



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)

2016

ANNUAL
REPORT

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
11	Biographical Details of Directors and Senior Management
13	Report of Directors
20	Corporate Governance Report
30	Independent Auditors' Report
31	Consolidated Statement of Profit or Loss and Other Comprehensive Income
32	Consolidated Statement of Financial Position
33	Consolidated Statement of Changes in Equity
34	Consolidated Statement of Cash Flows
35	Notes to Financial Statements
90	Five Year Financial Summary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Mr. Pong Po Lam

Non-executive Director

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

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Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

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Pembroke HM08

Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

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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 2016 (the "Year").

ISSUE OF NEW SHARES

Following the completion of the subscriptions (the "Subscriptions") of an aggregate of 5,700,000,000 new shares of the Company by three investors on 10 November 2015, 13 November 2015 and 4 December 2015, respectively, at the subscription price of HK\$0.20 per Share, the net proceeds of approximately HK\$1,139,664,000 from the Subscriptions provided an affluent capital for the Company to capture new investment opportunities, so as to improve the Group's overall performance.

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.

As results of the Subscriptions and conversion of the Convertible Bond, as at 30 June 2016, the total assets of the Group amounted to approximately HK\$1,855,766,000, representing an increase of 34.32% as compared with HK\$1,381,641,000 last year. Net assets amounted to approximately HK\$1,785,088,000, representing an increase of 119.53% as compared with HK\$813,136,000 in last year.

INVESTMENT REVIEW

The Company and Irena Culture Co., Ltd (formerly known as Beijing Irena Culture Co., Ltd.) ("Irena") entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") dated 24 November 2015 in relation to the acquisition of approximately 28.76% of issued ordinary shares of Ourgame International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), through Glassy Mind Holdings Limited ("Glassy Mind") at an investment amount of HK\$1,130,000,000. The Group held 30% of the equity holdings of Glassy Mind. Accordingly, the Company contributed HK\$360,000,000 on 3 February 2016 and Irena through its wholly-owned subsidiary, Yi Jia Investment Limited, contributed HK\$770,000,000 (the "Strategic Cooperation"), respectively to Glassy Mind for the said acquisition. The Directors are of the view that the Strategic Cooperation provides the Group with a good investment opportunity to obtain an attractive and positive investment return. On 30 June 2016, Irena bought back the 30% issued share capital in Glassy Mind (the "Buy-Back") owned by the Group in accordance to the Strategic Cooperation Agreement at a consideration of HK\$404,088,000, which contributed a gain of approximately HK\$44,088,000 to the Group during the Year.

On 21 June 2016, the Company and China City Infrastructure Group Limited ("China City Infrastructure"), a company listed on the Stock Exchange, entered into the share subscription agreement to subscribe for 262,000,000 new shares of China City Infrastructure for a total subscription price of HK\$131,000,000 at HK\$0.50 per share (the "Share Subscription"). The transaction was completed on 28 June 2016. As at 30 June 2016, the Company owns 458,735,429 issued shares in China City Infrastructure, representing approximately 19.89% of the entire issued share capital in China City Infrastructure. Simultaneously, on 21 June 2016, the Company and China City Infrastructure entered into the convertible bond subscription agreement to subscribe for the convertible bond of China City Infrastructure in the principal amount of HK\$73,000,000 at the initial conversion price of HK\$0.50 per conversion share, with a maximum number of 146,000,000 conversion shares (the "CB Subscription"). The transaction was completed on 28 June 2016.

Chairman's Statement

The Board takes the view that of China City Infrastructure and its subsidiaries (the "China City Infrastructure Group") are principally engaged in the infrastructure business, property development, property investment, hotel business and property management in the People's Republic of China (the "PRC") and expand its businesses to include but not limited to, natural gas sales and distribution and natural gas pipeline construction. As at the date of this annual report, the China City Infrastructure Group had acquired five natural gas project companies in Hunan Province, Jiangxi Province and Guangxi. The Share Subscription enables the Group to expand its investment in clean energy industry in the PRC which is in line with the Company's investment objective. Moreover, the Directors consider that the CB Subscription on one hand enables the Company to have guaranteed return by way of the interest income and on the other hand enables the Company to have the right to convert into additional shares should the price of the shares in China City Infrastructure appreciate in future.

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 operational risks, resulting in certain small loan companies continue to generate substantially overdue loans and incur significant losses. 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 the small loan business. The Company shall from time to time monitor the performance and the progress of downscaling of this segment.

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, 23 September 2016

BUSINESS REVIEW

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

During the Year, a net loss attributable to ordinary equity shareholders of the Company (the "Shareholders") amounted to HK\$489,529,000 as compared to a loss of HK\$626,000 for the year ended 30 June 2015. The loss has been partly offset by a gain of HK\$44,088,000 from the Buy-Back under the Strategic Cooperation Agreement. The loss was mainly attributable to the following reasons:

- (i) unrealised loss of approximately HK\$50,468,000 on listed investments at fair value through profit or loss;
- (ii) unrealised loss of approximately HK\$238,206,000 on unlisted investments at fair value through profit or loss;
- (iii) impairment loss of approximately HK\$223,577,000 on available-for-sale financial assets; and
- (iv) impairment loss of approximately HK\$4,199,000 on other receivables.

During the Year, dividend income from investments increased by 160.96% to HK\$5,548,000 as compared to HK\$2,126,000 in last year. The other income which comprised interest income, exchange gain and miscellaneous gain amounted to HK\$4,599,000, representing an increase of 105.86% as compared to HK\$2,234,000 in last year. Administrative expenses decreased by 9.68% from HK\$25,386,000 in last year to HK\$22,929,000 this year mainly due to the decrease of Directors' remuneration.

LISTED INVESTMENT REVIEW

On 21 June 2016, the Company and China City Infrastructure entered into the share subscription agreement to subscribe for 262,000,000 new shares of China City Infrastructure for a total subscription price of HK\$131,000,000 at HK\$0.50 per share. The transaction was completed on 28 June 2016 and recorded as an available-for-sale financial asset.

During the Year, the Group recorded a loss of HK\$11,168,000 on listed securities business, while the Group recorded a gain of HK\$78,682,000 last year. No dividend income from listed investments was received during the Year and last year.

As at 30 June 2016, the total market value of held-for-trading listed securities and available-for-sale listed securities increased to HK\$298,178,000 (2015: HK\$178,346,000) due to the Share Subscription, all the listed investments were listed on 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 2016 HK\$'000
Hidili Industry International Development Limited ("Hidili Industry") (Note 1)	Coal mining and manufacture and sales of clean coal	12,369,000	0.60	–
China City Infrastructure	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	458,735,429	19.89	298,178
				298,178

Note:

- (1) As at 30 June 2016, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.60% of the issued share capital of Hidili Industry. The shares of Hidili Industry have been suspended for trading since 1 April 2016 due to delay in publication of annual results, which management considered as an indication for impairment. As a result, the fair value of Hidili Industry amounting to HK\$2,412,000 was fully impaired during the Year.

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2016, the loss on the Group's unlisted investment portfolio recorded as HK\$422,001,000 (2015: HK\$44,008,000). The loss has been partly offset by a gain of HK\$44,088,000 from the Buy-Back under the Strategic Cooperation Agreement. 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\$5,548,000, representing a 160.96% increase as compared to HK\$2,126,000 in last year.

As at 30 June 2016, the fair value of the Group's unlisted investments amounted to HK\$482,686,000 as compared to HK\$875,774,000 in last year, representing a 44.88% decrease.

Unlisted Investment Portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2016 HK\$'000	Impairment loss during the Year HK\$'000	Dividend received/receivable during the Year HK\$'000	
Micro-loan service									
1	Jingdezhen CFI Guosen Microfinance Co., Ltd.	(1)	Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	–	188,690	–
2	TianJin XEDA Microfinance Co., Ltd.		Tianjin	30%	Provision of small loan and financial consultation services	72,450	43,628	28,822	3,544

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 2016 HK\$'000	Impairment loss during the Year HK\$'000	Dividend received/receivable during the Year HK\$'000
Micro-loan service (Continued)								
3		Tianjin	30%	Provision of small loan and financial consultation services	36,606	12,885	N/A	–
4		Tianjin	10%	Provision of small loan and financial consultation services	12,189	7,352	N/A	429
5		Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	–	N/A	–
6	(2)	Donghu District, Nanchang, Jiangxi Province	30%	Provision of small loan and financial consultation services	36,901	8,159	N/A	–
7	(3)	Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	4,457	N/A	–
8		Ezhou, Hubei Province	30%	Provision of small loan and financial consultation services	185,000	117,833	N/A	–
9		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	40,013	N/A	–
10		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	13,930	N/A	–
11		Tianjin	30%	Provision of small loan and financial consultation services	36,741	17,189	N/A	–
12		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	30,837	N/A	1,575
Sub-total:					784,818	296,283	217,512	5,548
Guarantee service								
13		Nanchang, Jiangxi Province	7.2%	Provision of financing guarantees to small and medium enterprises	43,150	53,690	–	–

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 2016 HK\$'000	Impairment loss during the Year HK\$'000	Dividend received/receivable during the Year HK\$'000
Investment and management consultation service								
14		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	-	6,065	-
15		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	14,085	N/A	-
16		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	9,678	N/A	-
				Sub-total:	56,104	23,763	6,065	-
Investment holding								
17	(4)	British Virgin Islands	30%	Investment holding	-	-	N/A	-
Real estate and natural gas								
18	(5)	Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	73,000	108,950	N/A	-
				Total:	957,072	482,686	223,577	5,548

Notes:

- On 1 June 2016, the Group's equity interest of Jingdezhen CFI Guosen Microfinance Co., Ltd. changed from 30% to 40% due to share accretion. The Group's voting right in Jingdezhen CFI Guosen Microfinance Co., Ltd. remains at 30% as approved by the shareholders' resolution of Jingdezhen CFI Guosen Microfinance Co., Ltd..
- On 20 April 2016, the Company entered into a disposal agreement to dispose of its equity interest in Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. to an independent third party for a cash consideration of RMB23,325,000. 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.
- On 20 March 2015, the Company entered into a disposal agreement to dispose of its equity interest in Tianjin Binlian Microfinance Limited to an independent third party for a cash consideration of RMB10,000,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 14 July 2016.
- On 19 November 2015, the Group invested in a 30% equity interest of Glassy Mind, a joint venture established in the British Virgin Islands. Irena through its wholly-owned subsidiary, Yi Jia Investment Limited, bought back the 30% issued share capital in Glassy Mind owned by the Group on 30 June 2016, which contributes a gain of HK\$44,088,000 to the Group during the Year.
- On 21 June 2016, the Company and China City Infrastructure entered into the convertible bond subscription agreement to subscribe for the convertible bond of China City Infrastructure in the principal amount of HK\$73,000,000 at the initial conversion price of HK\$0.50 per conversion share with a maximum number of 146,000,000 conversion shares. The transaction was completed on 28 June 2016 and recorded as an available-for-sale financial asset.

