing activities	–	(7)
Net cash generated from financing activities	32,557	387,867
Net increase in cash and cash equivalents	5,757	18,632
Cash and cash equivalents at beginning of period	7,944	32,110
Effect of foreign exchange rate changes	(782)	192
Cash and cash equivalents at end of period	<u>12,919</u>	<u>50,934</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u>12,919</u>	<u>50,934</u>



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 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 (the “Group”) are principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) and available-for-sale financial assets, which have been measured at fair values. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2013.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2013.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013, except for the adoption to the following standards or interpretations as of 1 July 2013 as noted below:

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments</i> : <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> – <i>Presentation of Items of Other Comprehensive Income</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 31 December 2013.

HKFRS 12 sets out 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. Details of the disclosures for associates are included in note 15 to the financial statements.

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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in note 26 to the financial statements.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRS, that have been issued but are not yet effective, in this interim financial information.

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² No mandatory effective date yet determined but is available for adoption



Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

4.2 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 as 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 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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 July 2014.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

5. OPERATING SEGMENT INFORMATION

Management has determined the 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.

*Segment results***Six months ended 31 December 2013**

	Unaudited Micro-loan service <i>HK\$'000</i>	Unaudited Real estates <i>HK\$'000</i>	Unaudited Others <i>HK\$'000</i>	Unaudited Total <i>HK\$'000</i>
Segment results	<u>8,540</u>	<u>(14,236)</u>	<u>(681)</u>	<u>(6,377)</u>
Share of profit of an associate				3
Unallocated income and gains				796
Unallocated expenses				<u>(25,034)</u>
Loss before tax				<u>(30,612)</u>
Income tax expense				<u>(624)</u>
Loss for the period				<u><u>(31,236)</u></u>

Six months ended 31 December 2012

Segment results	<u>31,401</u>	<u>(66,048)</u>	<u>(5,075)</u>	<u>(39,722)</u>
Share of profit of an associate				37
Unallocated income				10
Unallocated expenses				<u>(17,135)</u>
Loss before tax				<u>(56,810)</u>
Income tax expense				<u>(2,658)</u>
Loss for the period				<u><u>(59,468)</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 Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

5. OPERATING SEGMENT INFORMATION (Continued)

Segment assets

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

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Micro-loan service	953,338	927,672
Real estates	124,576	145,694
Others	123,231	143,574
	<hr/>	<hr/>
Total segment assets	1,201,145	1,216,940
Unallocated assets	103,586	78,181
	<hr/>	<hr/>
	1,304,731	1,295,121

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 31 December 2013 and 30 June 2013 were unallocated liabilities.

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

6. (LOSS)/GAIN ON INVESTMENTS

	Unaudited Listed securities HK\$'000	Unaudited Unlisted investments HK\$'000	Unaudited Total HK\$'000
<i>Six months ended 31 December 2013</i>			
<i>Included in profit or loss:</i>			
Realised (loss)/gain:			
Financial assets at FVTPL	(14,858)	3,451	(11,407)
Unrealised gain:			
Financial assets at FVTPL	509	2,788	3,297
Impairment loss:			
Available-for-sale financial assets	–	(1,430)	(1,430)
	<hr/>	<hr/>	<hr/>
Total realised and unrealised (loss)/gain included in profit or loss	(14,349)	4,809	(9,540)
<i>Included in other comprehensive income:</i>			
Unrealised loss:			
Available-for-sale financial assets	–	(4,342)	(4,342)
	<hr/>	<hr/>	<hr/>
Total realised and unrealised (loss)/gain for the period	(14,349)	467	(13,882)

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

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

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

7. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	<i>Note</i>	Unaudited Six months ended 31 December	
		2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue			
Dividend income from listed securities		–	1,811
Dividend income from unlisted investments		3,163	–
		<u>3,163</u>	<u>1,811</u>
Other income and gains			
Bank interest income		8	5
Miscellaneous		2	5
Exchange gain on dissolution of a subsidiary	27	786	–
		<u>796</u>	<u>10</u>

The Group's turnover comprises of sales proceeds from disposal of investments amounting to HK\$65,525,000 (2012: Nil) and the dividend income of HK\$3,163,000 (2012: HK\$1,811,000) for the period.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

