



**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)

**CFII**

ANNUAL  
REPORT *2015*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Du Lin Dong (*Chairman and Chief Executive Officer*)

Mr. Pong Po Lam

### Non-executive Directors

Mr. Sha Naiping

Mr. Ding Xiaobin

### Independent Non-executive Directors

Dr. Cheung Wai Bun Charles, *J. P.*

Mr. Zeng Xianggao

Mr. Li Cailin

## EXECUTIVE COMMITTEE

Mr. Du Lin Dong (*Chairman*)

Mr. Pong Po Lam

## AUDIT COMMITTEE

Dr. Cheung Wai Bun Charles, *J. P.* (*Chairman*)

Mr. Zeng Xianggao

Mr. Li Cailin

## REMUNERATION COMMITTEE

Mr. Li Cailin (*Chairman*)

Mr. Du Lin Dong

Dr. Cheung Wai Bun Charles, *J. P.*

## NOMINATION COMMITTEE

Dr. Cheung Wai Bun Charles, *J. P.* (*Chairman*)

Mr. Zeng Xianggao

Mr. Li Cailin

## RISK MANAGEMENT COMMITTEE

Mr. Du Lin Dong (*Chairman*)

Dr. Cheung Wai Bun Charles, *J. P.*

## AUTHORISED REPRESENTATIVES

Mr. Pong Po Lam

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 5704-05, 57/F, Central Plaza

18 Harbour Road

Wanchai, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

Level 22, Hopewell Centre

183 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>

Dear shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of China Financial International Investments Limited (the **"Company"**), I am pleased to present the audited results of the Company and its subsidiaries (collectively, the **"Group"**) for the year ended 30 June 2015 (the **"Year"**).

During the Year, the total assets of the Group amounted to approximately HK\$1,381,641,000, representing an increase of 17.95% as compared with HK\$1,171,414,000 last year. Net assets amounted to approximately HK\$813,136,000, representing a decrease of 1.05% as compared with HK\$821,745,000 in last year.

The Hong Kong stock market generally trended upward during the first half of 2015, despite some market turbulence caused by concerns about the slowdown of economic growth in the PRC, the prospective United States interest rate increase, Greece's debt negotiations, and the economic and political uncertainties in Europe and the Middle East. As at 30 June 2015, the carrying amount of the Group's listed securities portfolio had substantially increased. The rise was mainly due to an increase in the market value of stock as at the end of the reporting period. The Group recorded a gain of HK\$78,682,000 (2014: a loss of HK\$60,690,000) on listed investments. As at 30 June 2015, all listed securities were brought forward from last year.

The Group's unlisted investments are mainly concentrated on small loan companies in the PRC. Small loan industry in the PRC is still facing worries of the decreasing interest rate of private lending and the increase of operation risks, resulting in certain small loan companies continue to generate overdue loans and incur losses, the Group recorded a considerable loss of HK\$44,524,000 (2014: HK\$70,716,000) on unlisted investments, which comprised a realised gain of HK\$700,000 (2014: HK\$4,914,000) and an unrealised loss of HK\$45,224,000 (2014: HK\$75,630,000). In view of the continual worsening performance of the small loan industry, the Company has decided to no longer focus on developing but identify potential investors to dispose part of small loan business. The Company shall from time to time monitor the performance and the progress of downscaling of this segment.

On 4 September 2014, the share subscription agreement entered into among the Company, Mr. Du Lin Dong and Mr. Wang Dehe (collectively referred to as the **"Guarantors"**) and 上海外聯發實業發展有限公司 (transliterated as Shanghai Wailianfa Industrial Development Limited, (**"Wailianfa"**)) as amended, modified and varied by the deed of novation dated 7 November 2014 entered into among the Company, the Guarantors, Wailianfa and 上海君爵投資中心(有限合伙) (transliterated as Shanghai Junjue Investment Centre (Limited Partnership), (**"Junjue"**)) and the supplemental agreement dated 30 December 2014 entered into among the Company, the Guarantors and Junjue (collectively the **"Amended First Subscription Agreement"**) in relation to the subscription for 11,500,000,000 new shares at HK\$0.20 per share in the Company by United Talents Holdings Limited, being the nominee of Junjue. On 14 May 2015, the Company, Junjue and the Guarantors entered into memorandum of understanding to terminate the Amended First Subscription Agreement, of which, all the obligations and liabilities of parties to the Amended First Subscription Agreement be released and discharged. For the details, please refer to the announcements of the Company dated 4 September 2014, 7 November 2014, 30 December 2014 and 6 March 2015, 27 April 2015 and 14 May 2015 respectively and the circular (the **"Circular"**) of the Company dated 15 January 2015. In addition, a share subscription agreement dated 4 September 2014 as amended, modified and varied by a supplemental agreement dated 7 November 2014 and second supplemental agreement dated 30 December 2014 (collectively the **"Amended Second Subscription Agreement"**) entered into between the Company and Regal Prosper International Limited (**"Regal Prosper"**), in relation to the subscription of 840,000,000 new shares (the **"Second Subscription Shares"**) at HK\$0.20 per share in the Company by Regal Prosper. However, the Second Subscription Shares was not approved by the shareholders of the Company (the **"Shareholders"**) at the special general meeting of the Company on 6 March 2015. For the details, please refer to the announcements of the Company dated 4 September 2014, 7 November 2014, 30 December 2014 and 6 March 2015 respectively and the Circular. The Directors considered that neither the termination of the Amended First Subscription Agreement nor the Amended Second Subscription Agreement had material adverse impact on the financial and operational position of the Company.

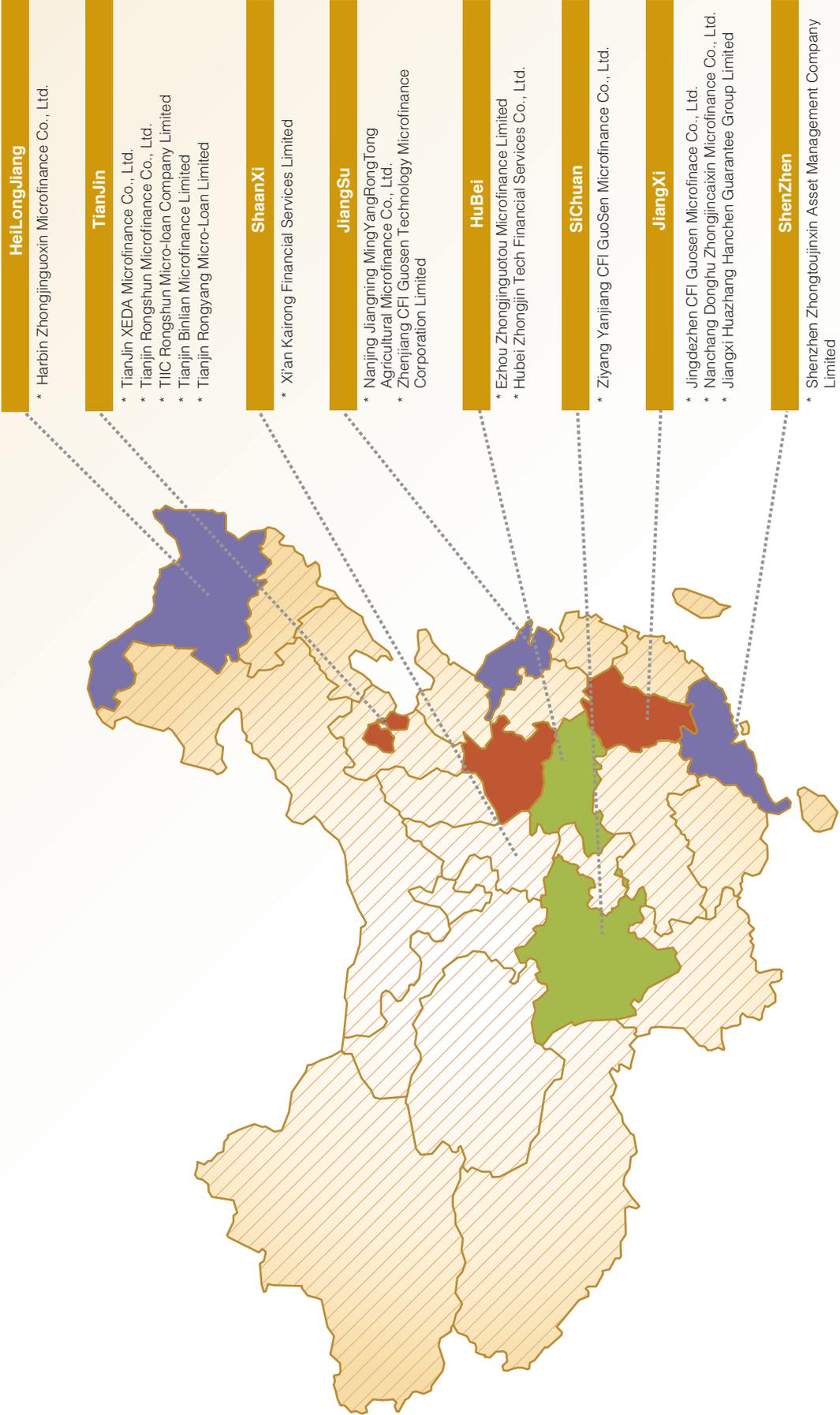
The holders of convertible bond (the **"Convertible Bond"**) exercised their conversion rights to convert the Convertible Bond with the nominal value of HK\$280,000,000 into new shares of the Company at the conversion price of HK\$0.50 per share, in which 560,000,000 shares were issued and allotted by the Company on 8 July 2015. This shows that the investors support the Company with confidence.

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

**Du Lin Dong**  
*Chairman and Chief Executive Officer*  
Hong Kong, 9 September 2015

# Overview of Principal Investment Business

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



# Management Discussion and Analysis

## BUSINESS REVIEW

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

During the Year, a net loss for the Year attributable to ordinary equity Shareholders amounted to HK\$626,000 as compared to HK\$212,880,000 in last year, representing a 99.71% decrease in the net loss for the Year. The loss was mainly attributable to the unrealised loss on unlisted investments at fair value through profit and loss and the interest payment arising from the interest-bearing loans and convertible bond issued by the Company. The loss was substantially decreased primarily due to (i) the increase in the unrealised gain on listed investments at fair value through profit and loss; (ii) the considerable decrease in the equity-settled share option expenses; and (iii) the absence of impairment loss of other receivables as compared to last year. The basic loss per share was HK0.013 cents (2014: HK4.568 cents).

During the Year, dividend income from investments decreased by 92.87% to HK\$2,126,000 as compared to HK\$29,813,000 in last year. The other income which comprised interest income and miscellaneous gain was HK\$2,234,000, representing an increase of 179.25% as compared to HK\$800,000 in last year. Administrative expenses decreased by 72.16% from HK\$91,176,000 in last year to HK\$25,386,000 this year mainly due to the considerable decrease in the equity-settled share option expenses.

## LISTED INVESTMENT REVIEW

On 25 November 2014, the Company entered into disposal agreements to dispose of all of its listed securities to independent third parties for a total cash consideration of HK\$148,588,000. A deposit of HK\$7,000,000 has been received. However, as certain conditions have not been satisfied, all parties entered into the agreements to terminate these transactions on 15 June 2015 and 24 June 2015, respectively. As at the date of this annual report, the deposit has been all refunded. On the terminated date of these disposal transactions, the quoted market price per share of each listed securities was higher than its respective disposal price, the Company considered that the termination of the disposal transactions was in the interest of the Company and the Shareholders as a whole.

The market value of listed securities substantially increased during the Year given the improvement in overall market conditions of the Hong Kong and the PRC stock markets. As at 30 June 2015, the market value of the Group's listed securities portfolio had increased and recorded an unrealised gain of HK\$78,682,000 (2014: a loss of HK\$60,690,000, including a realised loss of HK\$14,858,000 and an unrealised loss of HK\$45,832,000). No dividend income from listed investments was received during the Year and last year.

As at 30 June 2015, the market value of the listed investments amounted to HK\$178,346,000 (2014: HK\$99,663,000), all the listed investments were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

# Management Discussion and Analysis

## LISTED INVESTMENT REVIEW (Continued)

### Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	% of equity interest	Market value at 30 June 2015 HK\$'000	Dividend income HK\$'000
Hidili Industry International Development Limited	Coal mining and manufacture and sales of clean coal	12,369,000	0.60	9,153	–
China City Infrastructure Group Limited (formerly known as “China Water Property Group Limited”)	Infrastructure businesses, property investment, property development, hotel business and property management in the PRC	196,735,429	9.62	169,193	–
				178,346	–

## UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2015, the loss on the Group’s unlisted investment portfolio recorded as HK\$44,524,000 (2014: HK\$70,716,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investment and management consultation service companies. During the Year, the dividend income from the unlisted investments recorded as HK\$2,126,000, representing a 92.87% decrease as compared to HK\$29,813,000 in last year.

As at 30 June 2015, the fair value of the Group’s unlisted investments amounted to HK\$875,774,000 as compared to HK\$956,913,000 in last year, representing a 8.48% decrease.

### Unlisted Investment Portfolio

Name of company	Notes	Location	Group’s effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2015 HK\$'000	Dividend received HK\$'000
<b>Micro-loan service</b>							
1 Jingdezhen CFI Guosen Microfinance Co., Ltd.	(1)	Jingdezhen, Jiangxi Province	30%	Provision of small loan and financial consultation services	188,690	174,672	–



# Management Discussion and Analysis

## UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Investment Portfolio (Continued)

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2015 HK\$'000	Dividend received HK\$'000
<b>Micro-loan service (Continued)</b>							
12		Tianjin	30%	Provision of small loan and financial consultation services	36,741	38,642	–
13		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	59,355	–
				Sub-total:	821,688	766,967	1,646
<b>Guarantee service</b>							
14	(7)	Nanchang, Jiangxi Province	7.2%	Provision of financing guarantees to small and medium enterprises	43,150	62,930	–
				Sub-total:	43,150	62,930	–
<b>Investment and management consultation service</b>							
15		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	6,065	–
16		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	22,984	–
17	(8)	Zhenjiang, Jiangsu Province	30%	Provision of financial management services	18,591	–	480
18	(9)	Wuhan, Hubei Province	30%	Provision of financial management services	19,030	16,828	–
				Sub-total:	74,695	45,877	480
<b>Information system service and mining</b>							
19	(10)	British Virgin Islands	30%	Investment holding	–	–	–
				Total:	939,533	875,774	2,126

## UNLISTED INVESTMENT REVIEW (Continued)

### Unlisted Investment Portfolio (Continued)

#### Notes:

- (1) On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Jingdezhen CFI Guosen Microfinance Co., Ltd. to an independent third party for a cash consideration of HK\$188,690,000. A deposit of RMB140,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. As at the date of this annual report, a deposit of RMB55,000,000 has been refunded, the remaining balance of RMB85,000,000 will be refunded within one year.
- (2) On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. to an independent third party for a cash consideration of HK\$36,901,000. A deposit of RMB20,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. As at the date of this annual report, the deposit has been all refunded.
- (3) On 20 March 2015, the Company entered into a disposal agreement to dispose of all of its equity interest in Tianjin Binlian Microfinance Limited to an independent third party for a cash consideration of RMB10,000,000. As at the date of this annual report, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (4) On 2 March 2015, the Company entered into disposal agreements to dispose of all of its equity interest in Nanjing NingGangRongTong Technology Microfinance Co., Ltd. to independent third parties for a total cash consideration of RMB30,000,000. The disposal transactions were completed during the Year.
- (5) On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Ezhou Zhongjinguotou Microfinance Limited to an independent third party for a cash consideration of HK\$185,000,000. A deposit of HK\$10,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. As at the date of this annual report, the deposit has been all refunded.
- (6) On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. to an independent third party for a cash consideration of HK\$73,730,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.
- (7) On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Jiangxi Huazhang Hanchen Guarantee Group Limited to an independent third party for a cash consideration of HK\$43,150,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.
- (8) On 31 May 2015, the Company entered into a disposal agreement to dispose of all of its equity interest in Zhenjiang Financial Industry Development Limited to an independent third party for a consideration of RMB15,000,000. This disposal transaction was completed on 23 July 2015.
- (9) On 22 September 2014, the Group invested in a 30% equity interest of Hubei Zhongjin Tech Financial Services Co., Ltd., a joint venture established in the PRC. Hubei Zhongjin Tech Financial Services Co., Ltd. is principally engaged in the provision of financial management services to small and medium enterprises in Wuhan, Hubei Province, the PRC. On 23 December 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Hubei Zhongjin Tech Financial Services Co., Ltd. to an independent third party for a cash consideration of HK\$19,030,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.
- (10) On 31 December 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Globe Capital Resources Investment Limited to an independent third party for a consideration of HK\$2,000. The disposal transaction was completed during the Year.