PROSPECT

Looking ahead, the global economic and operating environment is full of challenges and uncertainty. The Group will focus on the investments of the insurance and financial services industry, the clean energy industry, and the leisure sports vacation industry cautiously; and will seek potential investment opportunities to diversify its business portfolio with an aim to maximise value for the Shareholders.

The Group adopts (i) the “outside to inside” approach, understanding the market condition then formulating the Company’s investment strategy accordingly; (ii) the “open synergy” approach, inviting experts then collaborating their skills with the Company’s investment approach; and (iii) the “value-added” approach, determining the value of potential investments then integrating resources to materialise the investments, to increase the value of the Group.

MAJOR ACQUISITIONS AND DISPOSALS

The Group had no major acquisition and disposal of subsidiary or associate during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2016, the Group had cash and cash equivalents of HK\$657,542,000 (2015: HK\$287,295,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States 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 2016 was approximately 188.50 times (2015: 1.01 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2016 was approximately 3.81% (2015: 41.15%).

The Group did not have any bank borrowing as at 30 June 2016 (2015: Nil). The capital commitments of the Group are set out in note 31 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2015: Nil).

CHARGES ON THE GROUP’S ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2016, there were no charges on the Group’s assets and the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

CAPITAL STRUCTURE AND USE OF PROCEEDS

- (a) During the year ended 30 June 2016, the Company has issued 40,000,000 ordinary shares of HK\$0.01 each upon the exercise of the share options at an exercise price of HK\$0.425 per share. The gross proceed was approximately HK\$17,000,000, of which HK\$400,000 was credited to share capital, while HK\$21,946,000 was credited to the share premium, the share option reserve was decreased by HK\$5,346,000.
- (b) During the year ended 30 June 2016, the convertible bond with principal amount of HK\$280,000,000 was converted into 560,000,000 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.50, of which HK\$5,600,000 was credited to share capital, while HK\$280,276,000 was credited to the share premium, the equity component of the Convertible Bond disclosed in consolidated statement of changes in equity has been decreased by HK\$7,231,000.
- (c) On 10 November 2015, 13 November 2015 and 4 December 2015, the Company issued, in aggregate, 5,700,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.20 per share to three independent investors. The net proceeds from the Subscriptions were approximately HK\$1,139,664,000, out of which HK\$57,000,000 was recorded in share capital, while HK\$1,082,664,000 was credited to share premium after netting off issuing expenses.

The net proceeds of (i) approximately HK\$360,000,000 are applied for the short term investment financing with a guaranteed return, for more details, please refer to the circular of the Company dated 21 December 2015, (ii) approximately HK\$131,000,000 are applied for Share Subscription of China City Infrastructure, (iii) approximately HK\$73,000,000 are applied for CB Subscription of China City Infrastructure, for more details, please refer to the announcement of the Company dated 21 June 2016; (iv) approximately HK\$200,000,000 are applied for secondary market of listed securities in Hong Kong; and (v) approximately HK\$200,000,000 are applied for the subscription of the 9% secured three-year bond.

The unutilised net proceeds of approximately HK\$175,664,000 shall be applied as follows:

- (a) approximately HK\$76,000,000 for equity investments in insurance and financial services; and
- (b) approximately HK\$99,664,000 as general working capital of the Group.

The Group currently has no other concrete investment plans. The Group shall comply with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") should any investment plans be materialised.

As at 30 June 2016, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,785,088,000 (2015: HK\$813,136,000) and approximately 10,971,634,000 (2015: 4,671,634,000), respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Hong Kong dollars and Renminbi are the main currencies of the Group to carry out its business transactions. During the Year, transactions in Renminbi were not significant, the Board considers that the Group's exposure to fluctuation in exchange rates was insignificant.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 15 (2015: 14) employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$10,927,000 (2015: HK\$13,319,000). 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 48, 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 26 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 59, is the authorised representative of the Company and the managing director of Pegasus Fund Managers Limited. He has been working in the fund management industry for over 30 years. He is also the Chairman of Shenzhen Qianhai Prudence Investment Fund Management Company Limited. He is a non-official member of Human Capital Committee of 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 Co-Convener of Financial Section of Hong Kong Professionals & Senior Executives Association. He is also a chairman of the Institute of Financial Planners of Hong Kong, vice president of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd., vice president of HK Shanxi Chamber of Commerce, a chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, a member of Court of City University of HK, a member of Business Studies Advisory Board of HKU SPACE and a guest speaker for senior management training courses in several multi-national financial/insurance companies and universities.

NON-EXECUTIVE DIRECTOR

Mr. Ding Xiaobin, aged 46, 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 80, who possesses the appropriate financial management expertise as required by 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. and a former independent non-executive director and the director general of audit committee of China Resources Bank of Zhuhai Co. Ltd.. He is also an independent non-executive director and chairman of the audit committee of Pioneer Global Group Limited (Stock code: 224), an independent non-executive director, member of audit committee and nomination committee and the chairman of remuneration committee of Universal Technologies Holdings Limited (Stock code: 1026), a non-executive director of Galaxy Entertainment Group Limited (Stock code: 0027), an independent non-executive director, chairman of remuneration committee and members of audit committee and nomination committee of Jiayuan International Group Limited (Stock code: 2768), and an independent non-executive director, chairman of audit committee and members of remuneration committee and nomination committee of Modern Dental Group Limited (Stock code: 3600), all of which are companies listed on the main board of the Stock Exchange. He is also an independent non-executive director and chairman of nomination committee of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (Stock code: 8260), a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange. He was an independent non-executive director and chairman of the audit committee of Shanghai Electric Group Company Limited (Stock Code: 2727) from November 2004 to 26 February 2014; and an independent non-executive director of Grand TG Gold Holdings Limited (Stock Code: 8299) from July 2009 to 23 March 2016. Dr. Cheung is a council member of the Hong Kong Institute of Directors.

Biographical Details of Directors and Senior Management

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 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 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 of USA. 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 57, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants (practicing). 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 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 62, is 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 48, is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from 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 Singasia Holdings Limited (Stock Code: 8293), a company listed on the Growth Enterprise Market of the Stock Exchange. From 8 January 2014 to 7 April 2014, Mr. Li was the company secretary of Z-Obee Holdings Limited (Stock Code: 948); from 21 May 2014 to 16 January 2015, Mr. Li was the company secretary of China Zenith Chemical Group Limited (Stock Code: 0362); from 15 July 2013 to 1 May 2015, he was the company secretary of Evershine Group Holdings Limited (formerly known as TLT Lottotainment Group Limited) (Stock Code: 8022); from 23 September 2009 to 1 June 2015, Mr. Li was the company secretary of AVIC Joy Holdings (HK) Limited (formerly known as China Environmental Investment Holdings Limited) (Stock Code: 0260); from 12 December 2007 to 1 June 2015, he was the company secretary of China Nonferrous Metals Company Limited (Stock Code: 8306); and from 15 June 2015 to 20 September 2016, he was the company secretary of KPM Holding Limited (Stock Code: 8027).

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2016.

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 1 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 31.

The Board does not recommend the payment of any dividend for the year ended 30 June 2016 (2015: Nil).

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group's immediate and long-term goals. Although there are no major customers and suppliers during the Year, as disclosed in the section headed "Major Customers and Suppliers" on page 14 of this annual report, the Company creates a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group pays attention to legal and regulatory requirements in designing its policies and practices. Legal and compliance advisers will be engaged when necessary to ensure the Group operates in accordance with applicable laws and regulations.

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 90. 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 15 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 26, 27 and 24 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 36 to the financial statements and in the consolidated statement of changes in equity on page 33 respectively.

Report of Directors

DISTRIBUTABLE RESERVES

At 30 June 2016, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK\$1,569,386,000 (2015: HK\$674,703,000) calculated in accordance with the Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

A substantial portion of the Group's income is derived from the Group's investments 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

Mr. Pong Po Lam

Non-executive Directors:

Mr. Sha Naiping *(resigned on 22 December 2015)*

Mr. Wang Charles Hongxin *(appointed on 22 December 2015 and resigned on 9 May 2016)*

Mr. Ding Xiaobin

Independent non-executive Directors:

Dr. Cheung Wai Bun Charles

Mr. Zeng Xianggao

Mr. Li Cailin *(appointed on 7 September 2015)*

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

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. Wang Charles Hongxin	resigned on 9 May 2016 as a non-executive Director
Dr. Cheung Wai Bun Charles	resigned as an independent non-executive director of Grand TG Gold Holdings Limited with effect from 23 March 2016

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 2016, 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	6.57%
Ding Xiaobin	Beneficial owner	1,300,000	-	-	1,300,000	0.01%
Zeng Xianggao	Beneficial owner	1,000,000	-	-	1,000,000	0.01%

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
Du Lin Dong	4,700,000

Save as disclosed above, as at 30 June 2016, 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 2016, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's ordinary shares and underlying shares:

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

Name of Shareholder	Capacity	Notes	Number of issued ordinary shares held				Approximately percentage of shareholding in the Company
			Personal interests	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	6.57%
Rightfirst Holdings Limited	Beneficial owner	(1)	500,000,000	-	-	500,000,000	4.56%
Liu Zan	Beneficial owner and interests of spouse	(1) & (2)	34,400,000	685,914,830	-	720,314,830	6.57%
Excel Gainer International Limited	Beneficial owner	(3)	2,200,000,000	-	-	2,200,000,000	20.05%
Treasure Vanguard Investments Limited	Interests of controlled corporation	(3)	-	-	2,200,000,000	2,200,000,000	20.05%
Chen Meishu	Interests of controlled corporation	(3)	-	-	2,200,000,000	2,200,000,000	20.05%
Hong Rui Holdings Limited	Beneficial owner	(4)	1,100,000,000	-	-	1,100,000,000	10.03%
Lan Heng	Interests of controlled corporation	(4)	-	-	1,100,000,000	1,100,000,000	10.03%
Ruixin Taifu Investment Group Co., Ltd	Beneficial owner	(5)	980,000,000	-	-	980,000,000	8.93%
Xu Rongta	Interests of controlled corporation	(5)	-	-	980,000,000	980,000,000	8.93%
Century Golden Resources Investment Co., Ltd	Beneficial owner	(6)	1,000,000,000	-	-	1,000,000,000	9.11%
Huang Rulun	Interests of controlled corporation	(6)	-	-	1,000,000,000	1,000,000,000	9.11%

Notes:

- (1) The entire issued share capital of Rightfirst Holdings Limited is beneficially owned by Mr. Du Lin Dong, Mr. Du Lin Dong is therefore deemed to be interested in the ordinary shares held by Rightfirst Holdings Limited.