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

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Net realised loss on financial assets at FVTPL	(11,407)	–
Net unrealised gain/(loss) on financial assets at FVTPL	3,297	(35,333)
	<u>(8,110)</u>	<u>(35,333)</u>

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Interest on convertible bond wholly repayable within five years	11,089	293
Interest on other loans	948	237
	<u>12,037</u>	<u>530</u>

10. LOSS BEFORE TAX

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

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Custodian fee	80	72
Depreciation	582	911
Investment management fee	563	641
Loss on disposal of items of property, plant and equipment	300	–
Minimum operating lease payments in respect of properties	1,208	1,694
Staff costs, including directors' remuneration:		
Salaries and wages	6,151	8,339
Pension scheme contributions	67	49
Equity-settled share option expenses	253	294
	<u>12,134</u>	<u>12,390</u>

11. INCOME TAX

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Current – Hong Kong		
– Charge for the period	–	–
Deferred tax	624	2,658
	<u>624</u>	<u>2,658</u>
Total tax charge for the period	624	2,658

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 periods ended 31 December 2013 and 2012.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

12. DIVIDEND

The directors did not recommend payment of interim dividend for the six months ended 31 December 2013 (31 December 2012: Nil).

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

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2013 of HK\$31,236,000 (2012: HK\$59,468,000) and the weighted average number of ordinary shares of 4,659,970,000 (2012: 4,578,269,000) in issue during the period.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 31 December 2013 and 31 December 2012 in respect of a dilution as the impact of the share options granted under the share option scheme outstanding and the convertible bond had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Opening net carrying amount	1,511	3,872
Additions	–	7
Write-off/disposals	(300)	(690)
Depreciation provided during the period/year	(582)	(1,750)
Exchange realignment	2	72
	<u>631</u>	<u>1,511</u>
Closing net carrying amount	<u>631</u>	<u>1,511</u>

15. INTERESTS IN AN ASSOCIATE

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Share of net assets	464	461
Due to an associate	(89)	(111)
	<u>375</u>	<u>350</u>
Total	<u>375</u>	<u>350</u>

Particulars of the associate are as follows:

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Unlisted investments, at fair value	359,551	400,872

As at 31 December 2013, the Group held the following available-for-sale financial assets:

Name	Notes	Place of incorporation/ operations	Group's effective interest		Principal activities	Unaudited	Audited
			31 December 2013	30 June 2013		31 December 2013 Cost HK\$'000	30 June 2013 Cost HK\$'000
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(a)	PRC	7.2%	30%	Provision of financing guarantees to small and medium enterprises ("SMEs")	43,150	43,150
Shenzhen Zhongtounxin Asset Management Company Limited ("Zhongtounxin")	(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%	30%	Provision of small loan and financial consultation services	188,690	188,690
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	-	30%	Provision of small loan and financial consultation services	-	35,549
Globe Capital Resources Investment Limited ("Globe Capital")	(f)	British Virgin Islands	30%	30%	Investment holding	-	-

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 Huazhang (formerly known as Jiangxi Zhongjin Hanchen Guarantee Company Limited), a joint venture established in the PRC. On 15 July 2013, the Group holds 7.2% equity interest of Jiangxi Huazhang as enlarged by the new registered capital subscribed by its other shareholders. Jiangxi Huazhang is principally engaged in the provision of financing guarantees to SMEs in the Jiangxi Province, the PRC.
- (b) On 29 April 2011, the Group invested in a 30% equity interest of Zhongtounxin, 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. Zhongtounxin 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 Zhongtounxin during the period. The directors consider that such a decline indicates that the unlisted investment has been impaired and an impairment loss of HK\$1,430,000 (2012: HK\$6,200,000), which included a reclassification from other comprehensive income of HK\$1,430,000 (2012: HK\$6,200,000), has been recognised in profit or loss for the period.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)*Notes:* (Continued)

- (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.
- (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.
- (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 the sales and purchase agreement and having sought advice from the Company's PRC legal advisers, the directors are of the opinion that the Group has beneficiary interests on this 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations.

