



**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

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INTERIM REPORT

## 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

Suite 6504, 65/F, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

## TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

## COMPANY WEBSITE

<http://www.irasia.com/listco/hk/cfii>



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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the board of directors of China Financial International Investments Limited**

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

### Introduction

We have reviewed the interim financial information set out on pages 3 to 26, which comprises the condensed consolidated statement of financial position of China Financial International Investments Limited (the “Company”) and its subsidiaries as at 31 December 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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

### Scope of review

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

### Conclusion

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

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

Hong Kong  
24 February 2017

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

For the six months ended 31 December 2016

|  | Notes | Unaudited<br>Six months ended 31 December |                  |
|--|-------|---|------------------|
|  |       | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| Revenue  | 7     | 12,312                                    | 429              |
| Other income and gains   | 7     | 3,118                                     | 5,006            |
| Net change in fair value of financial assets   | 8     | (58,436)                                  | (150,960)        |
| Impairment loss on an available-for-sale financial asset                                     |       | –   | (721)            |
| Finance costs  | 9     | (1,597)                                   | (4,471)          |
| Administrative expenses  |       | (27,910)                                  | (9,182)          |
| Share of profit/(loss) of an associate   |       | 111                                       | (16)             |
|  |       | <hr/>                                     | <hr/>            |
| Loss before tax  | 10    | (72,402)                                  | (159,915)        |
| Taxation   | 11    | (949)                                     | 1,651            |
|  |       | <hr/>                                     | <hr/>            |
| Loss for the period  |       | <b>(73,351)</b>                           | <b>(158,264)</b> |
|  |       | <hr/> <hr/>                               | <hr/> <hr/>      |
| OTHER COMPREHENSIVE INCOME   |       |   |                  |
| Other comprehensive income to be reclassified<br>to profit or loss in subsequent periods:    |       |   |                  |
| Available-for-sale financial assets:   |       |   |                  |
| Change in fair value   |       | (45,392)                                  | (73,130)         |
| Reclassification adjustment for loss included in the profit or loss                          |       |   |                  |
| – Impairment loss  |       | –   | 721              |
| Income tax effect  |       | 116                                       | 1,802            |
|  |       | <hr/>                                     | <hr/>            |
|  |       | (45,276)                                  | (70,607)         |
| Exchange differences on translation of foreign operations                                    |       | (10,061)                                  | (6,513)          |
|  |       | <hr/>                                     | <hr/>            |
| Net other comprehensive income to be reclassified to profit or loss<br>in subsequent periods |       | <b>(55,337)</b>                           | <b>(77,120)</b>  |
|  |       | <hr/>                                     | <hr/>            |
| OTHER COMPREHENSIVE INCOME<br>FOR THE PERIOD, NET OF TAX                                     |       |   |                  |
|  |       | <b>(55,337)</b>                           | <b>(77,120)</b>  |
|  |       | <hr/> <hr/>                               | <hr/> <hr/>      |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  |       |   |                  |
|  |       | <b>(128,688)</b>                          | <b>(235,384)</b> |
|  |       | <hr/> <hr/>                               | <hr/> <hr/>      |
| Loss per share attributable to ordinary equity holders of<br>the parent                      |       |   |                  |
| – Basic  | 13(a) | <b>HK(0.67) cents</b>                     | HK(2.41) cents   |
|  |       | <hr/> <hr/>                               | <hr/> <hr/>      |
| – Diluted  | 13(b) | <b>HK(0.67) cents</b>                     | HK(2.41) cents   |
|  |       | <hr/> <hr/>                               | <hr/> <hr/>      |