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

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

Notes: (Continued)

- (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) The entire issued share capital of Excel Gainer International Limited is owned by Treasure Vanguard Investments Limited, while the entire issued share capital of Treasure Vanguard Investments Limited is beneficially owned by Miss Chen Meishu, Miss Chen Meishu is therefore deemed to be interested in the ordinary shares held by Excel Gainer International Limited.
- (4) The entire issued share capital of Hong Rui Holdings Limited is beneficially owned by Mr. Lan Heng, Mr. Lan Heng is therefore deemed to be interested in the ordinary shares held by Hong Rui Holdings Limited.
- (5) The entire issued share capital of Ruixin Taifu Investment Group Co., Ltd is beneficially owned by Mr. Xu Rongta, Mr. Xu Rongta is therefore deemed to be interested in the ordinary shares held by Ruixin Taifu Investment Group Co., Ltd.
- (6) 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 ordinary shares held by Century Golden Resources Investment Co., Limited.

Save as disclosed above, as at 30 June 2016, 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.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors are set out in note 10 to the financial statements.

The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rates.

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, Directors shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the Directors. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal activity is investment in listed and unlisted investments and other related financial assets. Details of the principal risks and uncertainties relating to the investments of the Group are set out in notes 3, 33 and 34 to the financial statements. The activity of the Group is also affected by the volatility and uncertainty of the world wide economies.

ENVIRONMENTAL POLICIES

The Company is devoted to promoting and maintaining the environmental and social sustainable development. As a responsible enterprise, the Company is in compliance with all the material relevant laws and regulations in Hong Kong in terms of the environmentally friendliness, health as well as safety and adopts effective measures, conserves energy and reduces waste.

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 27(a) to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 27(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

An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") 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 Investment Management Agreement, the management fee payable by the Company is expected to be not exceeding HK\$1,800,000 annually from 29 April 2014 to 28 April 2017, CFIIM is entitled to a management fee which is receivable 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.

During the Year, the aggregate management fees paid/payable by the Company under the Investment Management Agreement to CFIIM amounted to HK\$886,000 (2015: HK\$1,049,000).

CFIIM, being the investment manager of the Company, is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. In addition, CFIIM is an associate of the Company who holds 29% of the entire issued shares of CFIIM. Accordingly, the services rendered under the Investment Management Agreement constitutes a non-exempted continuing connected transaction of the Company.

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

CONTINUING CONNECTED TRANSACTIONS (Continued)

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

Investment management agreement (Continued)

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.56 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\$153,000 (2015: HK\$154,000).

The custodian is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. Accordingly, the Custodian Agreement constitutes a de-minimis continuing connected transaction of the Company under Rule 14A.76 of the Listing Rules.

The INEDs also confirmed that (i) the aggregate value of the annual management fees paid and payable by the Company to the investment manager did not exceed 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 35 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
23 September 2016

Corporate Governance Report

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

During the Year, the Company has applied the principles and complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, 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. The positions of both chairman and chief executive officer of the Company have been held by Mr. Du Lin Dong during the Year. 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. Sha Naiping was unable to attend special general meetings of the Company both held on 20 October 2015, Mr. Cheung Wai Bun Charles was unable to attend the AGM of the Company held on 18 December 2015; and Mr. Zeng Xianggao and Mr. Li Cailin were unable to attend the special general meeting of the Company held on 7 January 2016.
- (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 (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 (then "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 (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.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board reserves for its decision all matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions, financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

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 6 Directors, including 2 executive Directors, 1 non-executive Director and 3 INEDs. The Board comprises the following Directors:

Executive Directors:

Mr. Du Lin Dong
Mr. Pong Po Lam

Non-executive Directors:

Mr. Sha Naiping *(resigned on 22 December 2015)*
Mr. Wang Charles Honxin *(appointed on 22 December 2015 and resigned on 9 May 2016)*
Mr. Ding Xiaobin

Independent non-executive Directors:

Dr. Cheung Wai Bun Charles
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.

Corporate Governance 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. The positions of both chairman and chief executive officer of the Company have been held by Mr. Du Lin Dong during the Year. 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.

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 has served as an INED of the Company for more than 9 years. Dr. Cheung already offered himself for re-election and his further appointment was approved by the Shareholders at the AGM held on 18 December 2015. 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.

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

Corporate Governance Report

THE BOARD *(Continued)*

Meetings *(Continued)*

During the Year, 18 Board meetings, 4 Audit Committee meetings, 3 Remuneration Committee meetings, 4 Nomination Committee meetings, 3 executive committee (the “Executive Committee”) meetings, 1 risk management committee (the “Risk Management Committee”) meeting and 4 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	18/18	N/A	3/3	N/A	3/3	1/1	3/4
Mr. Pong Po Lam	18/18	N/A	N/A	N/A	3/3	N/A	4/4
Mr. Sha Naiping <i>(resigned on 22 December 2015)</i>	6/11	N/A	N/A	N/A	N/A	N/A	1/3
Mr. Wang Charles <i>Honxin (appointed on 22 December 2015 and resigned on 9 May 2016)</i>	4/5	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Ding Xiaobin	15/18	N/A	N/A	N/A	N/A	N/A	4/4
Dr. Cheung Wai Bun Charles	15/18	4/4	3/3	4/4	N/A	1/1	3/4
Mr. Zeng Xianggao	15/18	4/4	N/A	4/4	N/A	N/A	3/4
Mr. Li Cailin <i>(appointed on 7 September 2015)</i>	12/13	3/3	2/2	3/3	N/A	N/A	3/4

BOARD COMMITTEES

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

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. Li Cailin (*appointed on 7 September 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 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 2015, 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;
- reviewed and discussed the interim financial statements, results announcement and report for the six months ended 31 December 2015 and the related accounting principles and practices adopted by the Group;
- reviewed, considered and recommended to the Board for adopting the revised Audit Committee's terms of reference; and
- reviewed and discussed the internal control and risk management systems.

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. Li Cailin (*chairman of the Remuneration Committee*) (*appointed on 7 September 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.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

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 and the newly appointed Directors.

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

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. Li Cailin (*appointed on 7 September 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 circulars of the Company dated 2 October 2015 and 28 October 2015, all re-appointments were approved by the Shareholders at the special general meeting held on 20 October 2015 and the AGM held on 18 December 2015, respectively.

BOARD COMMITTEES (Continued)

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, an INED. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to the unlisted investments and providing comments and recommendations thereon to the Board, and identifying such risks of the Group and providing recommendations to the Board.

Corporate Governance Functions

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

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

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements, is set out in the "Independent Auditors' Report" on page 30 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.

Corporate Governance Report

COMPANY SECRETARY

As at 30 June 2016, 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 AND RISK MANAGEMENT

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 against material errors, losses of fraud.

During the Year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group’s internal control and risk management 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\$730,000 (2015: HK\$680,000) and HK\$286,000 (2015: HK\$284,000), 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 and results announcements, 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.

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, four general meetings were held at the Hong Kong's principal place of business of the Company. AGM was held on 18 December 2015 and two special general meetings were held on 20 October 2015 and one special general meeting held on 7 January 2016, respectively. Separate resolutions are proposed at general meetings on each substantially separate issue. All resolutions proposed were duly passed except for the resolution no. 4 of the first special general meeting of the Company held on 20 October 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.

Independent Auditors' Report



Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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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 set out on pages 31 to 89, which comprise the consolidated statement of financial position as at 30 June 2016, 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 its subsidiaries as at 30 June 2016, and of their 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
23 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Revenue	6	5,548	2,126
Other income and gains	6	4,599	2,234
Net change in fair value of financial assets	7	(244,586)	45,212
Impairment loss on available-for-sale financial assets		(223,577)	(516)
Impairment loss on other receivables	19	(4,199)	–
Finance costs	8	(6,000)	(25,265)
Administrative expenses		(22,929)	(25,386)
Share of loss of an associate		(63)	(13)
		<hr/>	<hr/>
Loss before tax	9	(491,207)	(1,608)
Income tax credit	13	1,678	982
		<hr/>	<hr/>
Loss for the year		(489,529)	(626)
		<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		(188,583)	(10,538)
Reclassification adjustment for loss included in profit or loss			
– Impairment loss		223,577	516
Income tax effect		1,835	(399)
		<hr/>	<hr/>
		36,829	(10,421)
Exchange differences on translation of foreign operations		(11,097)	(746)
		<hr/>	<hr/>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		25,732	(11,167)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		25,732	(11,167)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(463,797)	(11,793)
		<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	14(a)	HK(5.590) cents	HK(0.013) cents
		<hr/>	<hr/>
– Diluted	14(b)	HK(5.590) cents	HK(0.013) cents
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Financial Position

30 June 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,864	125
Investment in an associate	16	353	416
Available-for-sale financial assets	17	323,615	325,232
Financial assets at fair value through profit or loss	18	276,418	550,542
		<hr/>	<hr/>
Total non-current assets		602,250	876,315
		<hr/>	<hr/>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	18	180,831	178,346
Prepayments, deposits and other receivables	19	415,143	39,685
Cash and cash equivalents	20	657,542	287,295
		<hr/>	<hr/>
Total current assets		1,253,516	505,326
		<hr/>	<hr/>
CURRENT LIABILITIES			
Convertible bond	23, 24	–	278,816
Due to a related company	22	–	15
Due to an associate	16	80	97
Other payables and accruals	21	2,370	217,845
Tax payable		4,200	4,200
		<hr/>	<hr/>
Total current liabilities		6,650	500,973
		<hr/>	<hr/>
NET CURRENT ASSETS		1,246,866	4,353
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,849,116	880,668
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest bearing loans	23	62,974	62,965
Deferred tax liabilities	25	1,054	4,567
		<hr/>	<hr/>
		64,028	67,532
		<hr/>	<hr/>
Net assets		1,785,088	813,136
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	26	109,717	46,717
Reserves	29	1,675,371	766,419
		<hr/>	<hr/>
TOTAL EQUITY		1,785,088	813,136
		<hr/>	<hr/>
Net asset value per share	28	HK16.27 cents	HK17.41 cents
		<hr/> <hr/>	<hr/> <hr/>