The Company considered that the termination of (1), (2), (5), (6), (7) and (9) transactions as above would not have any material adverse impact on the financial and operational position of the Group.

# Management Discussion and Analysis

## PROSPECT

Looking ahead, the business environment remains very challenging as downward pressure on economy of the PRC is intensifying, the global financial and economic conditions are expected to remain unstable. As a small, very open and financially integrated economy, Hong Kong is highly sensitive to the slowdown of economic growth in the PRC and the global economic and financial shocks. The Group currently operates its business principally in Hong Kong and the PRC, any significant change in or worsening of the economic conditions in Hong Kong and the PRC will undoubtedly affect the Group's businesses. Nevertheless, the Group will stand firm against difficulties and challenges, cautiously review and adjust our business strategies from time to time, and seek more potential investment opportunities to diversify its business portfolio with an aim to maximise value for our shareholders.

## MAJOR ACQUISITIONS AND DISPOSALS

The major acquisition and disposal of subsidiary or associate during the Year are set out in note 17 to the financial statements.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2015, the Group had cash and cash equivalents of HK\$287,295,000 (2014: HK\$6,818,000). Majority of the cash and bank balances denominated in Hong Kong dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2015 was approximately 1.01 times (2014: 41.53 times), gearing ratio (calculated as the percentage of long term debts to the total Shareholders' equity) of the Group as at 30 June 2015 was approximately 7.74% (2014: 41.29%).

The Group did not have any bank borrowing as at 30 June 2015 (2014: Nil). The capital commitments of the Group are set out in note 33 to the financial statements.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2014: Nil).

## PLEDGE ON ASSETS

Pledge on assets of the Group is set out in note 26 to the financial statements.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (2014: Nil).

## CAPITAL STRUCTURE

The Company has issued 11,000,000 ordinary shares with par value of HK\$0.01 each upon the exercise of the share options at an exercise price of HK\$0.13 per share during the Year.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 14 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$13,319,000 (2014: HK\$16,348,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Du Lin Dong**, aged 47, currently as the chairman and chief executive officer of the Company. He was also the chief executive officer of China Water Affairs Group Limited (Stock code: 855), a company listed on the main board of the Stock Exchange. Mr. Du has about 25 years' experience in investment and finance sector in the PRC and he had held senior management positions in various unlisted investment companies incorporated in the PRC. Mr. Du is also the director of various subsidiaries of the Company.

**Mr. Pong Po Lam**, aged 58, is an authorised representative of the Company who is the managing director of Pegasus Fund Managers Limited. He has worked in the fund management industry for over 20 years. He is a non-official member of Human Capital Committee – Financial Services Development Council, a member of Advisory Committee of Hang Seng Indexes Co. Ltd., a member of Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants, a member of Mandatory Provident Fund Schemes Advisory Committee and a Convener – Financial Section of Hong Kong Professionals & Senior Executives Association. He is also a former chairman and current board member of the Institute of Financial Planners of Hong Kong, vice president of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd., the chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, member of Court of City University of HK, a member of Business Studies Advisory Board of HKU SPACE, a regular guest speaker for senior management training courses in several multi-national financial/insurance companies and universities, vice president of HK Shanxi Chamber of Commerce.

## NON-EXECUTIVE DIRECTORS

**Mr. Sha Naiping**, aged 62, appointed as a non-executive Director on 11 January 2013. He graduated from 上海海運學院 (transliterated as Shanghai Maritime University) in 1982 majoring in financial accounting. Mr. Sha is a senior accountant in the PRC. He was an executive director of China Merchants Holdings (International) Company Limited (“**China Merchants**”) (Stock code: 0144), a company listed on the main board of the Stock Exchange. He also acted as the general manager in the finance department in China Merchants from 1997 to 2000. He was the director of China Communication Securities Company Limited from 1997 to 2000 and the executive director of CM-CCS Securities Limited during 2000 to 2004. He was the senior financial consultant of China International Marine Containers (Group) Co., Ltd. from 2004 to 2005. He was an executive director of Gene Harbor (Hong Kong) Technologies Limited from 2005 to 2010. He is currently the director and president of China Glory International Limited since 2010. He has over 20 years of experience in accounting field.

**Mr. Ding Xiaobin**, aged 45, graduated with a master of business administration degree from Huazhong University of Science and Technology, and has been honored the academic title of economist. He has worked for different business enterprises in various fields, including banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Holdings Limited, he acts as the investment consultant for projects in relation to clothes sales, harbour operation, agricultural, chemical synthesis and so on, with close cooperative relationship with the commercial banks, insurance corporation and fund corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Cheung Wai Bun Charles**, JP, aged 79, who possesses the appropriate financial management expertise as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including experience in internal controls reviewing and analysing audited financial statements. Dr. Cheung is presently the chairman of Joy Harvest International Limited, director and vice chairman of Executive Committee of the Metropolitan Bank (China) Ltd., senior advisor of Metropolitan Bank & Trust Co. Philippines, an independent non-executive director and the director general of audit committee of China Resources Bank of Zhuhai Co. Ltd., an independent non-executive director and chairman of the audit committees of Pioneer Global Group Limited (Stock code: 224) and an independent non-executive director, member of audit committee and nomination committee

## Biographical Details of Directors and Senior Management

and the chairman of remuneration committee of Universal Technologies Holdings Limited (Stock code: 1026), the latter two are listed on the main board of the Stock Exchange. He is currently chairman of the board, an independent non-executive director and chairman of remuneration committee of Grand TG Gold Holdings Limited (Stock code: 8299), and an independent non-executive director of Zebra Strategic Holdings Limited (Stock code: 8260), both companies are listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange. He was an independent non-executive director of Shanghai Electric Group Company Limited (Stock Code: 2727) from November 2004 to 26 February 2014. He is the executive chairman of Lightscape Technologies Inc. Dr. Cheung is also a council member of the Hong Kong Institute of Directors. He was formerly a visiting professor of school of business of Nanjing University in the PRC and he is special advisor to the president of University of Victoria, BC Canada. Dr. Cheung is also a member of Hospital Governing Committee of both Kowloon Hospital Hong Kong and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a former director and advisor of the Tung Wah Group. He has held senior management positions in various companies of different industries and possessed extensive experiences. Dr. Cheung holds an honorary doctor’s degree from John Dewey University of USA, a master degree in business administration and a bachelor of science degree in accounts and finance from New York University. He was awarded Listed Company Non-Executive Director Award by the Hong Kong Directors of the Years Awards 2002. In December 2010, Dr. Cheung received 3 awards namely (1) Outstanding Management Award of The Chartered Management Association; (2) Outstanding Director Award of The Chartered Association of Directors; and (3) Outstanding CEO Award of The Asia Pacific CEO Association.

**Mr. Zeng Xianggao**, aged 56, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants, a member of The Hong Kong Institute of Certified Public Accountants (practicing) and the PRC Certified Public Accountant. Mr. Zeng was previously an accounting lecturer of Sun Yat-Sen University at Guangzhou, and an audit and tax consultant in two international accounting firms. He has extensive experience in accounting, taxation and auditing practice in Hong Kong as well as in the PRC. Mr. Zeng graduated from the Renmin University of China (Beijing) with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004. Mr. Zeng was the independent non-executive director of the Capinfo Company Limited from 18 January 2011 to 19 June 2015, a joint stock limited company incorporated in the PRC with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 1075).

**Mr. Li Cailin**, aged 61, a senior engineer. He holds a Bachelor Degree in International Finance at the Wuhan University, and a research graduate in Investment Management at the Dongbei University of Finance and Economics. Mr. Li has held senior positions in China Construction Bank and acted as the directors of Postal Savings Bank of China and China UnionPay. He is currently the director of Cinda Financial Leasing Co., Ltd. Mr. Li has been working in the banking services field for 45 years with over 30 years of experience in management of commercial banks. He won the First Class Progress Prize in Scientific and Collective Technology (Provincial) in the PRC. Mr. Li is a senior banker in the PRC.

### COMPANY SECRETARY

**Mr. Li Chi Chung**, aged 47, is currently a solicitor practicing in Hong Kong. Mr. Li obtained a bachelor degree in laws from The University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is an independent non-executive director of PINE Technology Holdings Limited (Stock code: 1079) and Kenford Group Holdings Limited (Stock code: 0464) respectively, both of which are companies listed on the main board of the Stock Exchange. He is the company secretary of Kingbo Strike Limited (Stock code: 1421), a company listed on the main board of the Stock Exchange. He is also the company secretary of KPM Holding Limited (Stock Code: 8027), a company listed on the GEM. From November 2002 to 27 February 2013, Mr. Li was an independent non-executive director of Eagle Nice (International) Holdings Limited (Stock code: 2368), a company listed on the main board of the Stock Exchange.

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2015.

## **PRINCIPAL ACTIVITIES**

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

## **OPERATING SEGMENT INFORMATION**

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

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The Board does not recommend the payment of any dividend for the year ended 30 June 2015 (2014: Nil).

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 100. This summary does not form part of the audited financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

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

## **SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BOND**

Details of movements in the Company's share capital, share options and convertible bond during the Year are set out in notes 28, 29 and 26 to the financial statements, respectively.

## **PRE-EMPTIVE RIGHTS**

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

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

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

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the Year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity on page 34 respectively.

## **DISTRIBUTABLE RESERVES**

At 30 June 2015, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK\$674,703,000 (2014: HK\$675,149,000) calculated in accordance with the Companies Act 1981 of Bermuda.

# Report of Directors

## MAJOR CUSTOMERS AND SUPPLIERS

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

## DIRECTORS

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

### Executive Directors:

Mr. Du Lin Dong *(Chief executive officer, appointed as the chairman on 8 June 2015)*  
Mr. Pong Po Lam

### Non-executive Directors:

Mr. Wang Dehe *(Resigned as chairman and non-executive director on 8 June 2015)*  
Mr. Sha Naiping  
Mr. Ding Xiaobin

### Independent non-executive Directors:

Dr. Cheung Wai Bun Charles  
Mr. Wan Hongchun *(Resigned on 8 June 2015)*  
Mr. Zeng Xianggao  
Mr. Li Cailin *(Appointed on 7 September 2015)*

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

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

Biographical details of the Directors are set out on pages 11 to 12 of this annual report.

## DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in details of the Directors' information for the Year are set out below:

Name	Details of Changes
Mr. Du Lin Dong	appointed as the chairman of the Board on 8 June 2015
Mr. Wang Dehe	resigned as the chairman and a non-executive Director on 8 June 2015
Mr. Wan Hongchun	resigned as an independent non-executive Director, the chairman and member of the remuneration committee, member of the audit committee, member of the nomination committee and member of the risk management committee of the Company on 8 June 2015
Dr. Cheung Wai Bun Charles	appointed as an independent non-executive director of Zebra Strategic Holdings Limited (Stock code: 8260) with effect from 1 September 2014
Mr. Zeng Xianggao	resigned as an independent non-executive director of Capinfo Company Limited (Stock code: 1075) with effect from 19 June 2015
Mr. Li Cailin	appointed as an independent non-executive Director, the chairman and member of the remuneration committee (the "Remuneration Committee"), the member of the audit committee (the "Audit Committee") and the member of the nomination committee (the "Nomination Committee") of the Company on 7 September 2015

## DIRECTORS' SERVICE CONTRACTS

Mr. Du Lin Dong entered into a service agreement with the Company on 23 June 2010, pursuant to which Mr. Du Lin Dong was appointed to act as executive Director and the chairman of the Board for a period of 3 years from the date of the agreement at an annual remuneration of HK\$3,000,000, a housing allowance of not more than HK\$50,000 per month and an annual fee of HK\$120,000 for his office as executive Director. Under the service agreement, either party needs to give not less than 3 months' written notice to the other party in case of early termination of the appointment. The service agreement was amended on 8 October 2013 and on 8 June 2015, pursuant to which Mr. Du Lin Dong resigned as the chairman of the Board and was appointed as the chief executive officer of the Company on 8 October 2013 and was appointed as the chairman of the Board on 8 June 2015 respectively, the other terms of the service agreement remain unchanged.

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

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

As at 30 June 2015, 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 Listing Rules, were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares held				Approximate percentage of shareholding in the Company
		Personal interests	Interests of spouse	Corporate interests	Total interests	
Du Lin Dong <i>(note)</i>	Beneficial owner, interests of spouse and interests of controlled corporation	185,914,830	34,400,000	500,000,000	720,314,830	15.42%
Ding Xiaobin	Beneficial owner	1,300,000	-	-	1,300,000	0.03%
Zeng Xianggao	Beneficial owner	1,000,000	-	-	1,000,000	0.02%

*Note:* Mr. Du Lin Dong is personally holding 185,914,830 ordinary shares. The 34,400,000 ordinary shares were held by Ms. Liu Zan, who is the spouse of Mr. Du Lin Dong and the 500,000,000 ordinary shares were held by Rightfirst Holdings Limited, a company wholly owned by Mr. Du Lin Dong. Under the SFO, Mr. Du Lin Dong is deemed to be interested in the ordinary shares which Ms. Liu Zan and Rightfirst Holdings Limited are interested.