# Interim Condensed Consolidated Statement of Financial Position

31 December 2016

|   | <i>Notes</i> | <b>Unaudited<br/>31 December<br/>2016<br/>HK\$'000</b> | <b>Audited<br/>30 June<br/>2016<br/>HK\$'000</b> |
|---|--------------|--|--|
| <b>NON-CURRENT ASSETS</b>                             |              |  |  |
| Property, plant and equipment                         | 14           | 1,479  | 1,864  |
| Investment in an associate                            | 15           | 464  | 353  |
| Available-for-sale financial assets                   | 16           | 278,223  | 323,615  |
| Financial assets at fair value through profit or loss | 17           | 849,742  | 276,418  |
|   |              | <hr/>  | <hr/>  |
| Total non-current assets                              |              | 1,129,908  | 602,250  |
| <b>CURRENT ASSETS</b>                                 |              |  |  |
| Financial assets at fair value through profit or loss | 17           | 263,483  | 180,831  |
| Prepayments, deposits and other receivables           | 18           | 11,348   | 415,143  |
| Cash and cash equivalents                             |              | 322,580  | 657,542  |
|   |              | <hr/>  | <hr/>  |
| Total current assets                                  |              | 597,411  | 1,253,516  |
| <b>CURRENT LIABILITIES</b>                            |              |  |  |
| Other payables and accruals                           |              | 1,526  | 2,370  |
| Due to a related company                              |              | 342  | –  |
| Due to an associate                                   | 15           | 146  | 80   |
| Tax payable   |              | 4,980  | 4,200  |
|   |              | <hr/>  | <hr/>  |
| Total current liabilities                             |              | 6,994  | 6,650  |
| <b>NET CURRENT ASSETS</b>                             |              | <hr/> <b>590,417</b>                                   | <hr/> <b>1,246,866</b>                           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |              | <hr/> <b>1,720,325</b>                                 | <hr/> <b>1,849,116</b>                           |
| <b>NON-CURRENT LIABILITIES</b>                        |              |  |  |
| Interest bearing loans                                | 19           | 62,987   | 62,974   |
| Deferred tax liabilities                              |              | 938  | 1,054  |
|   |              | <hr/>  | <hr/>  |
|   |              | 63,925   | 64,028   |
|   |              | <hr/>  | <hr/>  |
| Net assets  |              | <hr/> <b>1,656,400</b>                                 | <hr/> <b>1,785,088</b>                           |
| <b>EQUITY</b>   |              |  |  |
| Share capital   | 21           | 109,717  | 109,717  |
| Reserves  |              | 1,546,683  | 1,675,371  |
|   |              | <hr/>  | <hr/>  |
| <b>TOTAL EQUITY</b>                                   |              | <hr/> <b>1,656,400</b>                                 | <hr/> <b>1,785,088</b>                           |
|   |              | <hr/>  | <hr/>  |
| Net asset value per share                             | 22           | <hr/> <b>HK15.10 cents</b>                             | <hr/> <b>HK16.27 cents</b>                       |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