Du Lin Dong
Director

Pong Po Lam
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2016

Attributable to equity holders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Available-for-sale 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 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 27(a))	-	-	-	-	-	1,754	-	-	-	1,754
Issue of shares										
- upon exercise of share options (note 26(a))	110	1,819	-	-	-	(499)	-	-	-	1,430
At 30 June 2015 and 1 July 2015	46,717	682,786*	278,979*	2,766*	11,988*	65,604*	(638)*	7,231*	(282,297)*	813,136
Loss for the year	-	-	-	-	-	-	-	-	(489,529)	(489,529)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(11,097)	-	-	(11,097)
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	36,829	-	-	-	-	36,829
Total comprehensive income for the year	-	-	-	-	36,829	-	(11,097)	-	(489,529)	(463,797)
Equity-settled share-based transactions (note 27(a))	-	-	-	-	-	440	-	-	-	440
Issue of shares										
- upon exercise of share options (note 26(a))	400	21,946	-	-	-	(5,346)	-	-	-	17,000
- upon conversion of a convertible bond (note 26(b))	5,600	280,276	-	-	-	-	-	(7,231)	-	278,645
- upon share placing, net of expenses (note 26(c))	57,000	1,082,664	-	-	-	-	-	-	-	1,139,664
At 30 June 2016	109,717	2,067,672*	278,979*	2,766*	48,817*	60,698*	(11,735)*	-*	(771,826)*	1,785,088

* These reserve accounts comprise the consolidated reserves of HK\$1,675,371,000 (2015: HK\$766,419,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Loss before tax		(491,207)	(1,608)
Adjustments for:			
Share of loss of an associate		63	13
Interest income	6	(3,178)	(1,202)
Dividend income	6	(5,548)	(2,126)
Finance costs	8	6,000	25,265
Depreciation	9	252	81
Net realised gain on disposal of an available-for-sale financial asset	7	-	(2)
Net realised gain on disposal of financial assets at fair value through profit or loss	7	(44,088)	(698)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	7	288,674	(44,512)
Impairment loss on available-for-sale financial assets		223,577	516
Impairment loss on other receivables	19	4,199	-
Equity-settled share option expenses	27(a)	440	1,754
Exchange gain on dissolution of a representative office	6	-	(109)
Operating cash flows before movements in working capital		(20,816)	(22,628)
(Increase)/decrease in prepayments, deposits and other receivables		(385,812)	69,151
(Decrease)/increase in other payables and accruals		(215,475)	216,958
(Decrease)/increase in an amount due to a related company		(15)	15
(Decrease)/increase in an amount due to an associate		(17)	33
(Purchase)/sales of available-for-sale financial assets		(186,966)	2
Purchase of financial asset at fair value through profit or loss		(377,035)	-
Sales of financial assets at fair value through profit or loss		404,088	37,129
Cash (used in)/generated from operations		(782,048)	300,660
Interest received		3,178	1,202
Dividend received		11,703	675
Overseas tax paid		-	(103)
Net cash (used in)/generated from operating activities		(767,167)	302,434
Cash flows from an investing activity			
Purchases of items of property, plant and equipment	15	(1,985)	-
Net cash used in an investing activity		(1,985)	-
Cash flows from financing activities			
Proceeds from issue of shares upon exercise of share options	26(a)	17,000	1,430
Proceeds from issue of shares upon share placing, net of expenses	26(c)	1,139,664	-
Interest paid		(6,162)	(22,750)
Net cash generated from/(used in) financing activities		1,150,502	(21,320)
Net increase in cash and cash equivalents		381,350	281,114
Cash and cash equivalents at beginning of the year		287,295	6,818
Effect of foreign exchange rate changes		(11,103)	(637)
Cash and cash equivalents at end of the year		657,542	287,295
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	20	657,542	287,295

1. CORPORATION AND GROUP INFORMATION

China Financial International Investments Limited (the “Company”) was 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 investing in listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration of business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Principal activities
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
Joy State Holdings Limited	Hong Kong	HK\$1	100%	Dormant
China Financial International Investments (Nanchang) Limited	British Virgin Islands	US\$10,000	100%	Dormant
China Financial International Investments (Guangdong) Limited	British Virgin Islands	US\$10,000	100%	Dormant
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

Notes to Financial Statements

30 June 2016

1. CORPORATION AND GROUP INFORMATION *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration of business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Principal activities
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)投资有限公司 (transliterated as Keyi (Shanghai) Investments Limited)	PRC	Renminbi ("RMB") 200,000,000	100%	Dormant

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 ("HKICPA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss ("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.

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 2016. 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.

2.1 BASIS OF PREPARATION (Continued)**Basis of consolidation (Continued)**

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 that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

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 above. 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 Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the year ended 30 June 2016. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

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 is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Group expects to adopt the amendments from 1 July 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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 an associate is included as part of the Group's investment in an associate.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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 costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets (Continued)

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as OCI 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 equity 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

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

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

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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Convertible bond

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated 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, and assets similar in nature to cash, 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 consolidated 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Hong Kong (Continued)

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

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

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

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

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 measured reliably, on the following bases:

- 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, when appropriate, to the net carrying amount of the financial asset; and
- Dividend income from investments, when the shareholders' right to receive payment has been 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 27 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

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 are recognised as a liability when they are approved by the Shareholders in a general meeting. In prior years, 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.

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 currencies

These financial statements are presented in HK\$, which is the Company’s functional 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 HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into 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.

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 financial assets at FVTPL at 30 June 2016 were HK\$323,615,000 (2015: HK\$325,232,000) and HK\$457,249,000 (2015: HK\$728,888,000), respectively. Details are included in notes 17 and 18 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 2016, an impairment loss of HK\$223,577,000 (2015: HK\$516,000) 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 and natural gas
- c) others (includes guarantee service, investment and management 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 and natural gas HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 30 June 2016				
Segment results	<u>(470,039)</u>	<u>(5,396)</u>	<u>12,820</u>	<u>(462,615)</u>
Share of loss of an associate				(63)
Unallocated income				4,599
Unallocated expenses				<u>(33,128)</u>
Loss before tax				<u>(491,207)</u>
Income tax credit				1,678
Loss for the year				<u><u>(489,529)</u></u>
Year ended 30 June 2015				
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				<u>(1,608)</u>
Income tax credit				982
Loss for the year				<u><u>(626)</u></u>

Segment results represent gain on disposal of unlisted investments, net unrealised loss on financial assets at FVTPL, impairment loss on 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:

	2016 HK\$'000	2015 HK\$'000
Micro-loan service	296,283	766,967
Real estate and natural gas	407,128	169,193
Others	77,453	117,960
Total segment assets	780,864	1,054,120
Unallocated assets	1,074,902	327,521
	<u>1,855,766</u>	<u>1,381,641</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 2016 and 30 June 2015 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 2016

5. (LOSS)/GAIN ON INVESTMENTS

	Listed investments HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
Year ended 30 June 2016			
<i>Included in profit or loss:</i>			
Realised gain:			
Financial assets at FVTPL	–	44,088	44,088
Unrealised loss:			
Financial assets at FVTPL	(50,468)	(238,206)	(288,674)
Impairment loss:			
Available-for-sale financial assets	–	(223,577)	(223,577)
Total loss included in profit or loss	<u>(50,468)</u>	<u>(417,695)</u>	<u>(468,163)</u>
<i>Included in OCI:</i>			
Unrealised gain/(loss):			
Available-for-sale financial assets	39,300	(227,883)	(188,583)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	223,577	223,577
Total gain/(loss) included in OCI	<u>39,300</u>	<u>(4,306)</u>	<u>34,994</u>
Total loss for the year	<u><u>(11,168)</u></u>	<u><u>(422,001)</u></u>	<u><u>(433,169)</u></u>
Year ended 30 June 2015			
<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 gain/(loss) included in profit or loss	<u>78,682</u>	<u>(33,986)</u>	<u>44,696</u>
<i>Included in OCI:</i>			
Unrealised loss:			
Available-for-sale financial assets	–	(10,538)	(10,538)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	516	516
Total loss included in OCI	<u>–</u>	<u>(10,022)</u>	<u>(10,022)</u>
Total gain/(loss) for the year	<u><u>78,682</u></u>	<u><u>(44,008)</u></u>	<u><u>34,674</u></u>

6. REVENUE, OTHER INCOME AND GAINS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Dividend income from unlisted investments	5,548	2,126
Other income and gains		
Bank interest income	3,178	1,202
Exchange gain on dissolution of a representative office	–	109
Exchange gain	1,417	923
Miscellaneous	4	–
	4,599	2,234

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK\$404,088,000 (2015: HK\$56,161,000) and dividend income of HK\$5,548,000 (2015: HK\$2,126,000) for the year.

7. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net realised gain on disposal of an available-for-sale financial asset	–	2
Net realised gain on disposal of financial assets at FVTPL (<i>note</i>)	44,088	698
Net unrealised (loss)/gain on financial assets at FVTPL	(288,674)	44,512
	(244,586)	45,212

Note:

The Company and Irena Culture Co., Ltd. (formerly known as Beijing Irena Culture Co., Ltd.) ("Irena") entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") dated 24 November 2015 in relation to the acquisition of approximately 28.76% of issued ordinary shares of Ourgame International Holdings Limited, a company listed on the Stock Exchange, through Glassy Mind Holdings Limited ("Glassy Mind") at an investment amount of HK\$1,130,000,000. The Group held 30% of the equity holdings of Glassy Mind. Accordingly, the Company contributed HK\$360,000,000 on 3 February 2016 and Irena through its wholly-owned subsidiary, Yi Jia Investment Limited, contributed HK\$770,000,000, respectively to Glassy Mind for the said acquisition. On 30 June 2016, Irena bought back the 30% issued share capital in Glassy Mind owned by the Group in accordance with the Strategic Cooperation Agreement at a consideration of HK\$404,088,000, which contributed a gain of approximately HK\$44,088,000 to the Group during the year.