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

Name of Director	Number of options directly beneficially owned
Wang Dehe <i>(resigned on 8 June 2015)</i>	40,000,000
Du Lin Dong	4,700,000
	44,700,000

# Report of Directors

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

Save as disclosed above, as at 30 June 2015, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2015, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's ordinary shares and underlying shares:

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

Name of Shareholder	Capacity	Notes	Number of issued ordinary shares held				Approximate percentage of shareholding in the Company
			Personal interests	Interests of spouse	Corporate interests	Total interests	
Du Lin Dong	Beneficial owner, interests of spouse and interests of controlled corporation	(1) & (2)	185,914,830	34,400,000	500,000,000	720,314,830	15.42%
Rightfirst Holdings Limited	Beneficial owner	(1)	500,000,000	-	-	500,000,000	10.70%
Liu Zan	Beneficial owner and interests of spouse	(1) & (2)	34,400,000	685,914,830	-	720,314,830	15.42%
Peng Xinliang	Beneficial owner		242,608,000	-	-	242,608,000	5.19%
Huang Rulun	Interests of controlled corporation	(3)	-	-	400,000,000	400,000,000	8.56%
Century Golden Resources Investment Co., Limited	Beneficial owner	(3)	400,000,000	-	-	400,000,000	8.56%
Chen Jian	Beneficial owner and interests of controlled corporation	(4)	10,250,000	-	148,530,000	158,780,000	3.40%
Jumbo View Holdings Limited	Beneficial owner	(4)	148,530,000	-	-	148,530,000	3.18%

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

Name of Shareholder	Capacity	Notes	Number of underlying shares held			Approximate percentage of shareholding in the Company
			Personal interests	Corporate interests	Total interests	
Jumbo View Holdings Limited	Beneficial owner	(4) & (5)	560,000,000	-	560,000,000	11.99%
Chen Jian	Interests of controlled corporation	(4) & (5)	-	560,000,000	560,000,000	11.99%

*Notes:*

- (1) Rightfirst Holdings Limited is wholly owned by Mr. Du Lin Dong, Mr. Du Lin Dong is therefore deemed to be interested in the 500,000,000 ordinary shares held by Rightfirst Holdings Limited.
- (2) Ms. Liu Zan is the spouse of Mr. Du Lin Dong and she is deemed to be interested in the ordinary shares held by Mr. Du Lin Dong and vice versa.
- (3) 60% of the issued share capital of Century Golden Resources Investment Co., Limited is owned by Mr. Huang Rulun, Mr. Huang Rulun is therefore deemed to be interested in the 400,000,000 ordinary shares held by Century Golden Resources Investment Co., Limited.
- (4) The 148,530,000 ordinary shares and 560,000,000 underlying shares were held by Jumbo View Holdings Limited, a company wholly owned by Mr. Chen Jian.
- (5) The Company issued a convertible bond with a nominal value of HK\$280,000,000 on 27 December 2012. The convertible bond is beneficially held by Jumbo View Holdings Limited, the entire issued share capital of which is owned by Mr. Chen Jian, and carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. The convertible bond is convertible at the option of the holder into fully paid ordinary shares at an initial conversion price of HK\$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date.

Save as disclosed above, as at 30 June 2015, 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.

## DIRECTORS' INTERESTS IN CONTRACTS

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

# Report of Directors

## 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 share options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Further details of the Scheme are disclosed in note 29(a) to the financial statements.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 29(a) to the financial statements, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CONTINUING CONNECTED TRANSACTIONS

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

### (a) Non-exempted continuing connected transaction

#### *Investment management agreement*

On 29 April 2011, an investment management agreement (the “**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 three years effective from 29 April 2011. Pursuant to the Investment Management Agreement, the annual management fee together with a performance-related fee payable by the Company was expected to be less than HK\$6,000,000. 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 aggregate market value of the portfolio on the last business day of each calendar month; and
- a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

The Investment Management Agreement expired on 28 April 2014 and a new investment management agreement (the “**New Investment Management Agreement**”) was entered into accordingly on 25 April 2014 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2014. Pursuant to the New Investment Management Agreement, the annual management fee payable by the Company is expected to be less than HK\$1,800,000, CFIIM is entitled to a management fee which is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The aggregate management fee and performance-related fee payable to CFIIM under the Investment Management Agreement and the New Investment Management Agreement are subject to caps as follows:

- not exceeding HK\$6,000,000 annually from 29 April 2011 to 28 April 2014
- not exceeding HK\$1,800,000 annually from 29 April 2014 to 28 April 2017

## CONTINUING CONNECTED TRANSACTIONS *(Continued)*

### (a) **Non-exempted continuing connected transaction *(Continued)***

#### *Investment management agreement (Continued)*

During the Year, the aggregate management fees paid/payable by the Company under the Investment Management Agreement together with the New Investment Management Agreement to CFIIIM amounted to HK\$1,049,000 (2014: HK\$987,000).

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

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

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

### (b) **Continuing connected transaction exempted from reporting, annual review, announcement and independent shareholders' approval requirements**

#### *Custodian agreement*

Pursuant to the custodian agreement (the "**Custodian Agreement**") dated 12 June 2007, the Company appointed Bank of Communications Trustee Limited as its custodian with effect from 12 June 2007. The custodian has agreed to provide securities services to the Company, including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until it is terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, the custody fee is 0.05% of the net asset value, the minimum charge is HK\$4,000 per valuation per month and will be billed monthly (i.e. calculated on a monthly basis on the net asset value of the portfolio as at the month end), the fund service fee is HK\$4,000 per month, and the transaction fees are HK\$320 per transaction for listed securities and HK\$650 per unlisted/physical securities transaction. The custodian fee paid/payable during the Year amounted to HK\$154,000 (2014: HK\$161,000).

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

# Report of Directors

## **CONTINUING CONNECTED TRANSACTIONS *(Continued)***

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **AUDITORS**

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

ON BEHALF OF THE BOARD

### **Du Lin Dong**

*Chairman and Chief Executive Officer*

Hong Kong

9 September 2015

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

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

- (a) The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. On 8 June 2015, Mr. Wang Dehe resigned as the chairman of the Company while Mr. Du Lin Dong appointed as the chairman of the Company, the positions of both chairman and chief executive officer have been held by Mr. Du Lin Dong. Given the Group's current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.
- (b) The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, Mr. Wang Dehe and Mr. Wan Hongchun were unable to attend the AGM of the Company held on 21 November 2014; and Mr. Wang Dehe, Mr. Sha Naiping, Mr. Ding Xiaobin, Mr. Wan Hongchun and Mr. Zeng Xianggao were unable to attend the special general meeting of the Company held on 6 March 2015.
- (c) Rules 3.10(1), 3.21 and 3.25 of the Listing Rules stipulate that (i) every board of directors must include at least three independent non-executive directors; (ii) the audit committee must comprise a minimum of three members; and (iii) the remuneration committee must be chaired by an independent non-executive director and comprised a majority of independent non-executive directors, respectively. Following the resignation of Mr. Wan Hongchun as an INED on 8 June 2015, the number of INEDs fell below the minimum number as required under Rule 3.10(1) of the Listing Rules; the number of members of the audit committee fell below the minimum number as required under Rule 3.21 of the Listing Rules; and the number of members of the remuneration committee fell below the minimum number as required under Rule 3.25 of the Listing Rules with absence of chairman.

Following the appointment of Mr. Li Cailin as an INED, the chairman and member of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company on 7 September 2015, the Company has fulfilled the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

## **DIRECTORS' SECURITIES TRANSACTION**

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

# Corporate Governance Report

## THE BOARD

### Responsibilities

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and performance in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its Shareholders at all times. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board. The Board also delegates specific responsibilities and duties to its respective committees, details are set out in the section headed "Board Committees" below.

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

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

### Composition

As at the date of this annual report, the Board is made up of 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 INEDs. The Board comprises the following Directors:

#### Executive Directors:

Mr. Du Lin Dong *(Chief executive officer, appointed as the chairman on 8 June 2015)*  
Mr. Pong Po Lam

#### Non-executive Directors:

Mr. Wang Dehe *(Resigned as the chairman and non-executive director on 8 June 2015)*  
Mr. Sha Naiping  
Mr. Ding Xiaobin

#### Independent non-executive Directors:

Dr. Cheung Wai Bun Charles  
Mr. Wan Hongchun *(Resigned on 8 June 2015)*  
Mr. Zeng Xianggao  
Mr. Li Cailin *(Appointed on 7 September 2015)*

The Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' biographical details are set out in the section of "Biographical Details of Directors and Senior Management" on pages 11 to 12 of this annual report.

## THE BOARD *(Continued)*

### Composition *(Continued)*

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

Following the resignation of Mr. Wan Hongchun as an independent non-executive Director on 8 June 2015, the Company has (i) two INEDs; (ii) two Audit Committee members; (iii) two Nomination Committee members; and (iv) two Remuneration Committee members and only one of whom is an INED, the number of which has fallen below the minimum number required under Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules. Upon the appointment of Mr. Li Cailin as an INED, the chairman and member of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company on 7 September 2015, the Company has fulfilled the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

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

### Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board and Nomination Committee will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

### Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. On 8 June 2015, Mr. Wang Dehe resigned as the chairman of the Company while Mr. Du Lin Dong appointed as the chairman of the Company, the positions of both chairman and chief executive officer have been held by Mr. Du Lin Dong. Given the Group's current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

# Corporate Governance Report

## **THE BOARD** *(Continued)*

### **Independent Non-executive Directors**

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

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

Dr. Cheung Wai Bun Charles, who is to retire by rotation at the 2015 AGM of the Company, has served as an INED of the Company for more than 9 years. In addition to his confirmation of independence in accordance with Rule 3.13 of the Listing Rules, Dr. Cheung continues to demonstrate the attributes of an INED and there is no evidence that his tenure has had any impact on his independence. The Board is of the opinion that Dr. Cheung remains independent, notwithstanding the length of his service and it believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the Shareholders as a whole. Dr. Cheung will be subject to retirement by rotation on the regular rotation basis.

### **Appointment and Re-election of Directors**

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

### **Continuous Professional Development**

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

## THE BOARD *(Continued)*

### Meetings

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

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

During the Year, 15 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting, 8 executive committee (the "**Executive Committee**") meetings, 1 risk management committee (the "**Risk Management Committee**") meeting and 2 general meetings (including the AGM) were held. The attendance record of each Director was as follows:

Director	Attendance/Number of Meetings						
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Risk Management Committee Meeting	General Meeting
Mr. Du Lin Dong	15/15	N/A	1/1	N/A	8/8	1/1	2/2
Mr. Pong Po Lam	15/15	N/A	N/A	N/A	8/8	N/A	2/2
Mr. Wang Dehe <i>(Resigned on 8 June 2015)</i>	10/14	N/A	N/A	N/A	N/A	N/A	0/2
Mr. Sha Naiping	8/15	N/A	N/A	N/A	N/A	N/A	1/2
Mr. Ding Xiaobin	8/15	N/A	N/A	N/A	N/A	N/A	1/2
Dr. Cheung Wai Bun Charles	8/15	2/2	1/1	1/1	N/A	1/1	2/2
Mr. Wan Hongchun <i>(Resigned on 8 June 2015)</i>	8/14	2/2	1/1	1/1	N/A	1/1	0/2
Mr. Zeng Xianggao	8/15	2/2	N/A	1/1	N/A	N/A	1/2

### BOARD COMMITTEES

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

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

# Corporate Governance Report

## **BOARD COMMITTEES (Continued)**

### **Audit Committee**

During the Year, the Audit Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles (*chairman of the Audit Committee*), Mr. Wan Hongchun (*resigned on 8 June 2015*) and Mr. Zeng Xianggao. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

Mr. Wan Hongchun resigned on 8 June 2015. Thereafter, the number of INEDs on the Audit Committee did not meet the requirement under Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Li Cailin as a member of the Audit Committee on 7 September 2015, the Company has fulfilled the requirement under Rule 3.21 of the Listing Rules.

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

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

- Reviewed and discussed the annual financial statements, results announcement and report for the year ended 30 June 2014, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the reappointment of the external auditors; and
- Reviewed and discussed the interim financial statements, results announcement and report for the six months ended 31 December 2014 and the related accounting principles and practices adopted by the Group.

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

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

### **Remuneration Committee**

During the Year, the Remuneration Committee comprises the following members, namely, Mr. Du Lin Dong, an executive Director, and Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun (*chairman of the Remuneration Committee*) (*resigned on 8 June 2015*), both of them are INEDs.

Mr. Wan Hongchun resigned as chairman and member of the Remuneration Committee on 8 June 2015. Thereafter, the vacated chairman's position and the number of members on the Remuneration Committee did not meet the requirement under Rule 3.25 of the Listing Rules. Upon the appointment of Mr. Li Cailin as the chairman and member of the Remuneration Committee on 7 September 2015, the Company has fulfilled the requirement under Rule 3.25 of the Listing Rules.

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

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

- Generally reviewed the remuneration policy and remuneration package of the Group; and
- Reviewed and approved the remuneration of the Directors.

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

## **BOARD COMMITTEES (Continued)**

### **Nomination Committee**

During the Year, the Nomination Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles (*chairman of the Nomination Committee*), Mr. Wan Hongchun (*resigned on 8 June 2015*) and Mr. Zeng Xianggao.

Mr. Wan Hongchun resigned on 8 June 2015. Thereafter, the number of members on the Nomination Committee did not meet the requirement under its terms of reference. Upon the appointment of Mr. Li Cailin as a member of the Nomination Committee on 7 September 2015, the Company has complied the requirement under its terms of reference.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendation to the Board on the appointment or re-appointment of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company and to review the board diversity policy, as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the Corporate Governance Report.

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

- Reviewed the structure, size, composition and diversity of Board including the skills, knowledge and experience;
- Made recommendations to the Board on the appointment and re-appointment of Directors;
- Reviewed the policy and procedures for nomination of Directors; and
- Assessed the independence of all the Company's INEDs.

Details of re-appointments were set out in the circular of the Company dated 25 September 2014 and all re-appointments were approved by the Shareholders at the AGM held on 21 November 2014.

### **Executive Committee**

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

### **Risk Management Committee**

The Risk Management Committee comprises the following members, namely, Mr. Du Lin Dong (*chairman of Risk Management Committee*), an executive Director, and Dr. Cheung Wai Bun Charles and Mr. Wan Hongchun (*resigned on 8 June 2015*), both of them are INEDs. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to the unlisted investments and providing comments and recommendations thereon to the Board, and identifying such risks of the Group and providing recommendations to the Board.

# Corporate Governance Report

## **BOARD COMMITTEES (Continued)**

### **Corporate Governance Functions**

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

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

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

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

The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements, is set out in the "Independent Auditors' Report" on page 31 of this Annual Report.

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

## **COMPANY SECRETARY**

As at 30 June 2015, the company secretary of the Company, Mr. Li Chi Chung, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the current Year under review. His biography is set out in the "Biographical Details of the Directors and Senior Management" section of this annual report.

## **INTERNAL CONTROL**

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

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

## AUDITORS' REMUNERATION

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

During the Year, the fees paid/payable to the Group's external auditors in respect of audit services and non-audit services amounted to HK\$680,000 (2014: HK\$635,000) and HK\$284,000 (2014: HK\$229,000), respectively. It should be noted that the non-audit services, e.g. issue the statement of indebtedness of the Group, review of unaudited pro forma financial information of the Group, interim financial statements, results announcements and continuing connected transactions of the Group, provided by the external auditors during the Year were incidental to their audit services.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its Shareholders is through the publication of its interim and annual reports. The Company's share registrars serve the Shareholders with respect to all share registration matters. The Company's AGM provides a useful forum for Shareholders to exchange views with the Board. The Board members and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all Shareholders at least 20 clear business days before the AGM.

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

A Shareholders' communication policy of the Company (the "**Communication Policy**") has been adopted by the Company to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing and reviewing the Communication Policy on a regular basis to ensure its effectiveness, details of the Communication Policy are available on the Company's website.

## SHAREHOLDERS' RIGHTS

### Right to convene special general meeting

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

# Corporate Governance Report

## **SHAREHOLDERS' RIGHTS (Continued)**

### **Right to put forward proposals at general meetings**

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

### **Right to put enquiries to the Board**

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Suite 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board.

## **INVESTOR RELATIONS**

### **Constitutional Documents**

There were no changes in the Company's constitutional documents during the Year. An up-to-date version of the Company's constitutional documents is available on the websites of the Stock Exchange and the Company.

### **General Meetings**

General meetings, including AGM, are an important forum where communications with the Shareholders can be effectively conducted. During the Year, two general meetings were held at the Hong Kong's principal place of business of the Company. AGM was held on 21 November 2014 and one special general meeting was held on 6 March 2015. Separate resolutions are proposed at general meetings on each substantially separate issue. All resolutions proposed were duly passed except for the resolution no. 3 of the special general meeting of the Company held on 6 March 2015. Details of the poll results were posted on the websites of the Stock Exchange and the Company.