|   | Attributable to equity holders of the Company |                           |                                 |                             |  |                                  |                              |  |                                |                   |
|---|---|---------------------------|---------------------------------|-----------------------------|--|----------------------------------|------------------------------|--|--------------------------------|-------------------|
|   | Share capital<br>HK\$'000                     | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Capital reserve<br>HK\$'000 | Available-for-sale financial asset revaluation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Equity component of a convertible bond<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 July 2016 (audited)  | 109,717                                       | 2,067,672                 | 278,979                         | 2,766                       | 48,817   | 60,698                           | (11,735)                     | -  | (771,826)                      | 1,785,088         |
| Loss for the period   | -   | -                         | -                               | -                           | -  | -                                | -                            | -  | (73,351)                       | (73,351)          |
| Other comprehensive income for the period:                              |   |                           |                                 |                             |  |                                  |                              |  |                                |                   |
| Exchange differences on translation of foreign operations               | -   | -                         | -                               | -                           | -  | -                                | (10,061)                     | -  | -                              | (10,061)          |
| Change in fair value of available-for-sale financial assets, net of tax | -   | -                         | -                               | -                           | (45,276)   | -                                | -                            | -  | -                              | (45,276)          |
| Total comprehensive income for the period                               | -   | -                         | -                               | -                           | (45,276)   | -                                | (10,061)                     | -  | (73,351)                       | (128,688)         |
| Lapse of share options  | -   | -                         | -                               | -                           | -  | (628)                            | -                            | -  | 628                            | -                 |
| At 31 December 2016 (unaudited)   | <u>109,717</u>                                | <u>2,067,672*</u>         | <u>278,979*</u>                 | <u>2,766*</u>               | <u>3,541*</u>  | <u>60,070*</u>                   | <u>(21,796)*</u>             | <u>-*</u>  | <u>(844,549)*</u>              | <u>1,656,400</u>  |
| At 1 July 2015 (audited)  | 46,717  | 682,786                   | 278,979                         | 2,766                       | 11,988   | 65,604                           | (638)                        | 7,231  | (282,297)                      | 813,136           |
| Loss for the period   | -   | -                         | -                               | -                           | -  | -                                | -                            | -  | (158,264)                      | (158,264)         |
| Other comprehensive income for the period:                              |   |                           |                                 |                             |  |                                  |                              |  |                                |                   |
| Exchange differences on translation of foreign operations               | -   | -                         | -                               | -                           | -  | -                                | (6,513)                      | -  | -                              | (6,513)           |
| Change in fair value of available-for-sale financial assets, net of tax | -   | -                         | -                               | -                           | (70,607)   | -                                | -                            | -  | -                              | (70,607)          |
| Total comprehensive income for the period                               | -   | -                         | -                               | -                           | (70,607)   | -                                | (6,513)                      | -  | (158,264)                      | (235,384)         |
| Equity-settled share-based transactions                                 | -   | -                         | -                               | -                           | -  | 440                              | -                            | -  | -                              | 440               |
| Issue of shares   |   |                           |                                 |                             |  |                                  |                              |  |                                |                   |
| - upon conversion of a convertible bond                                 | 5,600   | 280,276                   | -                               | -                           | -  | -                                | -                            | (7,231)  | -                              | 278,645           |
| - upon exercise of share options  | 260   | 14,262                    | -                               | -                           | -  | (3,472)                          | -                            | -  | -                              | 11,050            |
| - upon share placing, net of expense                                    | 57,000  | 1,082,664                 | -                               | -                           | -  | -                                | -                            | -  | -                              | 1,139,664         |
| At 31 December 2015 (unaudited)   | <u>109,577</u>                                | <u>2,059,988*</u>         | <u>278,979*</u>                 | <u>2,766*</u>               | <u>(58,619)*</u>   | <u>62,572*</u>                   | <u>(7,151)*</u>              | <u>-*</u>  | <u>(440,561)*</u>              | <u>2,007,551</u>  |

\* These reserve accounts comprise the consolidated reserves of HK\$1,546,683,000 (30 June 2016: HK\$1,675,371,000) in the interim condensed consolidated statement of financial position.

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

|  | <b>Unaudited</b>                    |                  |
|--|-------------------------------------|------------------|
|  | <b>Six months ended 31 December</b> |                  |
|  | <b>2016</b>                         | 2015             |
|  | <i>HK\$'000</i>                     | <i>HK\$'000</i>  |
| Net cash used in operating activities                  | (323,810)                           | (200,346)        |
| Net cash (used in)/generated from financing activities | (1,584)                             | 1,150,124        |
| Net (decrease)/increase in cash and cash equivalents   | (325,394)                           | 949,778          |
| Cash and cash equivalents at beginning of period       | 657,542                             | 287,295          |
| Effect of foreign exchange rate changes                | (9,568)                             | (6,513)          |
| Cash and cash equivalents at end of period             | <u>322,580</u>                      | <u>1,230,560</u> |
| Analysis of the balances of cash and cash equivalents: |                                     |                  |
| Cash and bank balances                                 | <u>322,580</u>                      | <u>1,230,560</u> |

# Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2016

## 1. CORPORATION INFORMATION

China Financial International Investments Limited (the “Company”) was previously incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Companies Act 1981 of Bermuda as an exempted company. The Company’s registered office address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. With effect from 22 March 2017, the Company’s principal place of business was changed from Suite 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) and available-for-sale financial assets which have been measured at fair value. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2016.

### 4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016, except for the adoption to the following revised standard as of 1 July 2016 as noted below:

Amendments to HKAS 1 *Disclosure Initiative*

The adoption of the above revised standard has had no significant financial effect on these interim condensed consolidated financial statements.