Notes to Financial Statements

30 June 2016

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on a convertible bond wholly repayable within five years	419	22,115
Interest on other loans	5,581	3,150
	<hr/> 6,000 <hr/>	<hr/> 25,265 <hr/>

9. LOSS BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000
Auditors' remuneration		
– audit services	730	680
– non-audit services	286	284
Custodian fee	153	154
Depreciation (<i>note 15</i>)	252	81
Investment management fee (<i>note 12</i>)	886	1,049
Minimum operating lease payments in respect of properties	1,724	1,350
Equity-settled share option expenses to a former director (<i>note 27(a)</i>)	440	–
Staff costs, excluding directors' remuneration (<i>note 10</i>):		
Salaries and wages	6,729	4,887
Pension scheme contributions	94	77
	<hr/> 6,729 <hr/>	<hr/> 4,887 <hr/>

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK\$'000	2015 HK\$'000
Fees	500	3,333
Other emoluments:		
Salaries, allowances and benefits in kind	3,586	3,250
Pension scheme contributions	18	18
Equity-settled share option expenses	–	1,754
	<hr/> 3,604 <hr/>	<hr/> 5,022 <hr/>
	<hr/> 4,104 <hr/>	<hr/> 8,355 <hr/>

10. DIRECTORS' REMUNERATION (Continued)

The remuneration of each director for the years ended 30 June 2016 and 2015 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
Year ended 30 June 2016					
Executive directors					
Du Lin Dong	120	3,586	-	18	3,724
Pong Po Lam	60	-	-	-	60
Non-executive directors					
Wang Charles Honxin <i>(appointed on 22 December 2015 and resigned on 9 May 2016)</i>	23	-	-	-	23
Sha Naiping <i>(resigned on 22 December 2015)</i>	29	-	-	-	29
Ding Xiaobin	60	-	-	-	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	-	-	-	100
Zeng Xianggao	60	-	-	-	60
Li Cailin <i>(appointed on 7 September 2015)</i>	48	-	-	-	48
	500	3,586	-	18	4,104

Year ended 30 June 2015

Executive directors					
Du Lin Dong	120	3,250	-	18	3,388
Pong Po Lam	60	-	-	-	60
Non-executive directors					
Wang Dehe <i>(resigned on 8 June 2015)</i>	2,817	-	1,754	-	4,571
Sha Naiping	60	-	-	-	60
Ding Xiaobin	60	-	-	-	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	-	-	-	100
Wan Hongchun <i>(resigned on 8 June 2015)</i>	56	-	-	-	56
Zeng Xianggao	60	-	-	-	60
	3,333	3,250	1,754	18	8,355

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

Notes to Financial Statements

30 June 2016

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 (2015: 2) director, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 4 (2015: 3) highest paid employees who are not directors for the year are as follows:

	2016 HK\$'000	2015 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	4,624	2,836
Pension scheme contributions	47	36
	<hr/> 4,671 <hr/>	<hr/> 2,872 <hr/>

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

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	2	1
	<hr/> 4 <hr/>	<hr/> 3 <hr/>

12. INVESTMENT MANAGEMENT FEES

An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") 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 Investment Management Agreement, the management fee payable by the Company is expected to be not exceeding HK\$1,800,000 annually from 29 April 2014 to 28 April 2017, CFIIM is entitled to a management fee which is receivable 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 2016 amounted to HK\$886,000 (2015: HK\$1,049,000). At 30 June 2016, the balance due to CFIIM of HK\$80,000 (2015: HK\$97,000) was unsecured, interest-free and repayable within one month.

13. INCOME TAX

Income tax in the financial statements represents:

	2016 HK\$'000	2015 <i>HK\$'000</i>
Current tax – Hong Kong		
– Provision for the year	–	–
Current tax – PRC Enterprise Income Tax		
– Provision for the year	–	103
Deferred tax credit (<i>note 25</i>)	(1,678)	(1,085)
	<hr/> (1,678) <hr/>	<hr/> (982) <hr/>
Total tax credit for the year	(1,678)	(982)

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 years ended 30 June 2015 and 30 June 2016.

13. INCOME TAX (Continued)

A reconciliation of the tax credits applicable to loss before tax at the statutory rates for the countries in which the Group 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, are as follows:

	2016		2015	
	HK\$'000	%	HK\$'000	%
Loss before tax	(491,207)		(1,608)	
Tax at Hong Kong Profits tax rate of 16.5% (2015: 16.5%)	(81,049)	(16.5)	(265)	(16.5)
Expenses not deductible for tax	91,552	18.6	13,376	831.9
Income not subject to tax	(1,068)	(0.2)	(776)	(48.3)
Effect of different tax rates of unlisted investments operating in other jurisdictions	(1,678)	(0.3)	(982)	(61.1)
Loss attributable to an associate	10	0.0	2	0.1
Tax losses utilised from previous periods	(9,445)	(1.9)	(12,337)	(767.2)
Tax credit at the Group's effective rate	(1,678)	(0.3)	(982)	(61.1)

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$489,529,000 (2015: HK\$626,000), and the weighted average number of ordinary shares of 8,757,913,000 (2015: 4,668,470,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 Number of shares '000	2015 Number of shares '000
Issued ordinary shares	4,671,634	4,660,634
Effect of exercise of share options (note 26(a))	28,792	7,836
Effect of conversion of the convertible bond (note 26(b))	549,290	–
Effect of share placing (note 26(c))	3,508,197	–
Weighted average number of ordinary shares	8,757,913	4,668,470

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2016 and 2015 in respect of a dilution as the convertible bond and outstanding share options set out in note 24 and note 27, respectively, had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to Financial Statements

30 June 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 30 June 2016:				
At 1 July 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>
At 1 July 2015, net of accumulated depreciation	110	15	-	125
Additions	-	18	1,967	1,985
Depreciation provided during the year	(40)	(9)	(203)	(252)
Exchange realignment	-	-	6	6
At 30 June 2016, net of accumulated depreciation	<u>70</u>	<u>24</u>	<u>1,770</u>	<u>1,864</u>
At 30 June 2016:				
Cost	294	164	3,645	4,103
Accumulated depreciation	(224)	(140)	(1,875)	(2,239)
Net carrying amount	<u>70</u>	<u>24</u>	<u>1,770</u>	<u>1,864</u>
30 June 2015:				
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 the Shenzhen representative office have been deregistered in 2015. Motor vehicles attributable to the Shenzhen representative office with cost and accumulated depreciation of HK\$1,022,000 were fully written off during the year ended 30 June 2015.

16. INVESTMENT IN AN ASSOCIATE

	2016 HK\$'000	2015 HK\$'000
Share of net assets	353	416
Due to an associate (<i>note (1)</i>)	(80)	(97)
Total	273	319

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 (2)</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 CFIMM and reconciled to the carrying amount in the consolidated financial statements:

	2016 HK\$'000	2015 HK\$'000
Current assets	1,216	1,433
Current liabilities	–	–
Net assets	1,216	1,433
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	353	416
Revenue	886	1,049
Loss for the year and total comprehensive income for the year	(218)	(44)

Notes:

- (1) 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.
- (2) The Group has not incurred any contingent liabilities or other commitments relating to its investment in the associate.

Notes to Financial Statements

30 June 2016

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2016 HK\$'000	2015 HK\$'000
Listed securities, at fair value	(i)	170,300	–
Unlisted investments, at fair value	(ii)	153,315	325,232
		323,615	325,232

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in OCI amounted to HK\$188,583,000 (2015: HK\$10,538,000), of which an impairment loss of HK\$223,577,000 (2015: HK\$516,000) was reclassified from OCI to profit or loss.

The above investments consist of investments in listed investment and unlisted investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate, except the convertible bond detailed in Note (ii)(e) below.

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 investment as at 30 June 2016, in terms of the carrying value of the listed investment, are as follows:

China City Infrastructure Group Limited ("China City Infrastructure")

On 21 June 2016, the Company and China City Infrastructure, a company listed on the Stock Exchange, entered into the share subscription agreement to subscribe for 262,000,000 new shares of China City Infrastructure with a one-year lock-up period for a total subscription price of HK\$131,000,000 at HK\$0.50 per share. The transaction was completed on 28 June 2016. At 30 June 2016, the 262,000,000 new shares represent approximately 11.36% of the entire issued share capital in China City Infrastructure. China City Infrastructure is principally engaged in infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC. No dividend was received during the year (2015: Nil). As at 30 June 2016, the market value of the investment in the shares of China City Infrastructure was HK\$170,300,000. The audited loss attributable to shareholders of China City Infrastructure for the year ended 31 December 2015 was approximately HK\$179,294,000 (2014: profit of HK\$32,070,000) and the unaudited loss attributable to shareholders of China City Infrastructure for the six months ended 30 June 2016 was approximately HK\$188,529,000 (2015: HK\$89,880,000). The unaudited net assets attributable to shareholders of China City Infrastructure at 30 June 2016 amounted to approximately HK\$1,827,127,000 (2015: HK\$2,190,247,000).

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

(ii) As at 30 June 2016, the Group held the following unlisted investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2016	2015
			2016	2015		Cost HK\$'000	Cost HK\$'000
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(a)	PRC	7.2%	7.2%	Provision of financing guarantees to small and medium enterprises ("SMEs")	43,150	43,150
Shenzhen Zhongtounxin Asset Management Company Limited ("Zhongtounxin")	(b)	PRC	30%	30%	Provision of consultation services on project investments	18,350	18,350
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(c)	PRC	40%	30%	Provision of small loan and financial consultation services	188,690	188,690
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	(d)	PRC	30%	30%	Provision of small loan and financial consultation services	72,450	72,450
China City Infrastructure	(e)	Cayman Islands	N/A	-	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	55,966	-

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 (2015: Nil). The unaudited profit for the year ended 30 June 2016 of Jiangxi Huazhang was approximately RMB10,862,000 (2015: RMB104,757,000) and the unaudited net asset value of Jiangxi Huazhang at 30 June 2016 was approximately RMB952,476,000 (2015: RMB744,972,000).
- (b) On 29 April 2011, the Group invested in a 30% equity interest of Zhongtounxin, a joint venture established in the PRC. The first contribution of RMB6,000,000 (equivalent to HK\$7,200,000) was made by the Company in 2011 and the second contribution of RMB9,000,000 (equivalent to HK\$11,150,000) was made on 10 May 2012. Zhongtounxin is principally engaged in the provision of consultation services for project investments in the PRC.

There was a significant decline in the market value of Zhongtounxin during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired. A loss in relation to Zhongtounxin amounted to HK\$6,065,000 was reclassified from available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss (2015: HK\$516,000). No dividend was declared and received during the year (2015: Nil). The unaudited loss for the 12 months ended 30 June 2016 of Zhongtounxin was approximately RMB5,387,000 (2015: RMB4,785,000) and the unaudited net asset value of Zhongtounxin at 30 June 2016 was approximately RMB12,728,000 (2015: RMB17,275,000).