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



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

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

We have audited the consolidated financial statements of China Financial International Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 99, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **AUDITORS' RESPONSIBILITY**

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

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

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

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

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 30 June 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
9 September 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Revenue	6	<b>2,126</b>	29,813
Other income and gains	6	<b>2,234</b>	800
Net change in fair value of financial assets	7	<b>45,212</b>	(97,558)
Impairment loss of available-for-sale financial assets		<b>(516)</b>	(4,295)
Impairment loss of other receivables	21	<b>–</b>	(29,406)
Finance costs	8	<b>(25,265)</b>	(24,424)
Administrative expenses		<b>(25,386)</b>	(91,176)
Share of loss of an associate		<b>(13)</b>	(32)
		<hr/>	<hr/>
Loss before tax	9	<b>(1,608)</b>	(216,278)
Income tax credit	13	<b>982</b>	3,398
		<hr/>	<hr/>
Loss for the year		<b>(626)</b>	(212,880)
		<hr/>	<hr/>
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		<b>(10,538)</b>	(29,553)
Reclassification adjustment for loss included in profit or loss			
– Impairment loss		<b>516</b>	4,295
Income tax effect		<b>(399)</b>	2,190
		<hr/>	<hr/>
		<b>(10,421)</b>	(23,068)
Exchange differences on translation of foreign operations		<b>(746)</b>	(810)
		<hr/>	<hr/>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<b>(11,167)</b>	(23,878)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<b>(11,167)</b>	(23,878)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>(11,793)</b>	(236,758)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to ordinary equity holders of the Company			
– Basic	15(a)	<b>HK(0.013) cents</b>	HK(4.568) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted	15(b)	<b>HK(0.013) cents</b>	HK(4.568) cents
		<hr/> <hr/>	<hr/> <hr/>

# Consolidated Statement of Financial Position

30 June 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	125	206
Investment in an associate	18	416	429
Available-for-sale financial assets	19	325,232	335,770
Financial assets at fair value through profit or loss	20	550,542	621,143
		<hr/>	<hr/>
Total non-current assets		<b>876,315</b>	957,548
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	20	178,346	99,663
Prepayments, deposits and other receivables	21	39,685	107,385
Cash and cash equivalents	22	287,295	6,818
		<hr/>	<hr/>
Total current assets		<b>505,326</b>	213,866
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	23	217,845	887
Convertible bond	25, 26	278,816	–
Due to a related company	24	15	–
Due to an associate	18	97	64
Tax payable		4,200	4,199
		<hr/>	<hr/>
Total current liabilities		<b>500,973</b>	5,150
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>4,353</b>	208,716
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>880,668</b>	1,166,264
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans	25	62,965	62,965
Convertible bond	25, 26	–	276,301
Deferred tax liabilities	27	4,567	5,253
		<hr/>	<hr/>
		<b>67,532</b>	344,519
		<hr/>	<hr/>
<b>Net assets</b>		<b>813,136</b>	821,745
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital	28	46,717	46,607
Reserves	31(a)	766,419	775,138
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>813,136</b>	821,745
		<hr/> <hr/>	<hr/> <hr/>
Net asset value per share	30	<b>HK17.41 cents</b>	HK17.63 cents
		<hr/> <hr/>	<hr/> <hr/>

**Du Lin Dong**  
*Director*

**Pong Po Lam**  
*Director*

# Consolidated Statement of Changes in Equity

Year ended 30 June 2015

Attributable to equity holders of the Company										
	Issued capital	Share premium	Contributed surplus	Capital reserve	Available-for-sale financial asset revaluation reserve	Share option reserve	Exchange reserve	Equity component of a convertible bond	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2013	46,599	680,922	278,979	2,766	45,477	2,275	918	7,231	(70,554)	994,613
Loss for the year	-	-	-	-	-	-	-	-	(212,880)	(212,880)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(810)	-	-	(810)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(23,068)	-	-	-	-	(23,068)
Total comprehensive income for the year	-	-	-	-	(23,068)	-	(810)	-	(212,880)	(236,758)
Equity-settled share-based transactions (note 29)	-	-	-	-	-	63,850	-	-	-	63,850
Lapse of share options	-	-	-	-	-	(1,763)	-	-	1,763	-
Issue of shares										
- upon exercise of share options (note 28(a))	8	45	-	-	-	(13)	-	-	-	40
At 30 June 2014 and 1 July 2014	46,607	680,967*	278,979*	2,766*	22,409*	64,349*	108*	7,231*	(281,671)*	821,745
Loss for the year	-	-	-	-	-	-	-	-	(626)	(626)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(746)	-	-	(746)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(10,421)	-	-	-	-	(10,421)
Total comprehensive income for the year	-	-	-	-	(10,421)	-	(746)	-	(626)	(11,793)
Equity-settled share-based transactions (note 29)	-	-	-	-	-	1,754	-	-	-	1,754
Issue of shares										
- upon exercise of share options (note 28(a))	110	1,819	-	-	-	(499)	-	-	-	1,430
At 30 June 2015	46,717	682,786*	278,979*	2,766*	11,988*	65,604*	(638)*	7,231*	(282,297)*	813,136

\* These reserve accounts comprise the consolidated reserves of HK\$766,419,000 (2014: HK\$775,138,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 30 June 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before tax		<b>(1,608)</b>	(216,278)
Adjustments for:			
Share of loss of an associate		<b>13</b>	32
Interest income	6	<b>(1,202)</b>	(12)
Dividend income	6	<b>(2,126)</b>	(29,813)
Finance costs	8	<b>25,265</b>	24,424
Depreciation	9	<b>81</b>	994
Loss on disposal of items of property, plant and equipment	9	–	493
Net realised gain on disposal of an available-for-sale financial asset	7	<b>(2)</b>	–
Net realised (gain)/loss on disposal of financial assets at fair value through profit or loss	7	<b>(698)</b>	9,944
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	7	<b>(44,512)</b>	87,614
Impairment loss on available-for-sale financial assets		<b>516</b>	4,295
Impairment loss on other receivables	21	–	29,406
Equity-settled share option expenses		<b>1,754</b>	63,850
Exchange gain	6	<b>(109)</b>	(786)
Operating cash flows before movements in working capital		<b>(22,628)</b>	(25,837)
Decrease/(increase) in prepayments, deposits and other receivables		<b>69,151</b>	(57,521)
Increase/(decrease) in other payables and accruals		<b>216,958</b>	(777)
Increase/(decrease) in an amount due to a related company		<b>15</b>	(7)
Increase/(decrease) in an amount due to an associate		<b>33</b>	(47)
Sales of available-for-sale financial assets		<b>2</b>	35,549
Sales/(purchase) of financial assets at fair value through profit or loss		<b>37,129</b>	(2,297)
Cash generated from/(used in) operations		<b>300,660</b>	(50,937)
Interest received		<b>1,202</b>	12
Dividend received		<b>675</b>	18,808
Overseas tax paid		<b>(103)</b>	–
<b>Net cash generated from/(used in) operating activities</b>		<b>302,434</b>	(32,117)
<b>Cash flows from an investing activity</b>			
Purchases of items of property, plant and equipment	16	–	(183)
<b>Net cash used in an investing activity</b>		–	(183)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares upon exercise of share options	28(a)	<b>1,430</b>	40
Proceeds from issue of interest bearing loans	25	–	53,000
Interest paid		<b>(22,750)</b>	(21,843)
<b>Net cash (used in)/generated from financing activities</b>		<b>(21,320)</b>	31,197
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>281,114</b>	(1,103)
Cash and cash equivalents at beginning of the year		<b>6,818</b>	7,944
Effect of foreign exchange rate changes		<b>(637)</b>	(23)
<b>Cash and cash equivalents at end of the year</b>		<b>287,295</b>	6,818
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances	22	<b>287,295</b>	6,818

# Statement of Financial Position

30 June 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	125	206
Investments in subsidiaries	17	61,100	10,492
Investment in an associate	18	290	290
Available-for-sale financial assets	19	325,232	335,770
Financial assets at fair value through profit or loss	20	550,542	621,143
		<hr/>	<hr/>
Total non-current assets		<b>937,289</b>	967,901
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	20	178,346	99,663
Due from subsidiaries	17	517	410
Prepayments, deposits and other receivables	21	39,679	94,386
Cash and cash equivalents	22	25,693	6,391
		<hr/>	<hr/>
Total current assets		<b>244,235</b>	200,850
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	23	17,843	887
Convertible bond	25, 26	278,816	–
Due to subsidiaries	17	4,012	463
Due to a related company	24	15	–
Due to an associate	18	97	64
Tax payable		4,200	4,199
		<hr/>	<hr/>
Total current liabilities		<b>304,983</b>	5,613
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(60,748)</b>	195,237
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>876,541</b>	1,163,138
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans	25	62,965	62,965
Convertible bond	25, 26	–	276,301
Deferred tax liabilities	27	4,567	5,253
		<hr/>	<hr/>
		<b>67,532</b>	344,519
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>809,009</b>	818,619
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital	28	46,717	46,607
Reserves	31(b)	762,292	772,012
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>809,009</b>	818,619
		<hr/> <hr/>	<hr/> <hr/>

**Du Lin Dong**  
Director

**Pong Po Lam**  
Director

## 1. CORPORATION INFORMATION

China Financial International Investments Limited (the “Company”) was previously incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the 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 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

On 4 September 2014, a share subscription agreement entered into among the Company, Mr. Du Lin Dong and Mr. Wang Dehe (collectively referred to as the “Guarantors”) and 上海外聯發實業發展有限公司 (transliterated as Shanghai Wailianfa Industrial Development Limited, (“Wailianfa”)) as amended, modified and varied by the deed of novation dated 7 November 2014 entered into among the Company, the Guarantors, Wailianfa and 上海君爵投資中心 (有限合夥) (transliterated as Shanghai Junjue Investment Centre (Limited Partnership), (“Junjue”)) and the supplemental agreement dated 30 December 2014 entered into among the Company, the Guarantors and Junjue (collectively the “Amended First Subscription Agreement”) in relation to the subscription for 11,500,000,000 new shares at HK\$0.20 per share in the Company by United Talents Holdings Limited, being the nominee of Junjue. On 14 May 2015, the Company, Junjue and the Guarantors entered into a memorandum of understanding to terminate the Amended First Subscription Agreement, of which, all the obligations and liabilities of parties to the Amended First Subscription Agreement be released and discharged.

In addition, a share subscription agreement dated 4 September 2014 as amended, modified and varied by a supplemental agreement dated 7 November 2014 and second supplemental agreement dated 30 December 2014 (collectively the “Amended Second Subscription Agreement”) entered into between the Company and Regal Prosper International Limited (“Regal Prosper”), in relation to the subscription of 840,000,000 new shares (the “Second Subscription Shares”) at HK\$0.20 per share in the Company by Regal Prosper. On 6 March 2015, the shareholders of the Company did not approve the Second Subscription Shares at the special general meeting of the Company and the Second Subscription Agreement was terminated accordingly.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance, which, because the Company has not early adopted the revised disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss (“FVTPL”) which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

# Notes to Financial Statements

30 June 2015

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2015.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

Other than explained below regarding the impact of amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), HKAS 32, and certain amendments included in *Annual Improvement 2010-2012 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

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 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 amendments have had no impact on the Group.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

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

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

HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 July 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

# Notes to Financial Statements

30 June 2015

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

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 July 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 July 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

In addition, the amendments to the Listing Rules announced by the Stock Exchange in February 2015 relating to the disclosure of financial information with reference to the Companies Ordinance (Cap. 622) and HKFRSs will be applied for the year ending 30 June 2016. The Group is in the process of making an assessment of the impact of these changes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Subsidiaries**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

### **Investment in an associate**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and OCI of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Company's investment in an associate.

The results of an associate are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

### **Fair value measurement**

The Group measures its available-for-sale financial assets and financial assets at FVTPL at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

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

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

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Related parties**

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

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

or

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

**Property, plant and equipment and depreciation**

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

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

# Notes to Financial Statements

30 June 2015

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

### **Property, plant and equipment and depreciation *(Continued)***

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

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

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

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

### **Investments and other financial assets**

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at FVTPL.

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

#### *Subsequent measurement*

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

#### *Financial assets at fair value through profit or loss*

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

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

Financial assets designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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

#### *Loans and receivables*

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

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

Available-for-sale financial assets are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at FVTPL.

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets, if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

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

#### *Available-for-sale financial assets (Continued)*

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

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

### **Impairment of financial assets**

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

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

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

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

### **Impairment of financial assets *(Continued)***

#### *Financial assets carried at amortised cost (Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

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

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

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

# Notes to Financial Statements

30 June 2015

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

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or loans and borrowings, as appropriate.

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

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

#### *Subsequent measurement*

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

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

#### *Convertible bond*

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

### **Derecognition of financial liabilities**

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

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

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

### **Offsetting of financial instruments**

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

### **Cash and cash equivalents**

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

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

### **Income tax**

#### *PRC*

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

#### *Hong Kong*

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

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

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

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

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

# Notes to Financial Statements

30 June 2015

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

### **Income tax (*Continued*)**

#### *Hong Kong (Continued)*

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

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

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

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

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

### **Revenue recognition**

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

#### *Interest income*

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

#### *Dividend income*

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

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

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company also grants share options to consultants under a specific mandate which requires shareholders' approval. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and consultants for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial or trinomial model, further details of which are given in note 29 to the financial statements.

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

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

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

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

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

# Notes to Financial Statements

30 June 2015

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

### **Other employee benefits**

#### *Pension scheme*

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

### **Dividends**

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

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

### **Operating leases**

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

### **Foreign currency translation**

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the HK\$ at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into HK\$ at the weighted average exchange rates for the year.

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

#### **Judgements**

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

##### *Going concern*

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

#### **Estimation uncertainty**

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

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

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

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

# Notes to Financial Statements

30 June 2015

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

### **Estimation uncertainty *(Continued)***

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

The fair values of available-for-sale financial assets and unlisted investments at FVTPL at 30 June 2015 were HK\$325,232,000 (2014: HK\$335,770,000) and HK\$550,542,000 (2014: HK\$621,143,000), respectively. Details are included in notes 19 and 20 to the financial statements, respectively.

### **Impairment of available-for-sale financial assets**

The Group classifies certain unlisted investments as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. For the year ended 30 June 2015, an impairment loss of HK\$516,000 (2014: HK\$4,295,000) has been recognised for available-for-sale financial assets.

#### *Taxes*

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

## 4. OPERATING SEGMENT INFORMATION

Management has determined the 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 estate
- 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.

**4. OPERATING SEGMENT INFORMATION (Continued)****Segment results**

	Micro-loan service HK\$'000	Real estate HK\$'000	Others HK\$'000	Total HK\$'000
<b>Year ended 30 June 2015</b>				
Segment results	<u>(32,997)</u>	<u>80,661</u>	<u>(842)</u>	46,822
Share of loss of an associate				(13)
Unallocated income				2,234
Unallocated expenses				<u>(50,651)</u>
Loss before tax				(1,608)
Income tax credit				<u>982</u>
Loss for the year				<u>(626)</u>
<b>Year ended 30 June 2014</b>				
Segment results	<u>(7,213)</u>	<u>(57,114)</u>	<u>(7,713)</u>	(72,040)
Share of loss of an associate				(32)
Unallocated income				800
Unallocated expenses				<u>(145,006)</u>
Loss before tax				(216,278)
Income tax credit				<u>3,398</u>
Loss for the year				<u>(212,880)</u>

Segment results represent loss on disposal of listed investments, gain on disposal of unlisted investments, gain/(loss) on financial assets at FVTPL, impairment loss of available-for-sale financial assets and the corresponding dividend income earned from unlisted investments without allocation of central administration expenses and fees to the investment managers.