According to the sales and purchase agreement, the Group is entitled to all dividends, bonuses, other income and share of profit or loss of Zhengzhou Mingyang when the sales and purchase agreement is effective.

On 13 September 2013, the Group entered into agreements with independent third parties to dispose 30% equity interest of Zhengzhou Mingyang for a cash consideration of HK\$39,000,000.

- (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 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 period ended 31 December 2013.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Financial assets held for trading			
Listed securities	(i)	139,171	173,307
Derivative contract	(ii)	–	3,451
		<u>139,171</u>	<u>176,758</u>
Financial assets designated at FVTPL			
Unlisted investments	(iii)	<u>702,423</u>	<u>639,310</u>

The above financial assets at 31 December 2013 and 30 June 2013 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

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

Notes:

- (i) The fair values of listed securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period.
- (ii) The Group recognised the agreement to purchase the underlying equity interests of Zhengzhou Mingyang upon closing of conditions as a derivative financial instrument. On 13 September 2013, the Group entered into agreements with independent third parties to dispose 30% equity interest of Zhengzhou Mingyang for a cash consideration of HK\$39,000,000. Details of the transaction are disclosed in note 16(e) and 18(a) to the interim condensed consolidated financial statements.
- (iii) As at 31 December 2013, the Group had the following unlisted investments:

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest		Principal activities	Unaudited	Audited
			31 December 2013	30 June 2013		31 December 2013 Cost	30 June 2013 Cost
						HK\$'000	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 Zhongjincaixin 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	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(h)	PRC	30%	30%	Provision of small loan and financial consultation services	73,730	73,730

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

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

Notes: (Continued)

(iii) As at 31 December 2013, the Group had the following unlisted investments: (Continued)

Name	Notes	Place of registration/ incorporation and operations	Group's effective interest		Principal activities	Unaudited	Audited
			31 December 2013	30 June 2013		31 December 2013 Cost HK\$'000	30 June 2013 Cost HK\$'000
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd ("Nanjing Jiangning")	(i)	PRC	30%	30%	Provision of small loan and financial consultation services	36,673	36,673
Tianjin Zhongjinxinke Microfinance Limited ("Tianjin Zhongjinxinke")	(j)	PRC	30%	30%	Provision of small loan and financial consultation services	36,710	36,710
Tianjin Rongyang Micro- Loan Limited ("Tianjin Rongyang")	(k)	PRC	30%	30%	Provision of small loan and financial consultation services	36,741	36,741
Xi'an Kairong Investment Management Limited ("Xi'an Kairong")	(l)	PRC	30%	30%	Provision of financial management services	18,724	18,724
Zhenjiang Financial Industry Development Limited ("Zhenjiang FID")	(m)	PRC	30%	30%	Provision of financial management services	18,591	18,591
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(n)	PRC	30%	–	Provision of small loan and financial consultation services	56,874	–

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

Notes:

- 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.
- 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.
- 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.
- 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.



Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

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

Notes: (Continued)

(iii) As at 31 December 2013, the Group had the following unlisted investments: (Continued)

Notes: (Continued)

- (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.
- (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.
- (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.
- (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.
- (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.
- (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.
- (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.
- (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.
- (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.
- (n) On 22 November 2013, the Group invested in a 30% equity interest of Zhenjiang CFI, a joint venture established in the PRC. Zhenjiang CFI is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC.

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

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the period ended 31 December 2013.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Current portion:			
Other receivables	(a)	43,631	4,549
Receivable on partial disposal of equity interest in Globe Capital	(b)	4,199	4,199
Prepayments and deposits		1,136	18,911
Loan to an investee	(c)	15,000	–
		<u>63,966</u>	<u>27,659</u>
Non-current portion:			
Loan to an investee	(c)	25,606	40,606

(a) Other receivables included HK\$39,000,000 (30 June 2013: Nil) from the disposal of 30% equity interest of Zhengzhou Mingyang on 13 September 2013. This balance is unsecured, interest free and repayable on demand.

(b) This is the unsettled balance from the disposal of 70% equity interest in a former subsidiary, Globe Capital, for the year ended 30 June 2011. Directors expect that the remaining balance will be repaid within 1 year.