Notes to Financial Statements

30 June 2016

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

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

Notes: (Continued)

- (c) On 26 May 2011 and 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. On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to share accretion. The Group's voting right in Jingdezhen CFI Guosen remains at 30% as approved by the shareholders' resolution of Jingdezhen CFI Guosen. Jingdezhen CFI Guosen is principally engaged in the provision of small loan and financial consultation services in Jingdezhen, the PRC.

There was a significant decline in the market value of Jingdezhen CFI Guosen during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired. A loss in relation to Jingdezhen CFI Guosen amounted to HK\$188,690,000 was reclassified from available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss (2015: Nil). No dividend was declared and received during the year (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Jingdezhen CFI Guosen was approximately RMB5,852,000 (2015: RMB4,468,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2016 was approximately RMB374,230,000 (2015: RMB495,905,000).

- (d) On 21 June 2011, the Group invested in a 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.

There was a significant decline in the market value of TianJin XEDA during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired. A loss in relation to TianJin XEDA amounted to HK\$28,822,000 was reclassified from available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss (2015: Nil). During the year, a dividend of HK\$3,544,000 (2015: Nil) was declared and receivable from TianJin XEDA after deducting the withholding tax. The unaudited profit for the year ended 30 June 2016 of TianJin XEDA was approximately RMB9,659,000 (2015: RMB11,727,000) and the unaudited net asset value of TianJin XEDA at 30 June 2016 was approximately RMB236,370,000 (2015: RMB233,599,000).

- (e) On 21 June 2016, the Company and China City Infrastructure entered into the convertible bond subscription agreement (the "CB Subscription Agreement") to subscribe for the convertible bond issued by China City Infrastructure (the "China City Infrastructure Convertible Bond").

The China City Infrastructure Convertible Bond is a hybrid instrument that includes non-derivative host contract and embedded derivatives. The non-derivative host contract, representing the bond component (the "China City Infrastructure Bond"), has been designated as available-for-sale investment. The embedded derivatives, representing the conversion option which allow the Company to convert the China City Infrastructure Convertible Bond into ordinary shares of China City Infrastructure at an established conversion rate (i.e., HK\$0.50 per share), have been designated as a derivative financial instrument (the "China City Infrastructure Derivatives").

The China City Infrastructure Convertible Bond bears interest at 5% per annum, is convertible into 146,000,000 ordinary shares of China City Infrastructure at HK\$0.50 per share (subject to adjustment upon the change in the capital structure of China City Infrastructure) and will mature in three years from the date of issuance.

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

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

Notes: (Continued)

- (e) *(Continued)*

On 28 June 2016, the Company purchased the China City Infrastructure Convertible Bond with a principal amount of HK\$73,000,000.

As at 30 June 2016, the fair value of the China City Infrastructure Bond was stated at HK\$55,997,000 (2015: Nil), and a fair value gain of HK\$31,000 in respect of the China City Infrastructure Bond was recognised as OCI for the year.

As at 30 June 2016, the 146,000,000 conversion shares upon exercising the conversion right, would represent approximately 6.33% of the issued share capital in the China City Infrastructure.

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 hold more than 20% of the controlling power in the board of directors in any 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 of 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 2016.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Financial assets held for trading:			
Listed securities	<i>(i)</i>	127,878	178,346
Derivative financial instrument	<i>(ii)</i>	52,953	–
		180,831	178,346
Financial assets designated as at FVTPL:			
Unlisted investments	<i>(iii)</i>	276,418	550,542

The above financial assets at 30 June 2016 and 30 June 2015 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes to Financial Statements

30 June 2016

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

Notes:

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

Particulars of the major component of the investment portfolio as at 30 June 2016, in terms of the carrying value of the respective individual investment, are as follows:

China City Infrastructure

As at 30 June 2016, the Group held 196,735,429 shares (2015: 196,735,429 shares) in China City Infrastructure, representing 8.53% (2015: 9.62%) of the issued share capital of China City Infrastructure. As at 30 June 2016, the market value of the investment in the shares of China City Infrastructure was HK\$127,878,000 (2015: HK\$169,193,000).

Hidili Industry International Development Limited ("Hidili Industry")

As at 30 June 2016 and 2015, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.60% of the issued share capital of Hidili Industry.

The shares of Hidili Industry have been suspended for trading since 1 April 2016 due to delay in publication of annual results, which management considered as an indication for impairment. As a result, the fair value of Hidili Industry amounting to HK\$2,412,000 was fully impaired during the year (2015: Nil).

- (ii) The Group's derivative financial instrument is managed and its performance is evaluated on a fair value basis. Any fair value gain or loss is recognised in profit or loss.

The fair value of the derivative financial instrument has been estimated using a valuation technique based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to make estimates, including expected cash flows and volatility of the underlying securities. 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 value, which are recorded in profit or loss, are reasonable, and that they are the most appropriate values at the end of the reporting period.

The China City Infrastructure Derivatives represent the derivatives embedded in the China City Infrastructure Convertible Bond as detailed in note 17(ii)(e) to the financial statements.

As at 30 June 2016, the fair value of the China City Infrastructure Derivatives was stated at HK\$52,953,000 based on a valuation performed by an independent professionally qualified valuer, and a fair value gain of HK\$35,919,000 in respect of the China City Infrastructure Derivative was recognised in profit or loss for the year.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)*Notes: (Continued)*

(iii) As at 30 June 2016, the Group had the following unlisted investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2016	2015
			2016	2015		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
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(f)	PRC	30%	30%	Provision of small loan and financial consultation services	185,000	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(g)	PRC	30%	30%	Provision of small loan and financial consultation services	73,730	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning")	(h)	PRC	30%	30%	Provision of small loan and financial consultation services	36,673	36,673
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(i)	PRC	30%	30%	Provision of small loan and financial consultation services	36,741	36,741
Xi'an Kairong Financial Service Limited ("Xi'an Kairong")	(j)	PRC	30%	30%	Provision of financial management services	18,724	18,724
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(k)	PRC	30%	30%	Provision of small loan and financial consultation services	56,874	56,874
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	(l)	PRC	30%	30%	Provision of financial management services	19,030	19,030

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

Notes: (Continued)

(iii) 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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Tianjin Rongshun was approximately RMB9,034,000 (2015: RMB2,239,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2016 was approximately RMB92,936,000 (2015: RMB101,970,000).
- (b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. During the year, a dividend of HK\$429,000 (2015: Nil) was declared and received from TIIC Rongshun after deducting the withholding tax. The unaudited loss for the year ended 30 June 2016 of TIIC Rongshun was approximately RMB35,619,000 (2015: profit of RMB7,768,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2016 was approximately RMB83,105,000 (2015: RMB122,712,000).
- (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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Harbin Zhongjinguoxin was approximately RMB3,557,000 (2015: RMB2,536,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2016 was approximately RMB110,350,000 (2015: RMB113,907,000).
- (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 (2015: Nil). The unaudited profit for the year ended 30 June 2016 of Nanchang Donghu was approximately RMB5,945,000 (2015: RMB10,003,000) and the unaudited net asset value of Nanchang Donghu at 30 June 2016 was approximately RMB104,885,000 (2015: RMB110,963,000). On 20 April 2016, 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 RMB23,325,000. 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.

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

Notes: (Continued)

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

Notes: (Continued)

- (e) On 13 January 2012, the Group invested in a 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. On 22 January 2014, the Group holds a 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. No dividend was declared and received during the year (2015: HK\$1,646,000). The unaudited profit for the year ended 30 June 2016 of Tianjin Binlian was approximately RMB14,854,000 (2015: RMB6,609,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2016 was approximately RMB314,357,000 (2015: RMB299,547,000). 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 certain conditions have not been satisfied, the disposal transaction was terminated on 14 July 2016.
- (f) 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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Ezhou Zhongjinguotou was approximately RMB10,225,000 (2015: profit of RMB835,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2016 was approximately RMB492,375,000 (2015: RMB507,032,000).
- (g) 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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Ziyang Yanjiang was approximately RMB28,592,000 (2015: profit of RMB13,069,000) and the unaudited net asset value of Ziyang Yanjiang at 30 June 2016 was approximately RMB192,685,000 (2015: RMB221,277,000).
- (h) 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 (2015: Nil). The unaudited profit for the year ended 30 June 2016 of Nanjing Jiangning was approximately RMB733,000 (2015: loss of RMB19,327,000) and the unaudited net asset value of Nanjing Jiangning at 30 June 2016 was approximately RMB80,029,000 (2015: RMB79,219,000).

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

Notes: (Continued)

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

Notes: (Continued)

- (i) 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 (2015: Nil). The unaudited profit for the year ended 30 June 2016 of Tianjin Rongyang was approximately RMB5,622,000 (2015: RMB5,441,000) and the unaudited net asset value of Tianjin Rongyang at 30 June 2016 was approximately RMB116,421,000 (2015: RMB110,800,000).
- (j) 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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Xi'an Kairong was approximately RMB3,529,000 (2015: profit of RMB8,960,000) and the unaudited net asset value of Xi'an Kairong at 30 June 2016 was approximately RMB52,447,000 (2015: RMB61,290,000).
- (k) 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. During the year, a dividend of HK\$1,575,000 (2015: Nil) was declared and receivable from Zhenjiang CFI after deducting the withholding tax. The unaudited loss for the year ended 30 June 2016 of Zhenjiang CFI was approximately RMB9,853,000 (2015: profit of RMB15,462,000) and the unaudited net asset value of Zhenjiang CFI at 30 June 2016 was approximately RMB160,948,000 (2015: RMB170,195,000).
- (l) 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 (2015: Nil). The unaudited loss for the year ended 30 June 2016 of Hubei Zhongjin was approximately RMB5,912,000 (for the nine months ended 30 June 2015: RMB5,166,000) and the unaudited net asset value of Hubei Zhongjin at 30 June 2015 was approximately RMB38,961,000 (2015: RMB44,873,000).