**Segment assets**

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

	2015 HK\$'000	2014 HK\$'000
Micro-loan service	<b>766,967</b>	854,663
Real estate	<b>169,193</b>	88,531
Others	<b>117,960</b>	113,382
Total segment assets	<u><b>1,054,120</b></u>	1,056,576
Unallocated assets	<u><b>327,521</b></u>	114,838
	<u><b>1,381,641</b></u>	<u>1,171,414</u>

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than property, plant and equipment, an investment in an associate, prepayments, deposits and other receivables and cash and cash equivalents.

All liabilities as at 30 June 2015 and 30 June 2014 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.

# Notes to Financial Statements

30 June 2015

## 5. GAIN/(LOSS) ON INVESTMENTS

	Listed investments HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
<b>Year ended 30 June 2015</b>			
<i>Included in profit or loss:</i>			
Realised gain:			
Available-for-sale financial assets	-	2	2
Financial assets at FVTPL	-	698	698
Unrealised gain/(loss):			
Financial assets at FVTPL	78,682	(34,170)	44,512
Impairment loss:			
Available-for-sale financial assets	-	(516)	(516)
Total realised and unrealised gain/(loss) included in profit or loss	<u>78,682</u>	<u>(33,986)</u>	<u>44,696</u>
<i>Included in other comprehensive income:</i>			
Unrealised loss:			
Available-for-sale financial assets	-	(10,538)	(10,538)
Total realised and unrealised gain/(loss) for the year	<u><u>78,682</u></u>	<u><u>(44,524)</u></u>	<u><u>34,158</u></u>
<b>Year ended 30 June 2014</b>			
<i>Included in profit or loss:</i>			
Realised (loss)/gain:			
Financial assets at FVTPL	(14,858)	4,914	(9,944)
Unrealised loss:			
Financial assets at FVTPL	(45,832)	(41,782)	(87,614)
Impairment loss:			
Available-for-sale financial assets	-	(4,295)	(4,295)
Total realised and unrealised loss included in profit or loss	<u>(60,690)</u>	<u>(41,163)</u>	<u>(101,853)</u>
<i>Included in other comprehensive income:</i>			
Unrealised loss:			
Available-for-sale financial assets	-	(29,553)	(29,553)
Total realised and unrealised loss for the year	<u><u>(60,690)</u></u>	<u><u>(70,716)</u></u>	<u><u>(131,406)</u></u>

**6. REVENUE, OTHER INCOME AND GAINS**

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

	Group	
	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Dividend income from unlisted investments, net of withholding tax	<b>2,126</b>	29,813
<b>Other income and gains</b>		
Bank interest income	<b>1,202</b>	12
Exchange gain on dissolution of a subsidiary ( <i>note 17</i> )	–	786
Exchange gain on dissolution of a representative office	<b>109</b>	–
Exchange gain	<b>923</b>	–
Miscellaneous	–	2
	<b>2,234</b>	800

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK\$56,161,000 (2014: HK\$103,698,000) and dividend income of HK\$2,126,000 (2014: HK\$29,813,000) for the year.

**7. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS**

	Group	
	2015 HK\$'000	2014 HK\$'000
Net realised gain on an available-for-sale financial asset	<b>2</b>	–
Net realised gain/(loss) on financial assets at FVTPL	<b>698</b>	(9,944)
Net unrealised gain/(loss) on financial assets at FVTPL	<b>44,512</b>	(87,614)
	<b>45,212</b>	(97,558)

**8. FINANCE COSTS**

An analysis of finance costs is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Interest on a convertible bond wholly repayable within five years	<b>22,115</b>	21,926
Interest on other loans	<b>3,150</b>	2,498
	<b>25,265</b>	24,424

# Notes to Financial Statements

30 June 2015

## 9. LOSS BEFORE TAX

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Auditors' remuneration		
– audit services	680	635
– non-audit services	284	229
Custodian fee	154	161
Depreciation ( <i>note 16</i> )	81	994
Investment management fee ( <i>note 12</i> )	1,049	987
Loss on disposal of items of property, plant and equipment	–	493
Minimum operating lease payments in respect of properties	1,350	2,279
Equity-settled share option expenses to consultants ( <i>note 29(b)</i> )	–	60,070
Staff costs, excluding directors' remuneration ( <i>note 10</i> ):		
Salaries and wages	4,887	5,973
Pension scheme contributions	77	60
Foreign exchange differences, net	–	717
	<b>–</b>	<b>–</b>

## 10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Fees	3,333	3,520
Other emoluments:		
Salaries, allowances and benefits in kind	3,250	3,000
Pension scheme contributions	18	15
Equity-settled share option expenses	1,754	3,780
	<b>5,022</b>	<b>6,795</b>
	<b>8,355</b>	<b>10,315</b>

During the year 30 June 2014, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29(a) to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

The remuneration of each director for the years ended 30 June 2015 and 2014 is set out below:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share option expenses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 30 June 2015</b>					
<b>Executive directors</b>					
Du Lin Dong	120	3,250	-	18	3,388
Pong Po Lam	60	-	-	-	60
<b>Non-executive directors</b>					
Wang Dehe ( <i>resigned on 8 June 2015</i> )	2,817	-	1,754	-	4,571
Sha Naiping	60	-	-	-	60
Ding Xiaobin	60	-	-	-	60
<b>Independent non-executive directors</b>					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun ( <i>resigned on 8 June 2015</i> )	56	-	-	-	56
Zeng Xianggao	60	-	-	-	60
	<b>3,333</b>	<b>3,250</b>	<b>1,754</b>	<b>18</b>	<b>8,355</b>
<b>Year ended 30 June 2014</b>					
<b>Executive directors</b>					
Du Lin Dong	120	3,000	494	15	3,629
Pong Po Lam	60	-	-	-	60
<b>Non-executive directors</b>					
Wang Dehe	3,000	-	3,286	-	6,286
Sha Naiping	60	-	-	-	60
Ding Xiaobin	60	-	-	-	60
<b>Independent non-executive directors</b>					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun	60	-	-	-	60
Zeng Xianggao	60	-	-	-	60
	<b>3,520</b>	<b>3,000</b>	<b>3,780</b>	<b>15</b>	<b>10,315</b>

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

# Notes to Financial Statements

30 June 2015

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 (2014: 2) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 3 (2014: 3) non-director, highest paid employees for the year are as follows:

	<b>Group</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>2,836</b>	3,056
Pension scheme contributions	<b>36</b>	15
	<hr/>	<hr/>
	<b>2,872</b>	3,071
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Number of employees</b>	
	<b>2015</b>	2014
Nil to HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	1
	<hr/>	<hr/>
	<b>3</b>	3
	<hr/> <hr/>	<hr/> <hr/>

## 12. INVESTMENT MANAGEMENT FEES

On 29 April 2011, an investment management agreement (the "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 three 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 aggregate market value of the portfolio on the last business day of each calendar month; and
- a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

The Investment Management Agreement expired on 28 April 2014 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly on 25 April 2014 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2014. Pursuant to the New Investment Management Agreement, CFIIM is entitled to a management fee which is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The management fee paid/payable to CFIIM for the year ended 30 June 2015 amounted to HK\$1,049,000 (2014: HK\$987,000). At 30 June 2015, the balance due to CFIIM of HK\$97,000 (2014: HK\$64,000) was unsecured, interest-free and repayable within one month.

**13. INCOME TAX**

(a) Income tax in the financial statements represents:

	<b>Group</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong		
– Provision for the year	–	–
Current tax – PRC Enterprise Income Tax		
– Provision for the year	<b>103</b>	–
Deferred tax credit ( <i>note 27(a)</i> )	<b>(1,085)</b>	(3,398)
	<hr/>	<hr/>
Total tax credit for the year	<b>(982)</b>	(3,398)
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong Profits Tax has been made as the Group has available tax losses from prior years to offset the assessable profits generated during the year ended 30 June 2015 (2014: Nil).

(b) A reconciliation of the tax credits applicable to loss before tax at the statutory rates for the countries in which the Company and the majority of its unlisted investments are domiciled to the tax expenses at the effective tax rates and a reconciliation of the applicable rates to the effective tax rates for the years ended 30 June 2015 and 30 June 2014 are as follows:

	<b>2015</b>		2014	
	<b>HK\$'000</b>	%	HK\$'000	%
Loss before tax	<b>(1,608)</b>		(216,278)	
	<hr/>		<hr/>	
Tax at Hong Kong Profits				
tax rate of 16.5% (2014: 16.5%)	<b>(265)</b>	<b>(16.5)</b>	(35,686)	(16.5)
Expenses not deductible for tax	<b>13,376</b>	<b>831.9</b>	30,386	14.0
Income not subject to tax	<b>(776)</b>	<b>(48.3)</b>	(5,050)	(2.3)
Effect of different tax rates of				
unlisted investments operating in				
other jurisdictions	<b>(982)</b>	<b>(61.1)</b>	(3,398)	(1.6)
Loss attributable to an associate	<b>2</b>	<b>0.1</b>	5	–
Tax losses not recognised	–	–	10,345	4.8
Tax losses utilised from previous periods	<b>(12,337)</b>	<b>(767.2)</b>	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Tax credit at the Group's effective rate	<b>(982)</b>	<b>61.1</b>	(3,398)	(1.6)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes to Financial Statements

30 June 2015

## 14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 30 June 2015 includes a loss of HK\$2,265,000 (2014: HK\$213,466,000) which has been dealt with in the financial statements of the Company (note 31(b)).

## 15. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK\$626,000 (2014: HK\$212,880,000) and the weighted average number of 4,668,470,000 (2014: 4,660,367,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<b>2015</b>	2014
	<b>Number of shares '000</b>	Number of shares '000
Issued ordinary shares	<b>4,660,634</b>	4,659,834
Effect of exercise of share options ( <i>note 28(a)</i> )	<b>7,836</b>	533
Weighted average number of ordinary shares	<b><u>4,668,470</u></b>	<b><u>4,660,367</u></b>

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2015 and 2014 in respect of a dilution as the convertible bond and outstanding share options set out in note 26 and note 29, respectively, had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>30 June 2015</b>				
At 1 July 2014:				
Cost	294	146	2,700	3,140
Accumulated depreciation	(119)	(115)	(2,700)	(2,934)
Net carrying amount	<u>175</u>	<u>31</u>	<u>-</u>	<u>206</u>
At 1 July 2014, net of accumulated depreciation	175	31	-	206
Depreciation provided during the year	(65)	(16)	-	(81)
At 30 June 2015, net of accumulated depreciation	<u>110</u>	<u>15</u>	<u>-</u>	<u>125</u>
At 30 June 2015:				
Cost	294	146	1,678	2,118
Accumulated depreciation	(184)	(131)	(1,678)	(1,993)
Net carrying amount	<u>110</u>	<u>15</u>	<u>-</u>	<u>125</u>

Motor vehicles of Shenzhen representative office has been deregistered during the year. Motor vehicles attributable to Shenzhen representative office with cost and accumulated depreciation of HK\$1,022,000 were fully written-off during the year ended 30 June 2015.

**30 June 2014**

At 1 July 2013:				
Cost	1,856	218	2,714	4,788
Accumulated depreciation	(1,134)	(159)	(1,984)	(3,277)
Net carrying amount	<u>722</u>	<u>59</u>	<u>730</u>	<u>1,511</u>
At 1 July 2013, net of accumulated depreciation	722	59	730	1,511
Additions	160	23	-	183
Write-off	(482)	(11)	-	(493)
Depreciation provided during the year	(225)	(40)	(729)	(994)
Exchange realignment	-	-	(1)	(1)
At 30 June 2014, net of accumulated depreciation	<u>175</u>	<u>31</u>	<u>-</u>	<u>206</u>
At 30 June 2014:				
Cost	294	146	2,700	3,140
Accumulated depreciation	(119)	(115)	(2,700)	(2,934)
Net carrying amount	<u>175</u>	<u>31</u>	<u>-</u>	<u>206</u>

# Notes to Financial Statements

30 June 2015

## 17. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current:		
Unlisted investments, at cost	<b>61,100</b>	1,099
Due from a subsidiary ( <i>note (a)</i> )	<b>–</b>	9,393
	<b>61,100</b>	10,492
Current:		
Due from subsidiaries ( <i>note (b)</i> )	<b>517</b>	410
Due to subsidiaries ( <i>notes (a, b)</i> )	<b>(4,012)</b>	(463)
	<b>(3,495)</b>	(53)
Total	<b>57,605</b>	10,439

### Notes:

- (a) The amount due was unsecured, interest-free and would not be demanded for repayment. In substance, it formed part of the Company's investments in subsidiaries as equity contributions. The amount was settled by the proceeds of HK\$12,995,000 from the disposal of an investment. The remaining balance of HK\$3,602,000 is included in the amount due to subsidiaries.
- (b) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current assets and current liabilities, respectively.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Global Business Investment Enterprises Limited	British Virgin Islands	United States dollar ("US\$") 1	100%	–	Dormant
Best Joy Asia Investment Limited	British Virgin Islands/ Hong Kong	US\$1,000	100%	–	Investment holding
Zhongkang Jinyi Technology (Shenzhen) Limited*	PRC	Renminbi ("RMB") 8,000,000	–	100%	Dormant
Joy State Holdings Limited	Hong Kong	HK\$1	100%	–	Dormant

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Financial International Investments (Nanchang) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Guangdong) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Guangzhou) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Haerbin) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Henan) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Hubei) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Jiangxi) Limited	British Virgin Islands	US\$10,000	100%	-	Investment holding
China Financial International Investments (Shenzhen) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Shijiazhuang) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Wuhan) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Investments (Zhengzhou) Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Zhongbao Group Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Jingde Town Ceramics Group Limited	British Virgin Islands	US\$10,000	100%	-	Dormant
China Financial International Finance Group Limited	British Virgin Islands	US\$10,000	100%	-	Investment holding
科逸(上海)投資有限公司(transliterated as Keyi (Shanghai) Investments Limited)**	PRC	RMB47,493,000	100%	-	Dormant

\* Zhongkang Jinyi Technology (Shenzhen) Limited, a wholly-foreign-owned subsidiary registered under PRC law, which had been inactive, was dissolved on 21 November 2013. The exchange gain on dissolution of a subsidiary was HK\$786,000.

\*\* On 14 October 2014, the Company established Keyi (Shanghai) Investments Limited, a wholly-foreign-owned subsidiary in Shanghai Free Trade Zone, the PRC. It has not commenced its business during the year ended 30 June 2015.

# Notes to Financial Statements

30 June 2015

## 18. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost	-	-	290	290
Share of net assets	416	429	-	-
	<b>416</b>	429	<b>290</b>	290
Due to an associate ( <i>note</i> )	(97)	(64)	(97)	(64)
Total	<b>319</b>	365	<b>193</b>	226

Particulars of the associate are as follows:

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

The following table illustrates the summarised financial information in respect of CFIIM and reconciled to the carrying amount in the consolidated financial statements:

	2015 HK\$'000	2014 HK\$'000
Current assets	1,433	1,478
Current liabilities	-	-
Net assets	<b>1,433</b>	1,478
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	29%	29%
Group's share of net assets of the associate	<b>416</b>	429
Revenue	1,049	987
Loss for the year and total comprehensive income for the year	<b>(44)</b>	(110)

*Note:*

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

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

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at fair value	<b>325,232</b>	335,770

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$10,538,000 (2014: HK\$29,553,000), of which an impairment loss of HK\$516,000 (2014: HK\$4,295,000) was reclassified from OCI to profit or loss for the year.