(c) The loan to an investee is unsecured, interest free and will be repaid by end of 2016.

19. BORROWINGS

	<i>Note</i>	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Non-current liabilities			
Interest bearing loans – unsecured		52,976	9,979
Convertible bond	20	275,265	273,707
		<u>328,241</u>	<u>283,686</u>
Analysed into:			
Loans repayable:			
In the second year		275,265	273,707
Beyond five years		52,976	9,979
		<u>328,241</u>	<u>283,686</u>

As at 31 December 2013, bonds with total nominal amount of HK\$53,000,000 (30 June 2013: HK\$10,000,000) were issued to independent third parties at 5% interest rate per annum with 7 years' maturity from the date of issue. The net proceeds are used for investing in unlisted investments and for the general working capital of the Group.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

20. 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 period.

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.

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. As at 31 December 2013 and 30 June 2013, the equity component after allocated transaction costs is HK\$7,231,000.

The movements of the liability component of the Convertible Bond for the period/year are as follows:

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
At beginning of period/issued during the year	273,707	272,675
Interest expense for the period/year	11,089	11,101
Interest paid for the period/year	(9,531)	(10,069)
	<u>275,265</u>	<u>273,707</u>

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 FVTPL. As at 31 December 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 FVTPL are still pending from the final approval of the relevant PRC authorities.

21. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	<i>HK\$'000</i>
Authorised:			
At 31 December 2013 and 30 June 2013			
Ordinary shares of HK\$0.01 each		30,000,000	300,000
Issued and fully paid:			
At 1 July 2012			
Ordinary shares of HK\$0.01 each		4,417,834	44,179
Issue of shares upon exercise of share options	(a)(i)	2,000	20
Issue of shares upon share placing	(b)	240,000	2,400
At 30 June 2013			
Ordinary shares of HK\$0.01 each		4,659,834	46,599
Issue of shares upon exercise of share options	(a)(ii)	800	8
At 31 December 2013			
Ordinary shares of HK\$0.01 each		4,660,634	46,607

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

21. SHARE CAPITAL (Continued)

Notes:

(a) Issue of shares upon exercise of share options

- (i) During the year ended 30 June 2013, share options to subscribe for 2,000,000 shares were exercised, of which HK\$20,000 was credited to share capital and the balance of HK\$112,000 were credited to the share premium.
- (ii) During the period ended 31 December 2013, share options to subscribe for 800,000 shares were exercised, of which HK\$8,000 was credited to share capital and the balance of HK\$45,000 were credited to the share premium.

(b) Issue of shares upon share placing

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

All the new ordinary shares issued during the period ended 31 December 2013 and for the year ended 30 June 2013 rank pari passu in all respects with the then existing ordinary shares of the Company.

22. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of the Group as at 31 December 2013 of HK\$958,707,000 (30 June 2013: HK\$994,613,000) and on 4,660,634,000 ordinary shares being in issue as at 31 December 2013 (30 June 2013: 4,659,834,000 ordinary shares).

23. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements are as follows:

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Contracted, but not provided for, acquisition of unlisted investments	941,487	892,582

- (b) At 31 December 2013, the total future outstanding minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Within one year	283	1,456

24. SHARE OPTION SCHEME

The Company has a share option scheme for eligible employees of the Group. As at 31 December 2013, the Company had 65,700,000 share options (30 June 2013: 21,800,000 share options) outstanding under the share option scheme. No share options were lapsed or forfeited during the period. 800,000 share options were exercised during the period. 44,700,000 share options were granted with an exercise price of HK\$0.425 during the six months ended 31 December 2013.

The share options outstanding at 31 December 2013 had exercise prices of HK\$0.130, HK\$0.445 and HK\$0.425.