### 4.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this interim financial information. Among the new and revised HKFRSs, the following is expected to be relevant to the Company’s financial statements upon becoming effective:

|                        |  |
|------------------------|--|
| Amendments to HKFRS 2  | <i>Classification and Measurement of Share-based Payment Transactions</i> <sup>2</sup> |
| HKFRS 9                | <i>Financial Instruments</i> <sup>2</sup>  |
| HKFRS 15               | <i>Revenue from Contracts with Customers</i> <sup>2</sup>                              |
| Amendments to HKFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>2</sup>   |
| HKFRS 16               | <i>Leases</i> <sup>3</sup>   |
| Amendments to HKAS 7   | <i>Disclosure Initiative</i> <sup>1</sup>  |
| Amendments to HKAS 12  | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>1</sup>           |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019



# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 July 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 July 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 July 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 July 2017.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 July 2017.

## 5. OPERATING SEGMENT INFORMATION

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

- micro-loan service
- real estate and natural gas
- investment in fixed income financial assets
- others (includes guarantee service, investments 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.

### Segment results

|                                 | Unaudited<br>Micro-loan<br>service<br>HK\$'000 | Unaudited<br>Real estate<br>and<br>natural gas<br>HK\$'000 | Unaudited<br>Investment in<br>fixed income<br>financial assets<br>HK\$'000 | Unaudited<br>Others<br>HK\$'000 | Unaudited<br>Total<br>HK\$'000 |
|---------------------------------|--|--|--|---------------------------------|--------------------------------|
| <b>Six months ended</b>         |  |  |  |                                 |                                |
| <b>31 December 2016</b>         |  |  |  |                                 |                                |
| Segment results                 | <u>15,261</u>                                  | <u>(68,167)</u>  | <u>8,506</u>   | <u>(1,724)</u>                  | (46,124)                       |
| Share of profit of an associate |  |  |  |                                 | 111                            |
| Unallocated income and gains    |  |  |  |                                 | 3,118                          |
| Unallocated expenses            |  |  |  |                                 | (29,507)                       |
| Loss before tax                 |  |  |  |                                 | (72,402)                       |
| Income tax expenses             |  |  |  |                                 | (949)                          |
| Loss for the period             |  |  |  |                                 | <u>(73,351)</u>                |
| <b>Six months ended</b>         |  |  |  |                                 |                                |
| <b>31 December 2015</b>         |  |  |  |                                 |                                |
| Segment results                 | <u>(80,443)</u>                                | <u>(59,021)</u>  | <u>-</u>   | <u>(11,788)</u>                 | (151,252)                      |
| Share of loss of an associate   |  |  |  |                                 | (16)                           |
| Unallocated income and gains    |  |  |  |                                 | 5,006                          |
| Unallocated expenses            |  |  |  |                                 | (13,653)                       |
| Loss before tax                 |  |  |  |                                 | (159,915)                      |
| Income tax credit               |  |  |  |                                 | 1,651                          |
| Loss for the period             |  |  |  |                                 | <u>(158,264)</u>               |

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

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 5. OPERATING SEGMENT INFORMATION (Continued)

### Segment assets

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

|   | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|---|--|--|
| Micro-loan service                          | 314,635                                      | 296,283                                |
| Real estate and natural gas                 | 442,461                                      | 407,128                                |
| Investment in fixed income financial assets | 559,787                                      | –                                      |
| Others                                      | 74,565                                       | 77,453                                 |
|   | <hr/>  | <hr/>                                  |
| Total segment assets                        | 1,391,448                                    | 780,864                                |
| Unallocated assets                          | 335,871                                      | 1,074,902                              |
|   | <hr/>  | <hr/>                                  |
|   | <b>1,727,319</b>                             | <b>1,855,766</b>                       |

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 31 December 2016 and 30 June 2016 were unallocated liabilities.