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

As at 30 June 2015, the Group held the following available-for-sale financial assets:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2015	2014
			2015	2014		Cost HK\$'000	Cost HK\$'000
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(a)	PRC	<b>7.2%</b>	7.2%	Provision of financing guarantees to small and medium enterprises ("SMEs")	<b>43,150</b>	43,150
Shenzhen Zhongtougxin Asset Management Company Limited ("Zhongtougxin")	(b)	PRC	<b>30%</b>	30%	Provision of consultation services on project investments	<b>18,350</b>	18,350
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(c)	PRC	<b>30%</b>	30%	Provision of small loan and financial consultation services	<b>188,690</b>	188,690
TianJin XEDA Microfinance Co., Ltd. ("TianJin XEDA")	(d)	PRC	<b>30%</b>	30%	Provision of small loan and financial consultation services	<b>72,450</b>	72,450
Globe Capital Resources Investment Limited ("Globe Capital")	(e)	British Virgin Islands	-	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, a joint venture established in the PRC. On 15 July 2013, the Group holds a 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. No dividend was declared and received during the year (2014: Nil). The unaudited profit for the 12 months ended 30 June 2015 of Jiangxi Huazhang was approximately RMB104,757,000 (2014: RMB26,513,000) and the unaudited net asset value of Jiangxi Huazhang at 30 June 2015 was approximately RMB744,972,000 (2014: RMB633,256,000). On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Jiangxi Huazhang to an independent third party for a cash consideration of HK\$43,150,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.

# Notes to Financial Statements

30 June 2015

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

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

Notes: (Continued)

- (b) On 29 April 2011, the Group invested in a 30% equity interest of Zhongtoujinxin, a joint venture established in the PRC. The first contribution of RMB6,000,000 (equivalent to HK\$7,200,000) was made by the Company in 2011 and the second contribution of RMB9,000,000 (equivalent to HK\$11,150,000) was made on 10 May 2012. Zhongtoujinxin is principally engaged in the provision of consultation services for project investments in the PRC.

There was a significant decline in the market value of Zhongtoujinxin during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired and an impairment loss of HK\$516,000 (2014: HK\$4,295,000), which included a reclassification from other comprehensive income of HK\$516,000 (2014: HK\$4,295,000), has been recognised in profit or loss for the year. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2015 of Zhongtoujinxin was approximately RMB4,785,000 (2014: RMB6,580,000) and the unaudited net asset value of Zhongtoujinxin at 30 June 2015 was approximately RMB17,275,000 (2014: RMB22,060,000).

- (c) On 26 May 2011 and on 28 November 2012, the Group invested in 23.33% and 6.67% equity interests of Jingdezhen CFI Guosen respectively, a joint venture established in the PRC. Jingdezhen CFI Guosen is principally engaged in the provision of small loan and financial consultation services in Jingdezhen, the PRC. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2015 of Jingdezhen CFI Guosen was approximately RMB4,468,000 (2014: RMB717,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2015 was approximately RMB495,905,000 (2014: RMB503,742,000). On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Jingdezhen CFI Guosen to an independent third party for a cash consideration of HK\$188,690,000. A deposit of RMB140,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. As at the date of this annual report, a deposit of RMB55,000,000 has been refunded, the remaining balance of RMB85,000,000 will be refunded within one year.
- (d) On 21 June 2011, the Group invested in a 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2014: HK\$9,805,000). The unaudited profit for the 12 months ended 30 June 2015 of TianJin XEDA was approximately RMB11,727,000 (2014: RMB20,721,000) and the unaudited net asset value of TianJin XEDA at 30 June 2015 was approximately RMB233,599,000 (2014: RMB222,006,000).
- (e) 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. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2014 of Globe Capital was approximately HK\$8,000 and the unaudited net liability of Globe Capital at 30 June 2014 was approximately HK\$16,827,000. On 31 December 2014, the Company disposed of all of its equity interest in Globe Capital to an independent third party for a cash consideration of HK\$2,000. This disposal transaction was completed during the year.

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

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as available-for-sale financial assets for the year ended 30 June 2015.

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

		<b>Group and Company</b>	
		<b>2015</b>	2014
<i>Notes</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
Financial assets held-for-trading:			
Listed securities	<i>(i)</i>	<b>178,346</b>	99,663
Financial assets designated at FVTPL:			
Unlisted investments	<i>(ii)</i>	<b>550,542</b>	621,143

The above financial assets at 30 June 2015 and 30 June 2014 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

*Notes:*

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

Particulars of the major component of the investment portfolio as at 30 June 2015, in terms of the carrying value of the respective individual investment, are as follows:

*China City Infrastructure Group Limited ("China City Infrastructure") (formerly known as "China Water Property Group Limited")*

China City Infrastructure was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 2349). China City Infrastructure is principally engaged in infrastructure businesses, property investment, property development, hotel business and property management in the PRC.

As at 30 June 2015, the Group held 196,735,429 shares (2014: 196,735,429 shares) in China City Infrastructure, representing 9.62% (2014: 10.58%) in the issued share capital in China City Infrastructure. No dividend was received during the year (2014: Nil). As at 30 June 2015, the market value of the Group's investment in the shares of China City Infrastructure was HK\$169,193,000 (2014: HK\$88,531,000). The audited profit attributable to shareholders of China City Infrastructure for the year ended 31 December 2014 was approximately HK\$32,070,000 (2013: HK\$85,591,000) and the unaudited loss attributable to shareholders of China City Infrastructure for the 6 months ended 30 June 2015 was approximately HK\$89,880,000 (2014: profit of HK\$11,595,000). The unaudited net assets attributable to shareholders of China City Infrastructure at 30 June 2015 was approximately HK\$2,190,247,000 (2014: HK\$2,013,247,000).

On 25 November 2014, the Company entered into disposal agreements to dispose of all of its listed securities to independent third parties for a total cash consideration of HK\$148,588,000. A deposit of HK\$7,000,000 has been received. As certain conditions have not been satisfied, the disposal transactions were terminated on 15 June 2015 and 24 June 2015, respectively. As at the date of this annual report, the deposit has been all refunded.

# Notes to Financial Statements

30 June 2015

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

Notes: (Continued)

(ii) As at 30 June 2015, the Group had the following unlisted investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2015	2014
			2015	2014		Cost HK\$'000	Cost HK\$'000
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	PRC	30%	30%	Provision of small loan and financial consultation services	36,606	36,606
TiIC RongShun Micro-Loan Company Limited ("TiIC Rongshun")	(b)	PRC	10%	10%	Provision of small loan and financial consultation services	12,189	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	PRC	30%	30%	Provision of small loan and financial consultation services	36,693	36,693
Nanchang Donghu 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	3.3%	3.3%	Provision of small loan and financial consultation services	12,271	12,271
Nanjing NingGangRongTong Technology Microfinance Co., Ltd. ("NingGangRongTong")	(f)	PRC	-	30%	Provision of small loan and financial consultation services	-	36,870
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(g)	PRC	30%	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
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 Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(j)	PRC	30%	30%	Provision of small loan and financial consultation services	36,741	36,741
Xi'an Kairong Financial Service Limited ("Xi'an Kairong")	(k)	PRC	30%	30%	Provision of financial management services	18,724	18,724
Zhenjiang Financial Industry Development Limited ("Zhenjiang FID")	(l)	PRC	-	30%	Provision of financial management services	-	18,591
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(m)	PRC	30%	30%	Provision of small loan and financial consultation services	56,874	56,874
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	(n)	PRC	30%	-	Provision of financial management services	19,030	-

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

Notes: (Continued)

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

Notes:

- (a) On 24 August 2011, the Group invested in a 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2014: HK\$6,367,000). The unaudited loss for the 12 months ended 30 June 2015 of Tianjin Rongshun was approximately RMB2,239,000 (2014: profit of RMB10,162,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2015 was approximately RMB101,970,000 (2014: RMB104,209,000).
- (b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2014: HK\$675,000). The unaudited profit for the 12 months ended 30 June 2015 of TIIC Rongshun was approximately RMB7,768,000 (2014: RMB12,618,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2015 was approximately RMB122,712,000 (2014: RMB120,943,000).
- (c) On 29 August 2011, the Group invested in a 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2015 of Harbin Zhongjinguoxin was approximately RMB2,536,000 (2014: profit of RMB4,359,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2015 was approximately RMB113,907,000 (2014: RMB116,443,000).
- (d) On 21 December 2011, the Group invested in a 30% equity interest of Nanchang Donghu, a joint venture established in the PRC. Nanchang Donghu is principally engaged in the provision of small loan and financial consultation services in Donghu District, Nanchang, Jiangxi Province, the PRC. No dividend was declared and received during the year (2014: HK\$4,237,000). The unaudited profit for the 12 months ended 30 June 2015 of Nanchang Donghu was approximately RMB10,003,000 (2014: RMB6,632,000) and the unaudited net asset value of Nanchang Donghu at 30 June 2015 was approximately RMB110,963,000 (2014: RMB100,987,000). On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Nanchang Donghu to an independent third party for a cash consideration of HK\$36,901,000. A deposit of RMB20,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. At the date of this annual report, the deposit has been all refunded.
- (e) On 13 January 2012, the Group invested in a 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. On 22 January 2014, the Group holds 3.3% equity interest of Tianjin Binlian as enlarged by the new registered capital subscribed by its other shareholders. Tianjin Binlian is principally engaged in the provision of small loan and financial consultation services in Tianjin, especially Dongli District, the PRC. During the year, a dividend of HK\$1,646,000 (2014: Nil) was declared and receivable from Tianjin Binlian after deducting the withholding tax. The unaudited loss for the 12 months ended 30 June 2015 of Tianjin Binlian was approximately RMB6,609,000 (2014: profit of RMB16,321,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2015 was approximately RMB299,547,000 (2014: RMB320,930,000). On 20 March 2015, the Company entered into a disposal agreement to dispose of all of its equity interest in Tianjin Binlian to an independent third party for a cash consideration of RMB10,000,000. As at the date of this annual report, this disposal transaction has not been completed. The directors expect this disposal transaction will be completed within one year.

# Notes to Financial Statements

30 June 2015

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

*Notes: (Continued)*

- (ii) A brief description of the business and financial information of the investments is as follows:  
*(Continued)*

*Notes: (Continued)*

- (f) On 19 January 2012, the Group invested in a 30% equity interest of NingGangRongTong, a joint venture established in the PRC. NingGangRongTong is principally engaged in the provision of small loan and financial consultation services in Jiangning District (mainly focusing on the Nanjing Jiangning Economic Technical Development Zone), Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2014 of NingGangRongTong was approximately RMB9,590,000 and the unaudited net asset value of NingGangRongTong at 30 June 2014 was approximately RMB86,779,000. On 2 March 2015, the Company entered into disposal agreements to dispose of all of its equity interest in NingGangRongTong to independent third parties for a total cash consideration of RMB30,000,000. The disposal transactions were completed during the year.
- (g) On 2 March 2012, the Group invested in a 30% equity interest of Ezhou Zhongjinguotou, a joint venture established in the PRC. Ezhou Zhongjinguotou is principally engaged in the provision of small loan and financial consultation services in Ezhou, Hubei Province, the PRC. No dividend was declared and received during the year (2014: Nil). The unaudited profit for the 12 months ended 30 June 2015 of Ezhou Zhongjinguotou was approximately RMB835,000 (2014: loss of RMB1,367,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2015 was approximately RMB507,032,000 (2014: RMB502,175,000). On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Ezhou Zhongjinguotou to an independent third party for a cash consideration of HK\$185,000,000. A deposit of HK\$10,000,000 has been received. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015. As at the date of this annual report, the deposit has been all refunded.
- (h) On 6 August 2012, the Group invested in a 30% equity interest of Ziyang Yanjiang, a joint venture established in the PRC. Ziyang Yanjiang is principally engaged in the provision of small loan and financial consultation services in Ziyang, Sichuan Province, the PRC. No dividend was declared and received during the year (2014: HK\$5,840,000). The unaudited profit for the 12 months ended 30 June 2015 of Ziyang Yanjiang was approximately RMB13,069,000 (2014: RMB16,896,000) and the unaudited net asset value of Ziyang Yanjiang at 30 June 2015 was approximately RMB221,277,000 (2014: RMB208,208,000). On 25 November 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Ziyang Yanjiang to an independent third party for a cash consideration of HK\$73,730,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.
- (i) On 31 August 2012, the Group invested in a 30% equity interest of Nanjing Jiangning, a joint venture established in the PRC. Nanjing Jiangning is principally engaged in the provision of small loan and financial consultation services in Jiangning District, Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2014: Nil). The unaudited loss for the 12 months ended 30 June 2015 of Nanjing Jiangning was approximately RMB19,327,000 (2014: profit of RMB6,000) and the unaudited net asset value of Nanjing Jiangning at 30 June 2015 was approximately RMB79,219,000 (2014: RMB102,789,000).
- (j) On 13 September 2012, the Group invested in a 30% equity interest of Tianjin Rongyang, a joint venture established in the PRC. Tianjin Rongyang is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2014: HK\$1,465,000). The unaudited profit for the 12 months ended 30 June 2015 of Tianjin Rongyang was approximately RMB5,441,000 (2014: RMB6,522,000) and the unaudited net asset value of Tianjin Rongyang at 30 June 2015 was approximately RMB110,800,000 (2014: RMB105,361,000).

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

Notes: (Continued)

- (ii) A brief description of the business and financial information of the investments is as follows:  
(Continued)

Notes: (Continued)

- (k) On 18 December 2012, the Group invested in a 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC. No dividend was declared and received during the year (2014: HK\$1,424,000). The unaudited profit for the 12 months ended 30 June 2015 of Xi'an Kairong was approximately RMB8,960,000 (2014: RMB3,008,000) and the unaudited net asset value of Xi'an Kairong at 30 June 2015 was approximately RMB61,290,000 (2014: RMB53,370,000).
- (l) 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. During the year, a dividend of HK\$480,000 (2014: Nil) was declared and receivable from Zhenjiang FID after deducting the withholding tax. The unaudited profit for the 12 months ended 30 June 2014 of Zhenjiang FID was approximately RMB1,067,000 and the unaudited net asset value of Zhenjiang FID at 30 June 2014 was approximately RMB50,791,000. On 31 May 2015, the Company entered into a disposal agreement to dispose of all of its equity interest in Zhenjiang FID to an independent third party for a cash consideration of RMB15,000,000. The disposal was completed on 23 July 2015.
- (m) 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. No dividend was declared and received during the year (2014: Nil). The unaudited profit for the 12 months ended 30 June 2015 of Zhenjiang CFI was approximately RMB15,462,000 (7 months ended 30 June 2014: RMB6,595,000) and the unaudited net asset value of Zhenjiang CFI at 30 June 2015 was approximately RMB170,195,000 (2014: RMB156,595,000).
- (n) On 22 September 2014, the Group invested in a 30% equity interest of Hubei Zhongjin, a joint venture established in the PRC. Hubei Zhongjin is principally engaged in the provision of financial management services to SMEs in Wuhan, Hubei Province, the PRC. No dividend was declared and received during the year. The unaudited loss for the 9 months ended 30 June 2015 of Hubei Zhongjin was approximately RMB5,166,000 and the unaudited net asset value of Hubei Zhongjin at 30 June 2015 was approximately RMB44,873,000. On 23 December 2014, the Company entered into a disposal agreement to dispose of all of its equity interest in Hubei Zhongjin to an independent third party for a cash consideration of HK\$19,030,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 24 June 2015.

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

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the year ended 30 June 2015.