The Company recognised a total expense of approximately HK\$253,000 for the six months ended 31 December 2013 (31 December 2012: HK\$294,000) in the condensed consolidated statement of comprehensive income in relation to the share options granted by the Company.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

25. RELATED PARTY TRANSACTIONS

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

	Notes	Unaudited Six months ended 31 December	
		2013 HK\$'000	2012 HK\$'000
Investment Management fee paid/payable to China Financial International Investments & Managements Limited	(i)	563	641
Legal advisory fees paid/payable to Michael Li & Co	(ii)	–	9
		<u>563</u>	<u>650</u>

Notes:

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

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

At 31 December 2013, the balance due to CFIIM of HK\$89,000 (30 June 2013: HK\$111,000) was unsecured, interest-free and repayable on demand.

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

At 31 December 2013, nil balance (30 June 2013: HK\$7,000) was payable to Michael Li & Co. The fee payable was unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel of the Group

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Salaries and wages	4,860	5,986
Pension scheme contributions	15	23
Equity-settled share option expense	253	294
	<u>5,128</u>	<u>6,303</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>As at 31 December 2013 (unaudited)</i>				
Available-for-sale financial assets:				
– Unlisted investments	–	–	359,551	359,551
Financial assets at FVTPL:				
– Listed securities	139,171	–	–	139,171
– Unlisted investments	–	–	702,423	702,423
	<u>139,171</u>	<u>–</u>	<u>1,061,974</u>	<u>1,201,145</u>
<i>As at 30 June 2013 (audited)</i>				
Available-for-sale financial assets:				
– Unlisted investments	–	–	400,872	400,872
Financial assets at FVTPL:				
– 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>

During the six months ended 31 December 2013 and the year ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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, 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 value of the interest bearing loans and the liability portion of the convertible bond approximates to the carrying amount.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
<u>Available-for-sale financial assets in unlisted investments</u>				
<i>Micro-loan service</i>	Market comparable companies	Price to book ratio ("PB ratio")	0.4813 to 2.3649 (1.3723)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2013, the Group's other comprehensive income would have increased by HK\$207,494,000. Had the lowest PB ratio among the comparables been used as at 31 December 2013, the Group's other comprehensive income would have decreased by HK\$186,222,000.
<i>Others</i>	Market comparable companies	PB ratio	0.4813 to 2.3649 (1.3723)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2013, the Group's other comprehensive income would have increased by HK\$39,897,000. Had the lowest PB ratio among the comparables been used as at 31 December 2013, the Group's other comprehensive income would have decreased by HK\$35,808,000.
<u>FVTPL in unlisted investments</u>				
<i>Micro-loan service</i>	Market comparable companies	PB ratio	0.4813 to 2.3649 (1.3723)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2013, the Group's profit or loss would have increased by HK\$434,223,000. Had the lowest PB ratio among the comparables been used as at 31 December 2013, the Group's profit or loss would have decreased by HK\$389,713,000.
<i>Others</i>	Market comparable companies	Price to sale ratio ("PS ratio")	3.8450 to 13.6088 (5.4015)	The fair values of company are determined with reference to multiples of comparable listed companies, using average of the PS ratio of comparables. The fair value measurement is positively correlated to the PS ratios. Had the highest PS ratio among the comparables been used as at 31 December 2013, the Group's profit or loss would have increased by HK\$31,551,000. Had the lowest PS ratio among the comparables been used as at 31 December 2013, the Group's profit or loss would have decreased by HK\$5,984,000.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

	HK\$'000
<i>Available-for-sale financial assets:</i>	
At 1 July 2012 (audited)	334,027
Total losses recognised in profit or loss	(7,474)
Total gains recognised in other comprehensive income	25,629
Purchases	48,690
	<hr/>
At 30 June 2013 and 1 July 2013 (audited)	400,872
Total losses recognised in profit or loss	(1,430)
Total losses recognised in other comprehensive income	(4,342)
Disposals	(35,549)
	<hr/>
At 31 December 2013 (unaudited)	<u>359,551</u>
<hr/>	
	HK\$'000
<i>Financial assets at FVTPL (unlisted investments and derivative contract):</i>	
At 1 July 2012 (audited)	216,890
Total gains recognised in profit or loss	56,722
Purchases	369,149
	<hr/>
At 30 June 2013 and 1 July 2013 (audited)	642,761
Total gains recognised in profit or loss	6,239
Purchases	56,874
Disposals	(3,451)
	<hr/>
At 31 December 2013 (unaudited)	<u>702,423</u>

The fair values of listed securities are based on quoted market prices. The fair values of available-for-sale financial assets 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 profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

27. DISSOLUTION OF A SUBSIDIARY

Zhongkang Jinyi Technology (Shenzhen) Limited, a subsidiary established in the PRC, which has been inactive, was dissolved on 21 November 2013. The exchange gain on dissolution of a subsidiary was HK\$786,000.