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

## 6. (LOSS)/GAIN ON INVESTMENTS

|  | Unaudited<br>Listed<br>securities<br>HK\$'000 | Unaudited<br>Unlisted<br>investments<br>HK\$'000 | Unaudited<br>Total<br>HK\$'000 |
|--|---|--|--------------------------------|
| <b>Six months ended 31 December 2016</b>               |   |  |                                |
| <i>Included in profit or loss:</i>                     |   |  |                                |
| Unrealised loss:                                       |   |  |                                |
| Financial assets at FVTPL                              | (46,518)                                      | (11,918)   | (58,436)                       |
| <i>Included in other comprehensive income ("OCI"):</i> |   |  |                                |
| Unrealised (loss)/gain:                                |   |  |                                |
| Available-for-sale financial assets                    | (51,090)                                      | 5,698  | (45,392)                       |
| Total loss for the period                              | <hr/> <b>(97,608)</b>                         | <hr/> <b>(6,220)</b>                             | <hr/> <b>(103,828)</b>         |
| <b>Six months ended 31 December 2015</b>               |   |  |                                |
| <i>Included in profit or loss:</i>                     |   |  |                                |
| Unrealised loss:                                       |   |  |                                |
| Financial assets at FVTPL                              | (64,340)                                      | (86,620)   | (150,960)                      |
| Impairment loss:                                       |   |  |                                |
| Available-for-sale financial asset                     | –   | (721)  | (721)                          |
| Total loss included in profit or loss                  | <hr/> <b>(64,340)</b>                         | <hr/> <b>(87,341)</b>                            | <hr/> <b>(151,681)</b>         |
| <i>Included in OCI:</i>                                |   |  |                                |
| Unrealised loss:                                       |   |  |                                |
| Available-for-sale financial assets                    | –   | (73,130)   | (73,130)                       |
| Reclassification of impairment loss:                   |   |  |                                |
| Available-for-sale financial asset                     | –   | 721  | 721                            |
| Total loss included in OCI                             | <hr/> <b>–</b>                                | <hr/> <b>(72,409)</b>                            | <hr/> <b>(72,409)</b>          |
| Total loss for the period                              | <hr/> <b>(64,340)</b>                         | <hr/> <b>(159,750)</b>                           | <hr/> <b>(224,090)</b>         |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 7. REVENUE, OTHER INCOME AND GAINS

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

|   | Unaudited<br>Six months ended 31 December |                  |
|---|---|------------------|
|   | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| <b>Revenue</b>                              |   |                  |
| Dividend income from a listed investment    | 1,723                                     | –                |
| Dividend income from an unlisted investment | –   | 429              |
| Interest income from unlisted investments   | 10,589                                    | –                |
|   | <u>12,312</u>                             | <u>429</u>       |
| <b>Other income and gains</b>               |   |                  |
| Bank interest income                        | 3,118                                     | 1,994            |
| Exchange gains                              | –   | 3,012            |
|   | <u>3,118</u>                              | <u>5,006</u>     |

## 8. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

|  | Unaudited<br>Six months ended 31 December |                  |
|--|---|------------------|
|  | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| Net unrealised loss on financial assets at FVTPL | 58,436                                    | 150,960          |

## 9. FINANCE COSTS

An analysis of finance costs is as follows:

|   | Unaudited<br>Six months ended 31 December |                  |
|---|---|------------------|
|   | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| Interest on a convertible bond wholly repayable within five years | –   | 419              |
| Interest on other loans   | 1,597                                     | 4,052            |
|   | <u>1,597</u>                              | <u>4,471</u>     |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 10. LOSS BEFORE TAX

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

|   | Unaudited<br>Six months ended 31 December |                   |
|---|---|-------------------|
|   | 2016<br>HK\$'000                          | 2015<br>HK\$'000  |
| Custodian fee   | 98  | 76                |
| Depreciation  | 316                                       | 24                |
| Investment management fee                                 | 918                                       | 496               |
| Minimum operating lease payments in respect of properties | 1,210                                     | 712               |
| Staff costs, including directors' remuneration:           |   |                   |
| Salaries, wages and benefits in kind                      | 11,253                                    | 4,081             |
| Pension scheme contributions                              | 82  | 52                |
| Equity-settled share option expenses                      | –   | 440               |
|   | <u>          </u>                         | <u>          </u> |

## 11. TAXATION

|  | Unaudited<br>Six months ended 31 December |                   |
|--|---|-------------------|
|  | 2016<br>HK\$'000                          | 2015<br>HK\$'000  |
| Current – Hong Kong                      |   |                   |
| – Charge for the period                  | –   | –                 |
| Current – the PRC Enterprise Income Tax  |   |                   |
| – Charge for the period                  | 949                                       | –                 |
| Deferred tax credit                      | –   | (1,651)           |
|  | <u>          </u>                         | <u>          </u> |
| Total tax charge/(credit) for the period | <u>949</u>                                | <u>(1,651)</u>    |

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for both periods ended 31 December 2016 and 2015.