# Notes to Financial Statements

30 June 2015

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current portion:				
Prepayments	225	225	225	225
Deposits	423	392	417	392
Dividends receivable	15,633	14,182	15,633	14,182
Loan to an investee (note (a))	-	11,200	-	11,200
Receivable on partial disposal of equity interest in Globe Capital (note (b))	4,199	4,199	4,199	4,199
Other receivables (note (c))	19,205	77,187	19,205	64,188
	<u>39,685</u>	<u>107,385</u>	<u>39,679</u>	<u>94,386</u>

Notes:

(a)

	Group and Company	
	2015 HK\$'000	2014 HK\$'000
Loan to an investee	-	40,606
Impairment	-	(29,406)
	<u>-</u>	<u>11,200</u>

The loan to an investee was unsecured, interest-free and would be repaid in accordance with a repayment schedule from 2014 to 2016. At 30 June 2014, HK\$29,406,000 was determined to be impaired as the investee was in unexpected financial difficulties and it was assessed that only a portion of the receivables was expected to be recovered. The Group did not hold any collateral or other credit enhancements over this balance.

During the year, the investee has repaid HK\$11,200,000 to the Company, and the remaining balance previously impaired was written off.

Movements in the provision for impairment losses are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 July	29,406	-
Provision for impairment losses	-	29,406
Impairment losses written off	(29,406)	-
At 30 June	<u>-</u>	<u>29,406</u>

**21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)**

Notes: (Continued)

(a) (Continued)

The aged analysis of the loan to an investee that are neither individually nor collectively considered to be impaired is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Neither past due nor impaired	<u>—</u>	<u>11,200</u>

The balance was settled on 1 September 2014.

- (b) This is the unsettled balance from the disposal of a 70% equity interest in a former subsidiary, Globe Capital for the year ended 30 June 2011. The directors expect that the remaining balance will be repaid within one year.
- (c) As at 30 June 2015, other receivables included HK\$18,750,000 from the disposal of a 30% equity interest of Zhenjiang FID which was settled on 23 July 2015.

As at 30 June 2014, other receivables included HK\$19,000,000 from the disposal of a 30% equity interest of Zhengzhou Economic Technological Development Mingyang Micro-loan Limited and HK\$37,477,000 from the disposal of a 30% equity interest of Tianjin Zhongjinxinke Microfinance Limited, the balances were fully settled on 12 August 2014 and 18 August 2014, respectively.

The balances are unsecured, interest-free and repayable on demand.

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

**22. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Cash and bank balances	<u>287,295</u>	<u>6,818</u>	<u>25,693</u>	<u>6,391</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$261,189,000 (2014: HK\$3,705,000).

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

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

# Notes to Financial Statements

30 June 2015

## 23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Accruals	680	635	680	635
Other payables	217,165	252	17,163	252
	<u>217,845</u>	<u>887</u>	<u>17,843</u>	<u>887</u>

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

## 24. DUE TO A RELATED COMPANY

The amount due to a related company as at 30 June 2015 was unsecured, interest-free and repayable on demand. Further details of the related company are in note 32(b)(ii) to the financial statements.

## 25. BORROWINGS

	Group and Company	
	2015 HK\$'000	2014 HK\$'000
<b>Current portion</b>		
Convertible bond ( <i>note 26</i> )	278,816	–
<b>Non-current portion</b>		
Interest bearing loans – unsecured	62,965	62,965
Convertible bond ( <i>note 26</i> )	–	276,301
	<u>62,965</u>	<u>339,266</u>
	<u>341,781</u>	<u>339,266</u>
Analysed into:		
Loans repayable:		
Within one year	278,816	–
In the second year	–	–
In the third to fifth years, inclusive	9,980	276,301
Beyond five years	52,985	62,965
	<u>341,781</u>	<u>339,266</u>

As at 30 June 2015 and 30 June 2014, bonds with a total nominal amount of HK\$63,000,000 were issued to independent third parties at 5% interest rate per annum with maturity dates ranging from year 2020 to 2021, being 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.

**26. CONVERTIBLE BOND**

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

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

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

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 30 June 2015 and 30 June 2014, the equity component after allocating transaction costs was HK\$7,231,000.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	<b>276,301</b>	273,707
Interest expense for the year	<b>22,115</b>	21,926
Interest paid for the year	<b>(19,600)</b>	(19,332)
	<hr/>	<hr/>
At the end of the year	<b>278,816</b>	276,301
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the subscription agreement, the Convertible Bond can be secured by the pledge of certain of the Company’s available-for-sale financial assets and financial assets at FVTPL. As at 30 June 2015, 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.

The holders of the Convertible Bond exercised their conversion rights to convert the Convertible Bond into new shares of the Company, in which 560,000,000 shares were issued and allotted by the Company on 8 July 2015, further details of which are set out in note 37 to the financial statements.

# Notes to Financial Statements

30 June 2015

## 27. DEFERRED TAX

### (a) Deferred tax liabilities Group and Company

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Fair value adjustments of the available-for-sale financial assets <i>HK\$'000</i>	Fair value adjustments of financial assets at fair value through profit or loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2015</b>				
At 1 July 2014	186	2,490	2,763	5,439
Deferred tax credited to profit or loss during the year	(186)	-	(1,085)	(1,271)
Deferred tax charged to equity during the year	-	399	-	399
Gross deferred tax liabilities at 30 June 2015	<u>-</u>	<u>2,889</u>	<u>1,678</u>	<u>4,567</u>
<b>2014</b>				
At 1 July 2013	37	4,680	6,161	10,878
Deferred tax charged/(credited) to profit or loss during the year	149	-	(3,398)	(3,249)
Deferred tax credited to equity during the year	-	(2,190)	-	(2,190)
Gross deferred tax liabilities at 30 June 2014	<u>186</u>	<u>2,490</u>	<u>2,763</u>	<u>5,439</u>

### (b) Deferred tax assets Group and Company

	Losses available for offsetting against future taxable profits	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 July	(186)	(37)
Deferred tax charged/(credited) to profit or loss during the year	186	(149)
Gross deferred tax assets at 30 June	<u>-</u>	<u>(186)</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	-	(186)
Net deferred tax liabilities recognised in the consolidated statement of financial position	4,567	5,439
Deferred tax balances at 30 June	<u>4,567</u>	<u>5,253</u>

**27. DEFERRED TAX (Continued)****(c) Deferred tax assets not recognised**

At 30 June 2015, deferred tax has not been recognised in respect of the following items:

	<b>Group and Company</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Unused tax losses	<b>120,108</b>	191,829

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

**28. ISSUED CAPITAL**

	<i>Note</i>	<b>2015</b>		2014	
		<b>Number of shares '000</b>	<b>HK\$'000</b>	Number of shares '000	<i>HK\$'000</i>
<b>Authorised:</b>					
Ordinary shares of HK\$0.01 each		<b>30,000,000</b>	<b>300,000</b>	30,000,000	300,000
<b>Issued and fully paid:</b>					
As at 1 July					
Ordinary shares of HK\$0.01 each		<b>4,660,634</b>	<b>46,607</b>	4,659,834	46,599
Issue of shares upon exercise of share options	<i>(a)</i>	<b>11,000</b>	<b>110</b>	800	8
As at 30 June					
Ordinary shares of HK\$0.01 each		<b>4,671,634</b>	<b>46,717</b>	4,660,634	46,607

*Note:*

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

During the years ended 30 June 2015 and 2014, share options to subscribe for 11,000,000 shares and 800,000 shares were exercised. The gross proceeds from the exercise of share options during the years ended 30 June 2015 and 2014 were approximately HK\$1,430,000 and HK\$40,000, of which HK\$110,000 and HK\$8,000 were credited to share capital, while HK\$1,819,000 and HK\$45,000 were credited to share premium, respectively.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29(a) to the financial statements.

All the ordinary shares issued during the years ended 30 June 2015 and 30 June 2014 rank pari passu in all respects with the then existing ordinary shares of the Company.

## 29. SHARE OPTIONS

### (a) Share Option Scheme

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

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

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5,000,000, within any 12 month period, are subject to shareholders’ approval in advance in a general meeting.

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

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

The Scheme limit was refreshed and approved by the shareholders at the special general meeting of the Company on 16 May 2014, and hence the maximum number of the shares available for issue upon exercise of all share options which may be further granted under the Scheme is 466,063,403 shares, representing approximately 10% of the total number of issued shares of the Company on 16 May 2014.

**29. SHARE OPTIONS (Continued)****(a) Share Option Scheme (Continued)**

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

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of share options '000	Weighted average exercise price HK\$ per share	Number of share options '000
At 1 July	0.367	55,700	0.270	21,800
Granted during the year	-	-	0.425	44,700
Exercised during the year	0.130	(11,000)	0.050	(800)
Lapsed during the year	-	-	0.445	(10,000)
At 30 June	0.425	44,700	0.367	55,700

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.84 per share (2014: HK\$0.35 per share). The closing price of the Company's shares immediately before the date on which the share options were granted during the year ended 30 June 2014 was HK\$0.44 per share.

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

**2015**

Name or category of participant	Number of share options				Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July 2014 '000	Granted during the year '000	Exercised during the year '000	At 30 June 2015 '000			
Directors							
Wang Dehe	13,000	-	-	13,000	19/3/2014-18/12/2016	0.425	19/12/2013
(resigned on 8 June 2015)	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	500	-	(500)	-	18/3/2010-17/12/2014	0.130	18/12/2009
Zeng Xianggao	500	-	(500)	-	18/3/2010-17/12/2014	0.130	18/12/2009
Qualified allottees in aggregate	10,000	-	(10,000)	-	18/3/2010-17/12/2014	0.130	18/12/2009
	55,700	-	(11,000)	44,700			

# Notes to Financial Statements

30 June 2015

## 29. SHARE OPTIONS (Continued)

### (a) Share Option Scheme (Continued) 2014

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 year '000	Exercised during the year '000	Lapsed during the year '000	At 30 June 2014 '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	-	-	(10,000)	10,000			
	21,800	44,700	(800)	(10,000)	55,700			

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

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

The fair value of equity-settled share options granted during the year ended 30 June 2014 which amounted to HK\$5,974,000, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	19/12/2013
Share price	HK\$0.425
Exercise price	HK\$0.425
Expected dividend yield	0.00%
Historical volatility	46.16%
Risk-free interest rate	0.48%
Expected life of options	3 years

**29. SHARE OPTIONS (Continued)****(a) Share Option Scheme (Continued)**

The expected life of the options is based on the historical data over the past 3 years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

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

The directors have estimated the values of the share options granted to Mr. Wang Dehe and Mr. Du Lin Dong during the year ended 30 June 2014, calculated using the binomial option pricing model as at the date of the grant of the options, to be HK\$5,480,000 and HK\$494,000, respectively.

The 11,000,000 (2014: 800,000) share options exercised during the year ended 30 June 2015 resulted in the issue of 11,000,000 (2014: 800,000) ordinary shares of the Company and new share capital of HK\$110,000 (2014: HK\$8,000) and share premium of HK\$1,819,000 (2014: HK\$45,000), as further detailed in note 28(a) to the financial statements.

The Company recognised a total expense of approximately HK\$1,754,000 for the year ended 30 June 2015 (2014: HK\$3,780,000) in relation to amortisation of value of the share options granted under the Scheme by the Company in prior years.

**(b) Share Options**

On 7 April 2014, the Company granted an aggregate of 200,000,000 share options each to United Truth Group Limited ("United Truth") and GCA Special Situations (A) Limited ("GCA") under a specific mandate (the "Specific Mandate") for their provision of consultancy services to the Company pursuant to the agreement dated 30 January 2014 (as amended on 7 April 2014 and 3 June 2014) and the agreement dated 7 April 2014 (as amended on 3 June 2014), respectively.

The grant of the share options was approved by the shareholders at the special general meeting on 27 June 2014.

The following share options were outstanding under the Specific Mandate during the year:

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of share options '000	Weighted average exercise price HK\$ per share	Number of share options '000
At 1 July	0.48	400,000	-	-
Granted during the year	-	-	0.48	400,000
At 30 June	0.48	400,000	0.48	400,000

No share options under the Specific Mandate were exercised during the years ended 30 June 2015 and 2014.

# Notes to Financial Statements

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## 29. SHARE OPTIONS (Continued)

### (b) Share Options (Continued)

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

#### 2015

Name of grantee	Number of share options			Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July 2014 '000	Granted during the year '000	At 30 June 2015 '000			
United Truth	40,000	–	<b>40,000</b>	7/7/2014-6/4/2017	0.48	7/4/2014
	80,000	–	<b>80,000</b>	7/4/2015-6/4/2017	0.48	7/4/2014
	80,000	–	<b>80,000</b>	7/4/2016-6/4/2017	0.48	7/4/2014
	<u>200,000</u>	<u>–</u>	<u><b>200,000</b></u>			
GCA	40,000	–	<b>40,000</b>	7/7/2014-6/4/2017	0.48	7/4/2014
	80,000	–	<b>80,000</b>	7/4/2015-6/4/2017	0.48	7/4/2014
	80,000	–	<b>80,000</b>	7/4/2016-6/4/2017	0.48	7/4/2014
	<u>200,000</u>	<u>–</u>	<u><b>200,000</b></u>			
	<u>400,000</u>	<u>–</u>	<u><b>400,000</b></u>			

#### 2014

Name of grantee	Number of share options			Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July 2013 '000	Granted during the year '000	At 30 June 2014 '000			
United Truth	–	40,000	40,000	7/7/2014-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2015-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2016-6/4/2017	0.48	7/4/2014
	<u>–</u>	<u>200,000</u>	<u>200,000</u>			
GCA	–	40,000	40,000	7/7/2014-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2015-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2016-6/4/2017	0.48	7/4/2014
	<u>–</u>	<u>200,000</u>	<u>200,000</u>			
	<u>–</u>	<u>400,000</u>	<u>400,000</u>			

\* The share options are vested immediately upon their grant but shall only be exercised during the exercise period.

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

**29. SHARE OPTIONS (Continued)****(b) Share Options (Continued)**

The fair value of equity-settled share options granted during the year ended 30 June 2014 which amounted to HK\$60,070,000 was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	7/4/2014
Share price	HK\$0.48
Exercise price	HK\$0.48
Expected dividend yield	0.00%
Historical volatility	44.57%
Risk-free interest rate	0.83%
Expected life of options	3 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

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

The Company recognised a total expense of approximately HK\$60,070,000 for the year ended 30 June 2014 in relation to the share options granted under the Specific Mandate by the Company.

At the end of the reporting period, the Company had 444,700,000 share options outstanding under the Scheme and the Specific Mandate. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 444,700,000 additional ordinary shares of the Company and additional share capital of HK\$4,447,000 and share premium of HK\$272,595,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 418,700,000 share options outstanding under the Scheme and the Specific Mandate, which represented approximately 7.96% of the Company's shares in issue as at that date.

**30. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on the net assets of the Group as at 30 June 2015 of HK\$813,136,000 (2014: HK\$821,745,000) and on 4,671,634,000 ordinary shares being in issue as at 30 June 2015 (2014: 4,660,634,000 ordinary shares).

**31. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

# Notes to Financial Statements

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## 31. RESERVES (Continued)

### (b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Equity component of a convertible bond HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2013	680,922	278,979	2,766	45,477	2,275	150	7,231	(73,094)	944,706
Loss for the year (note 14)	-	-	-	-	-	-	-	(213,466)	(213,466)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(42)	-	-	(42)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	(23,068)	-	-	-	-	(23,068)
Total comprehensive income for the year	-	-	-	(23,068)	-	(42)	-	(213,466)	(236,576)
Equity-settled share-based transactions (note 29)	-	-	-	-	63,850	-	-	-	63,850
Lapse of share options	-	-	-	-	(1,763)	-	-	1,763	-
Issue of shares - upon exercise of share options (note 28(a))	45	-	-	-	(13)	-	-	-	32
At 30 June 2014 and 1 July 2014	680,967	278,979	2,766	22,409	64,349	108	7,231	(284,797)	772,012
Loss for the year (note 14)	-	-	-	-	-	-	-	(2,265)	(2,265)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(108)	-	-	(108)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	(10,421)	-	-	-	-	(10,421)
Total comprehensive income for the year	-	-	-	(10,421)	-	(108)	-	(2,265)	(12,794)
Equity-settled share-based transactions (note 29)	-	-	-	-	1,754	-	-	-	1,754
Issue of shares - upon exercise of share options (note 28(a))	1,819	-	-	-	(499)	-	-	-	1,320
At 30 June 2015	<b>682,786</b>	<b>278,979</b>	<b>2,766</b>	<b>11,988</b>	<b>65,604</b>	<b>-</b>	<b>7,231</b>	<b>(287,062)</b>	<b>762,292</b>

**31. RESERVES (Continued)****(b) Company (Continued)****Nature and purpose of reserves**

Notes:

(i) Share premium

The application of share premium is governed by Section 40 of the Companies Act of Bermuda.