28. EVENTS AFTER REPORTING PERIOD

Subsequent to the period ended 31 December 2013 and up to the date of this report, the Company has entered into subscription agreement with an independent third party to issue bond with a total amount of HK\$10,000,000.

29. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 February 2014.



Management Discussion and Analysis

BUSINESS REVIEW

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

The Group recorded a loss of HK\$31.24 million for the six months ended 31 December 2013 (the “**Period**”), decreased 47.47% compared to the loss of HK\$59.47 million for the same period last year. The loss was mainly due to (i) realised loss on listed securities at fair value through profit or loss; and (ii) finance cost of the convertible bond and bonds.

LISTED INVESTMENT REVIEW

During the Period, the Group recorded a loss of HK\$14.35 million (2012: HK\$66.73 million) in respect of listed securities business, which comprised realised loss of HK\$14.86 million (2012: Nil) and unrealised profit of HK\$0.51 million (2012: unrealised loss of HK\$66.73 million). No dividend from listed investments was received (2012: HK\$1.81 million) during the Period.

During the Period, all the listed securities were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at 31 December 2013, the market value of the listed securities amounted to HK\$139.17 million (30 June 2013: HK\$173.31 million).

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	% of equity interest	Market value at 31 December 2013 HK\$'000	Dividend income HK\$'000
Hidili Industry International Development Limited	Coal mining, manufacture and sale of coke and clean coal and provision of transportation	12,369,000	0.60	14,595	–
China Water Property Group Limited	Property development and property investment businesses	183,199,429	9.86	124,576	–
				139,171	–

UNLISTED INVESTMENT REVIEW

For the period ended 31 December 2013, the gain on the Group’s unlisted investment portfolio recorded as HK\$0.47 million (2012: HK\$49.01 million). The gain was mainly attributable to the increase in fair value of small loan companies and a guarantee company. During the Period, the dividend income from the unlisted investments in small loan companies recorded as HK\$3.16 million (2012: Nil).

As at 31 December 2013, the fair value of the Group’s unlisted investments, amounted to HK\$1,061.97 million (30 June 2013: HK\$1,043.63 million).

Management Discussion and Analysis (Continued)

UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Investments Portfolio

Name of company	Location	Business nature	Fair value at 31 December 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	199,735	–
2 TianJin XEDA Microfinance Co., Ltd.	Tianjin	Provision of small loan and financial consultation services	91,671	–
3 Tianjin Rongshun Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	43,937	–
4 TIIC RongShun Micro-Loan Company Limited	Tianjin	Provision of small loan and financial consultation services	15,088	3,163
5 Harbin Zhongjinguoxin Microfinance Co., Ltd.	Harbin, Heilongjiang Province	Provision of small loan and financial consultation services	45,572	–
6 Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	Donghu District, Nanchang, Jiangxi Province	Provision of small loan and financial consultation services	42,387	–
7 Tianjin Binlian Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	14,428	–
8 Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	37,415	–
9 Ezhou Zhongjinguotou Microfinance Limited	Ezhou, Hubei Province	Provision of small loan and financial consultation services	196,896	–
10 Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	Provision of small loan and financial consultation services	87,537	–
11 Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation service	41,968	–



Management Discussion and Analysis (Continued)

UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Investments Portfolio (Continued)