The provision for the PRC Enterprise Income Tax for the Group's subsidiary in the PRC is based on a statutory rate of 25% of the assessable profit as determined in accordance with the relevant tax rules and regulations of the PRC (2015: Nil).

## 12. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 December 2016 (31 December 2015: Nil).

## 13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the six months ended 31 December 2016 attributable to ordinary equity holders of the parent of HK\$73,351,000 (2015: HK\$158,264,000), and the weighted average number of ordinary shares of 10,971,634,000 (2015: 6,568,634,000) in issue during the period.

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the six months ended 31 December 2016 and 2015 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 14. PROPERTY, PLANT AND EQUIPMENT

|  | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|--|--|--|
| Opening net carrying amount                  | 1,864  | 125                                    |
| Additions                                    | –  | 1,985                                  |
| Depreciation provided during the period/year | (316)  | (252)                                  |
| Exchange realignment                         | (69)   | 6                                      |
|  | <u>1,479</u>                                 | <u>1,864</u>                           |
| Closing net carrying amount                  | <u>1,479</u>                                 | <u>1,864</u>                           |

## 15. INVESTMENT IN AN ASSOCIATE

|                     | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|---------------------|--|--|
| Share of net assets | 464  | 353                                    |
| Due to an associate | (146)  | (80)                                   |
|                     | <u>318</u>                                   | <u>273</u>                             |
| Total               | <u>318</u>                                   | <u>273</u>                             |

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 | Hong Kong                           | Ordinary shares                   | 29%   | Asset management   |

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                     | Notes | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|-------------------------------------|-------|--|--|
| Listed securities, at fair value    | (i)   | 119,210                                      | 170,300                                |
| Unlisted investments, at fair value | (ii)  | 159,013                                      | 153,315                                |
|                                     |       | <u>278,223</u>                               | <u>323,615</u>                         |

For the year ended 30 June 2016, the gross loss in respect of the Group's available-for-sale financial assets recognised in OCI amounted to HK\$188,583,000, of which an impairment loss of HK\$223,577,000 was reclassified from OCI to profit or loss.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

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 31 December 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 31 December 2016, the 262,000,000 new shares represented 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 businesses in the PRC.

- (ii) As at 31 December 2016, the Group held the following unlisted investments:

| Name  | Notes | Place of incorporation/<br>registration<br>and business | Group's effective interest       |                            | Principal activities  | Unaudited                               | Audited                             |
|---|-------|---|----------------------------------|----------------------------|---|---|-------------------------------------|
|   |       |   | Unaudited<br>31 December<br>2016 | Audited<br>30 June<br>2016 |   | 31 December<br>2016<br>Cost<br>HK\$'000 | 30 June<br>2016<br>Cost<br>HK\$'000 |
| Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")   | (a)   | PRC   | 2.98%                            | 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%                              | 40%                        | 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                              | N/A                        | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas businesses in the PRC | 55,966                                  | 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 invested in a 30% equity interest of Jiangxi Huazhang, a joint venture established in the PRC. The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and then 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on those dates. Jiangxi Huazhang is principally engaged in the provision of financing guarantees to SMEs in the Jiangxi Province, the PRC.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(ii) As at 31 December 2016, the Group held the following unlisted investments: (Continued)

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

Notes: (Continued)

- (b) On 29 April 2011, the Group invested in a 30% equity interest of Zhongtouxin, 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. Zhongtouxin is principally engaged in the provision of consultation services for project investments in the PRC.
- (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. Jingdezhen CFI Guosen is principally engaged in the provision of small loan and financial consultation services in Jingdezhen, the PRC.

On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to previous shareholders of Jingdezhen CFI Guosen withdrew their capital commitment in the sum of RMB125 million in Jingdezhen CFI Guosen so that the registered capital of Jingdezhen CFI Guosen was reduced from RMB500 million to RMB375 million. Due to the capital reduction, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with the Listing Rule 21.04(3)(a), the Company voluntarily relinquished the voting rights beyond 30%.