(ii) Contributed surplus

The contributed surplus represents the share premium reduction. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it would after the payment, be unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iii) Capital reserve

The capital reserve represents the waiver of an amount due to a shareholder in 2005.

(iv) Available-for-sale financial asset revaluation reserve

The available-for-sale financial asset revaluation reserve represents changes in fair value of available-for-sale financial assets.

(v) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of foreign operations.

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

# Notes to Financial Statements

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## 32. RELATED PARTY TRANSACTIONS

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

### (a) Key management personnel remuneration

Directors are the key management personnel of the Group and their remuneration is disclosed in note 10 to the financial statements.

### (b) Significant related party transactions

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

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Investment management fees paid/ payable to CFIIIM	<i>(i)</i>	<b>1,049</b>	987
Legal advisory fees paid/payable to Michael Li & Co	<i>(ii)</i>	<b>1,527</b>	22
		<b>=====</b>	<b>=====</b>

*Notes:*

- (i) Details of the investment management fees and performance-related fees are included in note 12 to the financial statements.
- (ii) During the current year, Michael Li & Co, a company controlled by the company secretary, Mr. Li Chi Chung, provided various legal advisory services to the Group.

At 30 June 2015, the balance due to Michael Li & Co of HK\$15,000 (2014: Nil) was unsecured, interest-free and repayable on demand.

## 33. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2015 not provided for in the financial statements are as follows:

	<b>Group and Company</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Contracted, but not provided for: Acquisition of unlisted investments	<b>75,000</b>	187,383
	<b>=====</b>	<b>=====</b>

- (b) The Group leases its office premises under an operating lease arrangement with a negotiated term of one year. At 30 June 2015, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group and Company</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Within one year	<b>1,237</b>	875
In the second to fifth years, inclusive	<b>50</b>	–
	<b>=====</b>	<b>=====</b>
	<b>1,287</b>	875

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts and fair values of the Group and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Group		Company	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets				
Available-for-sale financial assets	<b>325,232</b>	335,770	<b>325,232</b>	335,770
Financial assets at FVTPL				
– Held for trading	<b>178,346</b>	99,663	<b>178,346</b>	99,663
– Designated as such upon initial recognition	<b>550,542</b>	621,143	<b>550,542</b>	621,143
Loans and receivables				
Due from subsidiaries	–	–	<b>517</b>	410
Financial assets included in prepayments, deposits and other receivables	<b>39,460</b>	107,160	<b>39,454</b>	94,161
Cash and cash equivalents	<b>287,295</b>	6,818	<b>25,693</b>	6,391
	<b>1,380,875</b>	1,170,554	<b>1,119,784</b>	1,157,538
Financial liabilities				
Financial liabilities at amortised cost				
Financial liabilities included in other payables and accruals	<b>217,165</b>	252	<b>17,163</b>	252
Due to subsidiaries	–	–	<b>4,012</b>	463
Due to a related company	<b>15</b>	–	<b>15</b>	–
Due to an associate	<b>97</b>	64	<b>97</b>	64
Interest bearing loans	<b>62,965</b>	62,965	<b>62,965</b>	62,965
Convertible bond	<b>278,816</b>	276,301	<b>278,816</b>	276,301
	<b>559,058</b>	339,582	<b>363,068</b>	340,045

# Notes to Financial Statements

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## **35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to subsidiaries, an amount due to a related company and an amount 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 as at 30 June 2015 amounted to HK\$43,226,000 (2014: HK\$62,965,000) and HK\$267,399,000 (2014: HK\$273,063,000), respectively.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments and reports directly to the chief financial officer and the audit committee. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Group. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 the interest bearing loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest bearing loans as at 30 June 2015 was assessed to be insignificant. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2015 and 2014:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
<b>Available-for-sale financial assets in unlisted investments</b>				
Micro-loan service	Market comparable companies	Price to book ratio ("PB ratio")	30 June 2015 0.8742 to 1.8637  30 June 2014 1.0856 to 1.9082	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios 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 30 June 2015, the Group's other comprehensive income would have increased by HK\$127,919,000 (2014: HK\$107,915,000). Had the lowest PB ratio among the comparables been used as at 30 June 2015, the Group's other comprehensive income would have decreased by HK\$74,893,000 (2014: HK\$53,958,000).
Others	Market comparable companies	PB ratio	30 June 2015 0.8742 to 1.8637  30 June 2014 1.0856 to 1.9082	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios 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 30 June 2015, the Group's other comprehensive income would have increased by HK\$32,659,000 (2014: HK\$21,956,000). Had the lowest PB ratio among the comparables been used as at 30 June 2015, the Group's other comprehensive income would have decreased by HK\$19,795,000 (2014: HK\$10,978,000).
<b>FVTPL in unlisted investments</b>				
Micro-loan service	Market comparable companies	PB ratio	30 June 2015 0.8742 to 1.8637  30 June 2014 1.0856 to 1.9082	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios 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 30 June 2015, the Group's profit or loss would have increased by HK\$253,280,000 (2014: HK\$233,111,000). Had the lowest PB ratio among the comparables been used as at 30 June 2015, the Group's profit or loss would have decreased by HK\$154,675,000 (2014: HK\$116,560,000).

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## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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	
<b>Group and Company</b>				
As at 30 June 2015				
Available-for-sale financial assets:				
- Unlisted investments	-	-	325,232	325,232
Financial assets at FVTPL				
- Listed securities	178,346	-	-	178,346
- Unlisted investments	-	-	550,542	550,542
	<b>178,346</b>	<b>-</b>	<b>875,774</b>	<b>1,054,120</b>
As at 30 June 2014				
Available-for-sale financial assets:				
- Unlisted investments	-	-	335,770	335,770
Financial assets at FVTPL				
- Listed securities	99,663	-	-	99,663
- Unlisted investments	-	-	621,143	621,143
	<b>99,663</b>	<b>-</b>	<b>956,913</b>	<b>1,056,576</b>

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 and 2014.

### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

During the years ended 30 June 2015 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2. The movements in fair value measurements in Level 3 during the year were as follows.

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Available-for-sale financial assets:		
At 1 July	<b>335,770</b>	400,872
Total losses recognised in profit or loss	<b>(516)</b>	(4,295)
Total losses recognised in other comprehensive income	<b>(10,022)</b>	(25,258)
Disposals	<b>–</b>	(35,549)
	<hr/>	<hr/>
At 30 June	<b>325,232</b>	335,770
	<hr/> <hr/>	<hr/> <hr/>
Financial assets at FVTPL (unlisted investments):		
At 1 July	<b>621,143</b>	642,761
Total losses recognised in profit or loss	<b>(34,170)</b>	(36,868)
Purchases	<b>19,030</b>	56,874
Disposals	<b>(55,461)</b>	(41,624)
	<hr/>	<hr/>
At 30 June	<b>550,542</b>	621,143
	<hr/> <hr/>	<hr/> <hr/>

#### Liabilities for which fair values are disclosed

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
<b>Group and Company</b>				
<b>As at 30 June 2015</b>				
Interest bearing loans	–	43,226	–	43,226
Convertible bond	–	–	267,399	267,399
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>–</b>	<b>43,226</b>	<b>267,399</b>	<b>310,625</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>As at 30 June 2014</b>				
Interest bearing loan	–	62,965	–	62,965
Convertible bond	–	–	273,063	273,063
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>–</b>	<b>62,965</b>	<b>273,063</b>	<b>336,028</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes to Financial Statements

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## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### Market risk

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

#### (i) Foreign currency risk

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

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

#### (ii) Interest rate risk

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

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

As management considers the Group's and Company's exposure to the interest rate risk is not significant, no interest-rate swaps or other hedging activities are taken by management during the years of 2015 and 2014.

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

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

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

*Sensitivity analysis*

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

	<b>30 June 2015</b>	<b>High/low 2015</b>	30 June 2014	High/low 2014
Hong Kong – Hang Seng Index (“HSI”)	<b>26,250</b>	<b>28,589/22,530</b>	23,191	24,112/20,120

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

	<b>% of reasonable possible change of the relevant benchmark index</b>		<b>Change in loss before tax</b>	
	<b>2015</b>	2014	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Relevant market index Hong Kong – HSI	<b>± 13.19%</b>	± 11.48%	<b>± 23,524</b>	± 11,441

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (iv) Credit risk

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

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

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

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

### (v) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly. At 30 June 2015, the Group and the Company held cash and cash equivalents of HK\$287,295,000 (2014: HK\$6,818,000) and HK\$25,693,000 (2014: HK\$6,391,000), respectively, and current receivables of HK\$39,037,000 (2014: HK\$106,768,000) and HK\$39,037,000 (2014: HK\$93,769,000), respectively, which were considered adequate for working capital requirements.

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

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

*Liquidity risk of financial liabilities*

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

	<b>&lt; 1 year</b> <i>HK\$'000</i>	<b>1 to 5 years</b> <i>HK\$'000</i>	<b>&gt;5 years</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>				
<b>2015</b>				
Other payables	217,165	-	-	217,165
Due to a related company	15	-	-	15
Due to an associate	97	-	-	97
Interest bearing loans	3,150	22,596	53,635	79,381
Convertible bond	289,800	-	-	289,800
	<u>510,227</u>	<u>22,596</u>	<u>53,635</u>	<u>586,458</u>
<b>2014</b>				
Other payables	252	-	-	252
Due to an associate	64	-	-	64
Interest bearing loans	3,150	12,600	66,797	82,547
Convertible bond	19,600	289,800	-	309,400
	<u>23,066</u>	<u>302,400</u>	<u>66,797</u>	<u>392,263</u>
<b>Company</b>				
<b>2015</b>				
Other payables	17,163	-	-	17,163
Due to subsidiaries	4,012	-	-	4,012
Due to a related company	15	-	-	15
Due to an associate	97	-	-	97
Interest bearing loans	3,150	22,596	53,635	79,381
Convertible bond	289,800	-	-	289,800
	<u>314,237</u>	<u>22,596</u>	<u>53,635</u>	<u>390,468</u>
<b>2014</b>				
Other payables	252	-	-	252
Due to subsidiaries	463	-	-	463
Due to an associate	64	-	-	64
Interest bearing loans	3,150	12,600	66,797	82,547
Convertible bond	19,600	289,800	-	309,400
	<u>23,529</u>	<u>302,400</u>	<u>66,797</u>	<u>392,726</u>

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (v) Liquidity risk *(Continued)*

#### *Capital management*

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

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2015 and 30 June 2014. As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The investment manager and the executive committee manage the capital of the Company in accordance with the Company's investment objectives and policies.

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

## 37. EVENTS AFTER THE REPORTING PERIOD

- (A) The holders of the Convertible Bond exercised their conversion rights to convert the Convertible Bond with the nominal value of HK\$280,000,000 into new shares of the Company at the conversion price of HK\$0.50 per share, in which 560,000,000 shares were issued and allotted by the Company on 8 July 2015. With the effect of the exercise of Convertible Bond, the share capital of the Company has increased by HK\$5,600,000 while the share premium of the Company has increased by HK\$280,276,000. The equity component of the Convertible Bond disclosed in consolidated statement of changes in equity has decreased by HK\$7,231,000.
- (B) The Company has issued 26,000,000 ordinary shares with par value of HK\$0.01 each upon the exercise of the share options at an exercise price of HK\$0.425 per share on 26 August 2015. With the effect of exercise of the share options, the share capital of the Company has increased by HK\$260,000 while the share premium of the Company has increased by HK\$14,262,000. The share option reserve has decreased by HK\$3,472,000.

**37. EVENTS AFTER THE REPORTING PERIOD (Continued)**

- (C) On 3 September 2015, the Company entered into four subscription agreements respectively with four independent subscribers, in relation to the subscriptions of, in aggregate, 6,500,000,000 new shares at HK\$0.20 per share in the Company. The respective subscription shares by each of subscribers are as follows:
- (a) 2,200,000,000 new shares to be subscribed by Excel Gainer International Limited (the “First Subscriber”);
  - (b) 1,800,000,000 new shares to be subscribed by Ruixin Taifu Investment Group Co., Ltd (the “Second Subscriber”);
  - (c) 1,700,000,000 new shares to be subscribed by Hong Rui Holdings Limited (the “Third Subscriber”); and
  - (d) 800,000,000 new shares to be subscribed by Hong Kong Puerte Co., Limited (the “Fourth Subscriber”).

The completion of each of the subscriptions is conditional upon fulfillment of the conditions stated in the respective subscription agreements, including the consent and approval to be obtained from the board of directors and the shareholders of the Company, Stock Exchange and the Bermuda Monetary Authority (if required). Each of the subscribers has irrevocably undertaken to the Company that from the completion date of the respective subscription agreements and until the first anniversary thereof, it shall not dispose of any of its respective subscription shares in the secondary market. Upon the completion of the subscriptions, the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber will hold approximately 18.71%, 15.31%, 14.46% and 6.80% of the entire issued share capital of the Company as enlarged by the issue of the subscription shares. The aggregate net proceeds of the subscriptions of the new shares of approximately HK\$1,297,000,000 will be applied for potential investments and general working capital of the Group.

- (D) On 7 April 2015, the Company entered into an agreement (the “Agreement”) to establish a joint venture company (the “JV Company”) in the Shanghai Free Trade Zone, the PRC, with 上海申華控股股份有限公司 (transliterated as Shanghai Shenhua Holdings Limited) and 陸家嘴國際信託有限公司 (transliterated as Lujiazui International Trust Limited), the Company agreed to invest in 30% equity interest of the JV Company at a consideration of RMB60,000,000. On 7 September 2015, the parties to the Agreement entered into a termination agreement (the “Termination Agreement”), pursuant to which the parties to the Agreement mutually agreed to terminate the Agreement, with effect from the date of the Termination Agreement.

**38. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 9 September 2015.

## Five Year Financial Summary

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

### RESULTS

	Year ended 30 June				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	<b>2,126</b>	29,813	7,204	9,137	5,727
(Loss)/profit before tax	<b>(1,608)</b>	(216,278)	(37,864)	(62,927)	40,267
Income tax credit/(expense)	<b>982</b>	3,398	(5,658)	(732)	(3,342)
(Loss)/profit for the year	<b>(626)</b>	(212,880)	(43,522)	(63,659)	36,925
Other comprehensive income for the year, net of tax	<b>(11,167)</b>	(23,878)	24,267	10,007	12,121
Total comprehensive income for the year	<b>(11,793)</b>	(236,758)	(19,255)	(53,652)	49,046

### ASSETS AND LIABILITIES

	As at 30 June				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<b>1,381,641</b>	1,171,414	1,295,121	910,316	821,756
Total liabilities	<b>(568,505)</b>	(349,669)	(300,508)	(9,904)	(9,266)
Total equity	<b>813,136</b>	821,745	994,613	900,412	812,490