Name of company	Location	Business nature	Fair value at 31 December 2013 HK\$'000	Dividend income HK\$'000
Micro-loan service (Continued)				
12 Tianjin Zhongjinxinke Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	39,981	–
13 Tianjin Rongyang Micro-Loan Limited	Tianjin	Provision of small loan and financial consultation services	39,849	–
14 Zhenjiang CFI Guosen Technology Microfinance Corporation Limited	Zhenjiang, Jiangsu Province	Provision of small loan and financial consultation service	56,874	–
		Sub-total:	953,338	3,163
Guarantee service				
15 Jiangxi Huazhang Hanchen Guarantee Group Company Limited	Nanchang, Jiangxi Province	Provision of financing guarantees to small and medium enterprises (the “SMEs”)	58,096	–
		Sub-total:	1,011,434	3,163
Investment and management consultation service				
16 Shenzhen Zhongtouxin Asset Management Company Limited	Shenzhen, Guangdong Province	Provision of consultation services on project investments	9,446	–
17 Xi'an Kairong Investment Management Limited	Xi'an, Shaanxi Province	Provision of financial management services	20,931	–
18 Zhenjiang Financial Industry Development Limited	Zhenjiang, Jiangsu Province	Provision of financial management services	19,559	–
		Sub-total:	49,936	–
Information system service and mining				
19 Globe Capital Resources Investment Limited	British Virgin Islands	Investment holding	603	–
		Total:	1,061,973	3,163

Management Discussion and Analysis (Continued)

UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Investments Portfolio (Continued)

Micro-loan service

Our investments in small loan companies have covered various provinces and cities in the People's Republic of China (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.

- (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 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.



Management Discussion and Analysis (Continued)

UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Investments Portfolio (Continued)

Micro-loan service (Continued)

- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) The Company invested in a 30% equity interest of Zhenjiang CFI Guosen Technology Microfinance Corporation Limited. It is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC.

Guarantee service

- (15) The Company holds 7.2% equity interest of 江西華章漢辰擔保集團股份有限公司 (transliterated as Jiangxi Huazhang Hanchen Guarantee Group Company Limited (formerly known as Jiangxi Zhongjin Hanchen Guarantee Company Limited)). 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.

Investment and management 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 Zhongtouxin 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.
- (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.

Management Discussion and Analysis (Continued)

PROSPECT

The global economic growth will gradually accelerate in 2014. The growth of emerging economies is likely to be stronger, due to the increasing exports to the United States, Europe and the PRC. Despite the economic growth in the PRC seems to have been stabilized, the Group expects that the PRC government will continue to tighten its credit policies to control bank lending. To meet SMEs' short term to medium term financing needs, the demand for diversified financial services from our investee small loan companies and financial management services companies is expected to increase and this would be a solid foundation for our future growth.

Looking forward, the board will continue to evaluate the overall performance of the Group and business opportunities available in the market with the purpose of enhancing shareholders' value and strengthening the financial position of the Group.

MAJOR ACQUISITIONS AND DISPOSALS

The major acquisitions and disposals of subsidiary or associate during the Period are set out in note 27 to the interim condensed consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2013, the Group had cash and cash equivalents of HK\$12.92 million (30 June 2013: HK\$7.94 million). Majority of the cash and bank balances denominated in Hong Kong dollar and Renminbi which placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2013 was approximately 33.36 times (30 June 2013: 35.51 times), gearing ratio (calculated as the percentage of long term debts to the total Shareholders' equity) of the Group as at 31 December 2013 was approximately 34.24% (30 June 2013: 28.52%).

The Group did not have any bank borrowing as at 31 December 2013 (30 June 2013: Nil). The capital commitments of the Group are set out in note 23 to the interim condensed consolidated financial statements.

INTERIM DIVIDEND

The board (the "Board") of directors (the "Directors") does not recommend the payment of interim dividend for the Period (2012: Nil).

PLEDGE ON ASSETS

Pledge on assets of the Group is set out in note 20 to the interim condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (30 June 2013: Nil).

CAPITAL STRUCTURE

The Company has issued 800,000 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 Period.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 20 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$6.47 million (2012: HK\$8.68 million). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.