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

The Group does not hold more than 20% of the controlling power in the board of directors in any 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 of 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 2016.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 <i>HK\$'000</i>
Current portion:		
Prepayments	597	225
Deposits	769	423
Dividends receivable	9,478	15,633
Receivable on partial disposal of equity interest in Globe Capital Resources Investment Limited ("Globe Capital") <i>(note (a))</i>	–	4,199
Other receivables <i>(note (b))</i>	404,299	19,205
	<hr/> 415,143 <hr/>	<hr/> 39,685 <hr/>

Notes:

(a)

	2016 HK\$'000	2015 <i>HK\$'000</i>
Receivable on partial disposal of equity interest in Globe Capital Impairment	4,199 (4,199)	4,199 –
	<hr/> – <hr/>	<hr/> 4,199 <hr/>

The Group disposed of its 70% equity interest in a former subsidiary, Globe Capital to a third party investor during the year ended 30 June 2011. The balance was unsecured and interest-free. At 30 June 2016, the management considered the receivable balance was irrecoverable as the third party investor was in unexpected financial loss, and the balance of HK\$4,199,000 was written off as impairment (2015: Nil). The Group does not hold any collateral or other credit enhancements over this balance.

Movements in the provision for impairment losses are as follows:

	2016 HK\$'000	2015 <i>HK\$'000</i>
At 1 July	–	29,406
Provision for impairment losses	4,199	–
Impairment losses written off	–	(29,406)
	<hr/> 4,199 <hr/>	<hr/> – <hr/>

Notes to Financial Statements

30 June 2016

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) As at 30 June 2016, other receivables included HK\$404,088,000 from Yi Jia Investment Limited under the Strategic Cooperation Agreement which was fully settled by 6 July 2016. Details of the Strategic Cooperation Agreement are included in note 7 to the financial statements.

As at 30 June 2015, other receivables included HK\$18,750,000 from the disposal of a 30% equity interest of Zhenjiang Financial Industry Development Limited which was settled on 23 July 2015.

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.

20. CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances	657,542	287,295

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$253,220,000 (2015: HK\$261,189,000).

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.

21. OTHER PAYABLES AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Accruals	730	680
Other payables	1,640	217,165
	2,370	217,845

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

22. DUE TO A RELATED COMPANY

The amount due to a related company as at 30 June 2016 was unsecured, interest-free and repayable on demand. Further details of the related company are included in note 30(b)(ii) to the financial statements.

23. BORROWINGS

	2016 HK\$'000	2015 <i>HK\$'000</i>
Current portion		
Convertible bond (<i>note 24</i>)	–	278,816
Non-current portion		
Interest bearing loans – unsecured	62,974	62,965
	62,974	341,781
Analysed into:		
Loans repayable:		
Within one year	–	278,816
In the third to fifth years, inclusive	62,974	9,980
Beyond five years	–	52,985
	62,974	341,781

As at 30 June 2016 and 30 June 2015, 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 years 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.

24. 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.

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.

On 8 July 2015, the Convertible Bond was converted into 560,000,000 ordinary shares of HK\$0.01 each.

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, the equity component after allocating transaction costs was HK\$7,231,000.

Notes to Financial Statements

30 June 2016

24. CONVERTIBLE BOND (Continued)

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

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	278,816	276,301
Interest expense for the year	419	22,115
Interest paid for the year	(590)	(19,600)
Conversion	(278,645)	–
	<hr/>	<hr/>
At the end of the year	–	278,816
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the subscription agreement, the Convertible Bond can be secured by the pledge of certain of the Group'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 Group's available-for-sale financial assets and financial assets at FVTPL are still pending from the final approval of the relevant PRC authorities.

25. DEFERRED TAX

(a) Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments of the available- for-sale financial assets HK\$'000	Fair value adjustments of financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
2016				
At 1 July 2015	–	2,889	1,678	4,567
Deferred tax credited to profit or loss during the year	–	–	(1,678)	(1,678)
Deferred tax credited to equity during the year	–	(1,835)	–	(1,835)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross deferred tax liabilities at 30 June 2016	–	1,054	–	1,054
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2015				
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
	<hr/>	<hr/>	<hr/>	<hr/>
Gross deferred tax liabilities at 30 June 2015	–	2,889	1,678	4,567
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

25. DEFERRED TAX (Continued)**(b) Deferred tax assets**

	Losses available for offsetting against future taxable profits	
	2016	2015
	HK\$'000	<i>HK\$'000</i>
At 1 July	–	(186)
Deferred tax credited to profit or loss during the year	–	186
	<hr/>	<hr/>
Gross deferred tax assets at 30 June	–	–
	<hr/> <hr/>	<hr/> <hr/>

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:

	2016	2015
	HK\$'000	<i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,054	4,567
	<hr/>	<hr/>
Deferred tax balances at 30 June	1,054	4,567
	<hr/> <hr/>	<hr/> <hr/>

(c) Deferred tax assets not recognised

At 30 June 2016, deferred tax has not been recognised in respect of the following items:

	2016	2015
	HK\$'000	<i>HK\$'000</i>
Unused tax losses	62,867	120,108
	<hr/> <hr/>	<hr/> <hr/>

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.

Notes to Financial Statements

30 June 2016

26. SHARE CAPITAL

	Notes	2016		2015	
		Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each		30,000,000	300,000	30,000,000	300,000
Issued and fully paid:					
As at 1 July					
Ordinary shares of HK\$0.01 each		4,671,634	46,717	4,660,634	46,607
Issue of shares upon exercise of share options	(a)	40,000	400	11,000	110
Issue of shares upon conversion of the Convertible Bond	(b)	560,000	5,600	-	-
Issue of shares upon share placing	(c)	5,700,000	57,000	-	-
As at 30 June					
Ordinary shares of HK\$0.01 each		10,971,634	109,717	4,671,634	46,717

Notes:

- (a) Issue of shares upon exercise of share options
During the years ended 30 June 2016 and 2015, share options to subscribe for 40,000,000 shares and 11,000,000 shares were exercised. The gross proceeds from the exercise of share options during the years ended 30 June 2016 and 2015 were approximately HK\$17,000,000 and HK\$1,430,000, of which HK\$400,000 and HK\$110,000 were credited to share capital, while HK\$21,946,000 and HK\$1,819,000 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 27(a) to the financial statements.
- (b) Issue of shares upon conversion of the Convertible Bond
During the year ended 30 June 2016, the Convertible Bond with a principal amount of HK\$280,000,000 was converted into 560,000,000 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.50 per share, of which HK\$5,600,000 was credited to share capital, while HK\$280,276,000 was credited to the share premium.
- (c) Issue of shares upon share placing
On 10 November 2015, 13 November 2015 and 4 December 2015, the Company issued, in aggregate, 5,700,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.20 per share to three independent investors. The net proceeds from the placing of shares were approximately HK\$1,139,664,000, out of which HK\$57,000,000 was recorded in share capital, while HK\$1,082,664,000 was credited to share premium after netting off issuing expenses.

All the ordinary shares issued during the years ended 30 June 2016 and 30 June 2015 rank pari passu in all respects with the then existing ordinary shares of the Company.

27. 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.

Notes to Financial Statements

30 June 2016

27. SHARE OPTIONS (Continued)

(a) Share Option Scheme (Continued)

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.

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

	2016		2015	
	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	0.425	44,700	0.367	55,700
Exercised during the year	0.425	(40,000)	0.130	(11,000)
At 30 June	0.425	<u>4,700</u>	0.425	<u>44,700</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.89 per share (2015: HK\$0.84 per share).

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

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:

2016

Name or category of participant	Number of share options			At 30 June 2016 '000	Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July 2015 '000	Granted during the year '000	Exercised during the year '000				
Director Du Lin Dong	4,700	-	-	4,700	19/3/2014-18/12/2016	0.425	19/12/2013
Qualified allottee in aggregate	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)	-			
	44,700	-	(40,000)	4,700			

2015

Name or category of participant	Number of share options			At 30 June 2015 '000	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				
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			

* 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 40,000,000 (2015: 11,000,000) share options exercised during the year ended 30 June 2016 resulted in the issue of 40,000,000 (2015: 11,000,000) ordinary shares of the Company and new share capital of HK\$400,000 (2015: HK\$110,000) and share premium of HK\$2,194,000 (2015: HK\$1,819,000), as further detailed in note 26(a) to the financial statements.

The Company recognised a total expense of approximately HK440,000 for the year ended 30 June 2016 (2015: HK\$1,754,000) in relation to amortisation of value of the share options granted under the Scheme by the Company in prior years.

Notes to Financial Statements

30 June 2016

27. SHARE OPTIONS (Continued)

(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.

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

	2016		2015	
	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 and 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 2016 and 2015.

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

2016 and 2015

Name of grantee	Number of share options			Exercise period*	Exercise price** HK\$ per share	Date of grant
	At 1 July '000	Granted during the year '000	At 30 June '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
	200,000	–	200,000			
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
	200,000	–	200,000			
	400,000	–	400,000			

There were no movements in the share options under the Specific Mandate during the years ended 30 June 2016 and 2015.

* 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.

27. SHARE OPTIONS (Continued)

At the end of the reporting period, the Company had 404,700,000 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 404,700,000 additional ordinary shares of the Company and additional share capital of HK\$4,047,000 and share premium of HK\$250,648,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 404,700,000 share options outstanding under the Scheme and the Specific Mandate, which represented approximately 3.69% of the Company's shares in issue as at that date.

28. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 30 June 2016 of HK\$1,785,088,000 (2015: HK\$813,136,000) and on 10,971,634,000 ordinary shares being in issue as at 30 June 2016 (2015: 4,671,634,000 ordinary shares).

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

30. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

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

(b) Significant related party transactions

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

	Notes	2016 HK\$'000	2015 HK\$'000
Investment management fee paid/ payable to CFIIM	(i)	886	1,049
Legal advisory fees paid/payable to Michael Li & Co	(ii)	417	1,527
		<u>1,303</u>	<u>2,576</u>

Notes:

- (i) Details of the investment management fee 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 was unsecured, interest-free and repayable on demand.