Other Information

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

As at 31 December 2013, the interests and short positions of the Directors and the chief executive in the shares, share options, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held			Approximately percentage of shareholding in the Company HK\$'000
		Personal interests	Corporate interests	Total interests HK\$'000	
Du Lin Dong	Beneficial owner and interest of controlled corporation	51,680,000	634,234,830 <i>Note</i>	685,914,830	14.72%
Ding Xiaobin	Beneficial owner	800,000	–	800,000	0.02%
Zeng Xianggao	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 share options of the Company

Name of Director	Number of options directly beneficially owned
Wang Dehe	40,000,000
Du Lin Dong	4,700,000
Ding Xiaobin	500,000
Zeng Xianggao	500,000
	45,700,000

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executive had or was deemed to have any interests and short positions in the shares, share options, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 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	Note	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 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%
Sino Day Financial International Holdings Limited	Beneficial owner		463,450,000	–	463,450,000	9.94%

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

Name of Shareholder	Capacity	Note	Number of underlying shares held			Approximately percentage of shareholding in the Company
			Personal interests	Corporate interests	Total interests	
Grand Nation Global Limited	Beneficial owner	(2)	560,000,000	–	560,000,000	12.02%
Huarong (HK) International Holdings Limited	Interest of controlled corporation	(2)	–	560,000,000	560,000,000	12.02%

Note:

- 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 Company issuing convertible bond with a nominal value of HK\$280,000,000 on 27 December 2012. The convertible bond carries interest at a rate of 7% per annum payable by the Company on every six calendar months from the issue date. The bond is convertible at the option of bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date. Huarong (HK) International Holdings Limited is deemed to be interested in the said underlying shares by virtue of its wholly owned interest in Grand Nation Global Limited.

Save as disclosed above, as at 31 December 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.

Other Information (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period 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.

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.

The following table discloses movements in the Company's share options during the Period:

Name or category of participant	Number of share options					Exercise period	Exercise price HK\$ per share	Date of grant
	At 1 July 2013 '000	Granted during the Period '000	Exercised during the Period '000	Lapsed during the Period '000	At 31 December 2013 '000			
Directors								
Wang Dehe	–	13,000	–	–	13,000	19/3/2014-18/12/2016	0.425	19/12/2013
	–	13,000	–	–	13,000	19/12/2014-18/12/2016	0.425	19/12/2013
	–	14,000	–	–	14,000	19/12/2015-18/12/2016	0.425	19/12/2013
	–	40,000	–	–	40,000			
Du Lin Dong	–	4,700	–	–	4,700	19/3/2014-18/12/2016	0.425	19/12/2013
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
	800	–	(300)	–	500			
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
	1,000	–	(500)	–	500			
Qualified allottees in aggregate	10,000	–	–	–	10,000	18/3/2010-17/12/2014	0.130	18/12/2009
	3,300	–	–	–	3,300	16/5/2011-15/2/2014	0.445	16/2/2011
	3,300	–	–	–	3,300	16/2/2012-15/2/2014	0.445	16/2/2011
	3,400	–	–	–	3,400	16/2/2013-15/2/2014	0.445	16/2/2011
	20,000	–	–	–	20,000			
	21,800	44,700	(800)	–	65,700			

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Other Information (Continued)

CORPORATE GOVERNANCE

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. During the six months ended 31 December 2013, the Company complied with the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company did not have chief executive officer until on 8 October 2013, Mr. Du Lin Dong has resigned as the chairman of the Company and has been appointed as the chief executive officer of the Company; and Mr. Wang Dehe has been re-designated from the vice chairman to the chairman of the Company, the roles of chairman and chief executive are separated and performed by the different individual.

In respect of the code provision A.6.7 of the CG Code, Mr. Wan Hongchun, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 22 November 2013 due to his business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive Directors namely, Dr. Cheung Wai Bun Charles (*chairman of the audit committee*), Mr. Wan Hongchun and Mr. Zeng Xianggao, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim consolidated financial statements for the Period before recommending them to the Board for approval.

REVIEW OF ACCOUNTS

The external auditor has reviewed the interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 28 to the unaudited interim consolidated financial statements.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the external professionals to provide their professional services to the Group throughout the financial period. I would like to thank my fellow Directors for their valuable contribution and the staff of the Company for their commitment and dedicated services throughout the Period. I would like to express our gratitude to our shareholders and business partners for their support to the Group.

On behalf of the Board
China Financial International Investments Limited
Wang Dehe
Chairman

Hong Kong, 26 February 2014