Notes to Financial Statements

30 June 2016

31. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2016 not provided for in the financial statements are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted, but not provided for:		
Acquisition of unlisted investments	–	75,000
	<u> </u>	<u> </u>

- (b) The Group leases its office premises under an operating lease arrangement with a negotiated term of one year. At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	4,766	1,237
In the second to fifth years, inclusive	202	50
	<u> </u>	<u> </u>
	4,968	1,287
	<u> </u>	<u> </u>

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Available-for-sale financial assets		
– Listing securities	170,300	–
– Designated as such upon initial recognition	153,315	325,232
Financial assets at FVTPL		
– Held for trading	127,878	178,346
– Derivative financial instrument	52,953	–
– Designated as such upon initial recognition	276,418	550,542
Loans and receivables		
Financial assets included in prepayments, deposits and other receivables	414,546	39,460
Cash and cash equivalents	657,542	287,295
	<u> </u>	<u> </u>
	1,852,952	1,380,875
	<u> </u>	<u> </u>
Financial liabilities		
Financial liabilities at amortised cost		
Financial liabilities included in other payables and accruals	1,640	217,165
Due to a related company	–	15
Due to an associate	80	97
Interest bearing loans	62,974	62,965
Convertible bond	–	278,816
	<u> </u>	<u> </u>
	64,694	559,058
	<u> </u>	<u> </u>

33. 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 as at 30 June 2016 amounted to HK\$62,691,000 (2015: HK\$43,226,000). The fair value of the liability portion of the convertible bond as at 30 June 2015 amounted to HK\$267,399,000.

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 2016 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 as 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 OCI, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to Financial Statements

30 June 2016

33. 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 2016 and 2015:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Available-for-sale financial assets in unlisted investments				
Micro-loan service	Market comparable companies	Price to book ratio ("PB ratio")	30 June 2016 0.5290 to 1.4630 30 June 2015 0.8742 to 1.8637	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 2016, the Group's OCI would have increased by HK\$24,321,000 (2015: HK\$127,919,000). Had the lowest PB ratio among the comparables been used as at 30 June 2016, the Group's OCI would have decreased by HK\$18,129,000 (2015: HK\$74,893,000).
Others	Market comparable companies	PB ratio	30 June 2016 0.5290 to 1.4630 30 June 2015 0.8742 to 1.8637	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 2016, the Group's OCI would have increased by HK\$30,048,000 (2015: HK\$32,659,000). Had the lowest PB ratio among the comparables been used as at 30 June 2016, the Group's OCI would have decreased by HK\$22,398,000 (2015: HK\$19,795,000).
Financial assets FVTPL in unlisted investments				
Micro-loan service	Market comparable companies	PB ratio	30 June 2016 0.5290 to 1.4630 30 June 2015 0.8742 to 1.8637	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 2016, the Group's profit or loss would have increased by HK\$145,704,000 (2015: HK\$253,280,000). Had the lowest PB ratio among the comparables been used as at 30 June 2016, the Group's profit or loss would have decreased by HK\$108,607,000 (2015: HK\$154,675,000).

33. 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	
As at 30 June 2016				
Available-for-sale financial assets:				
- Listed investments	170,300	-	-	170,300
- Unlisted investments	-	55,997	97,318	153,315
Financial assets at FVTPL				
- Listed securities	127,878	-	-	127,878
- Derivative financial instrument	-	52,953	-	52,953
- Unlisted investments	-	-	276,418	276,418
	298,178	108,950	373,736	780,864
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
	178,346	-	875,774	1,054,120

The movements in fair value measurements within Level 3 during the year were as follows.

	2016 HK\$'000	2015 HK\$'000
Available-for-sale financial assets:		
At 1 July	325,232	335,770
Total losses recognised in profit or loss	(223,577)	(516)
Total losses recognised in OCI	(4,337)	(10,022)
At 30 June	97,318	325,232
Financial assets at FVTPL (unlisted investments):		
At 1 July	550,542	621,143
Total losses recognised in profit or loss	(230,036)	(34,170)
Purchases	360,000	19,030
Disposals	(404,088)	(55,461)
At 30 June	276,418	550,542

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 2015.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (2015: Nil).

Notes to Financial Statements

30 June 2016

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

Liabilities for which fair values are disclosed

	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	
As at 30 June 2016				
Interest bearing loans	-	62,691	-	62,691
As at 30 June 2015				
Interest bearing loans	-	43,226	-	43,226
Convertible bond	-	-	267,399	267,399
	-	43,226	267,399	310,625

34. 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 main risks arising from the Group's financial instruments are 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.

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, HK\$ and US\$, respectively. 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 is mainly exposed to fluctuation in the exchange rates of RMB and US\$ against HK\$. Regarding the Group's exposure at the reporting date on their monetary financial assets and liabilities, management considers the Group has no significant foreign currency risk.

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 is 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 exposure to the interest rate risk is not significant, no interest-rate swap or other hedging activities are carried out by management during the years of 2016 and 2015.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**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:

	30 June 2016	High/low 2016	30 June 2015	High/low 2015
Hong Kong – Hang Seng Index (“HSI”)	20,794	26,459/18,279	26,250	28,589/22,530

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.

	% of reasonable possible change of the relevant benchmark index		Change in loss before tax	
	2016	2015	2016 HK\$'000	2015 HK\$'000
Relevant market index Hong Kong – HSI	±20.78%	±13.19%	±61,961	±23,524

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group 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 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 does not provide any financial guarantees which would expose the Group to credit risk.

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 2016, the Group held cash and cash equivalents of HK\$657,542,000 (2015: HK\$287,295,000) and current receivables of HK\$413,777,000 (2015: HK\$39,037,000), which were considered adequate for working capital requirements.

The following tables set out the Group'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 can be required to pay.

Notes to Financial Statements

30 June 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Liquidity risk of financial liabilities

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

	Within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
2016				
Due to an associate	80	-	-	80
Interest bearing loans	3,150	73,081	-	76,231
Other payables	1,640	-	-	1,640
	<u>4,870</u>	<u>73,081</u>	<u>-</u>	<u>77,951</u>
2015				
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
Other payables	217,165	-	-	217,165
	<u>510,227</u>	<u>22,596</u>	<u>53,635</u>	<u>586,458</u>

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 Group 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 2016 and 30 June 2015. 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 Group's investment objectives and policies.

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

35. EVENTS AFTER THE REPORTING PERIOD

- (a) On 20 March 2015, the Company entered into a disposal agreement to dispose of all of its equity interests in Tianjin Binlian to an independent third party for a cash consideration of RMB10,000,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 14 July 2016.
- (b) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited, entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys (China) Limited as issuer and Mr. Xiao Yan as guarantor, in relation to the subscription of the 9% secured three-year bond in the principal amount of HK\$200,000,000. As at the date of this annual report, the transaction has not been completed. The directors expect the transaction will be completed on or before 30 September 2016.

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	85	125
Investments in subsidiaries	245,929	61,100
Investment in an associate	290	290
Available-for-sale financial assets	323,615	325,232
Financial assets at fair value through profit or loss	276,418	550,542
	<hr/>	<hr/>
Total non-current assets	846,337	937,289
	<hr/>	<hr/>
CURRENT ASSETS		
Financial assets at fair value through profit or loss	180,831	178,346
Due from subsidiaries	856	517
Prepayments, deposits and other receivables	415,137	39,679
Cash and cash equivalents	422,073	25,693
	<hr/>	<hr/>
Total current assets	1,018,897	244,235
	<hr/>	<hr/>
CURRENT LIABILITIES		
Convertible bond	–	278,816
Due to subsidiaries	3,947	4,012
Due to a related company	–	15
Due to an associate	80	97
Other payables and accruals	1,595	17,843
Tax payable	4,200	4,200
	<hr/>	<hr/>
Total current liabilities	9,822	304,983
	<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)	1,009,075	(60,748)
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,855,412	876,541
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Interest bearing loans	62,974	62,965
Deferred tax liabilities	1,054	4,567
	<hr/>	<hr/>
	64,028	67,532
	<hr/>	<hr/>
NET ASSETS	1,791,384	809,009
	<hr/>	<hr/>
EQUITY		
Share capital	109,717	46,717
Reserves	1,681,667	762,292
	<hr/>	<hr/>
TOTAL EQUITY	1,791,384	809,009
	<hr/>	<hr/>

Du Lin Dong
Director

Pong Po Lam
Director

Notes to Financial Statements

30 June 2016

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY (Continued)

Movements in reserves of the Company

	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
	Note(i) HK\$'000	Note(ii) HK\$'000	Note(iii) HK\$'000	Note(v) HK\$'000	Note(v) HK\$'000	Note(vii) HK\$'000	HK\$'000	HK\$'000	HK\$'000
At July 2014	680,967	278,979	2,766	22,409	64,349	108	7,231	(284,797)	772,012
Loss for the year	-	-	-	-	-	-	-	(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 27 (a))	-	-	-	-	1,754	-	-	-	1,754
Issue of shares									
- upon exercise of share options (note 26(a))	1,819	-	-	-	(499)	-	-	-	1,320
At 30 June 2015 and 1 July 2015	682,786	278,979	2,766	11,988	65,604	-	7,231	(287,062)	762,292
Loss for the year	-	-	-	-	-	-	-	(490,203)	(490,203)
Other comprehensive income for the year:									
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	36,829	-	-	-	-	36,829
Total comprehensive income for the year	-	-	-	36,829	-	-	-	(490,203)	(453,374)
Equity-settled share-based transactions (note 27 (a))	-	-	-	-	440	-	-	-	440
Issue of shares									
- upon exercise of share options (note 26(a))	21,946	-	-	-	(5,346)	-	-	-	16,600
- upon conversion of a convertible bond (note 26(b))	280,276	-	-	-	-	-	(7,231)	-	273,045
- upon share placing, net of expenses (note 26(c))	1,082,664	-	-	-	-	-	-	-	1,082,664
At 30 June 2016	2,067,672	278,979	2,766	48,817	60,698	-	-	(777,265)	1,681,667

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY (Continued)**Movements in reserves of the Company (Continued)**

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 Bye-laws of the Company and provided that immediately following the payment of dividends, the Company is able to pay its debts as and when they fall due in the ordinary course of business. In accordance with the Company's Bye-laws, dividends shall be payable out of the profits or other reserves, including the share premium and contributed surplus of the Company.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 September 2016.

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				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	5,548	2,126	29,813	7,204	9,137
Loss before tax	(491,207)	(1,608)	(216,278)	(37,864)	(62,927)
Income tax credit/(expense)	1,678	982	3,398	(5,658)	(732)
Loss for the year	(489,529)	(626)	(212,880)	(43,522)	(63,659)
Other comprehensive income for the year, net of tax	25,732	(11,167)	(23,878)	24,267	10,007
Total comprehensive income for the year	(463,797)	(11,793)	(236,758)	(19,255)	(53,652)

ASSETS AND LIABILITIES

	As at 30 June				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	1,855,766	1,381,641	1,171,414	1,295,121	910,316
Total liabilities	(70,678)	(568,505)	(349,669)	(300,508)	(9,904)
Total equity	1,785,088	813,136	821,745	994,613	900,412