Given that the capital reduction in Jingdezhen CFI Guosen is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Jingdezhen CFI Guosen. The relinquishment of the voting rights is an interim arrangement and the Company still possesses other rights such as the rights to receive dividend. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Jingdezhen CFI Guosen or to restore the shareholdings in Jingdezhen CFI Guosen to 30%.

- (d) On 21 June 2011, the Group invested in a 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.
- (e) 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 an available-for-sale investment. The embedded derivatives, representing the conversion option which allows 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").

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

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.

As at 31 December 2016, the 146,000,000 conversion shares, upon exercising the conversion right, would represent approximately 6.33% of the issued share capital in China City Infrastructure.



# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(ii) As at 31 December 2016, the Group held the following unlisted investments: (Continued)

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

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 six months ended 31 December 2016.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | Notes | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|--|-------|--|--|
| Financial assets held for trading:       |       |  |  |
| Listed securities                        | (i)   | 235,772                                      | 127,878                                |
| Derivative financial instrument          | (ii)  | 27,711                                       | 52,953                                 |
|  |       | <u>263,483</u>                               | <u>180,831</u>                         |
| Financial assets designated as at FVTPL: |       |  |  |
| Unlisted equity investments              | (iii) | 289,955                                      | 276,418                                |
| Unlisted bond investments, secured       | (iv)  | 559,787                                      | –                                      |
|  |       | <u>849,742</u>                               | <u>276,418</u>                         |

The above financial assets at 31 December 2016 and 30 June 2016 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes:

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

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(iii) As at 31 December 2016, the Group had the following unlisted equity investments:

| Name   | Notes | Place of incorporation/<br>registration<br>and business | Group's effective interest      |                             | Principal activities  | Unaudited                            | Audited                          |
|--|-------|---|---------------------------------|-----------------------------|---|--------------------------------------|----------------------------------|
|  |       |   | 31 December<br>2016<br>HK\$'000 | 30 June<br>2016<br>HK\$'000 |   | 31 December<br>2016 Cost<br>HK\$'000 | 30 June<br>2016 Cost<br>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                           |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(iii) As at 31 December 2016, the Group had the following unlisted equity investments: (Continued)

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.
- (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.
- (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. On 22 December 2016, the Company entered into a disposal agreement to dispose of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. As at the date of this interim report, a deposit of HK\$2,500,000 has been received and this disposal transaction has not been completed. The directors expect this disposal transaction will be completed within one year.
- (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. On 20 April 2016, the Company entered into a disposal agreement to dispose 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 interim report, this disposal transaction has not been completed. The directors expect this disposal transaction will be completed within one year.
- (e) On 13 January 2012, the Group invested in a 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. The Group's equity interest in Tianjin Binlian became 3.3% on 22 January 2014, as Tianjin Binlian was 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.
- (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. On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200 million in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500 million to RMB300 million. Due to the capital reduction, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with the Listing Rule 21.04(3)(a), the Company shall voluntarily relinquished the voting rights beyond 30%. As at the date of this interim report, the capital reduction has not been completed. The directors expect the capital reduction will be completed within six months.

Given that the capital reduction in Ezhou Zhongjinguotou is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Ezhou Zhongjinguotou. The relinquishment of the voting rights is an interim arrangement and the Company still possesses other rights such as the rights to receive dividend. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Ezhou Zhongjinguotou or to restore the shareholdings in Ezhou Zhongjinguotou to 30%.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(iii) As at 31 December 2016, the Group had the following unlisted equity investments: (Continued)

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

Notes: (Continued)

- (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.
- (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.
- (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.
- (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.
- (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.
- (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.

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 six months ended 31 December 2016.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Notes: (Continued)

(iv) As at 31 December 2016, the Group had the following unlisted bond investments:

(a) 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 with the principal amount of HK\$200,000,000. Mr. Xiao Yan is the sole shareholder and the sole director of Hollys (China) Limited. The transaction was completed during the period.

(b) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Henan) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Talent Trend Global Limited as issuer and Mr. Huang Xianli as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$160,000,000. Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend Global Limited. The transaction was completed during the period.

The bond is secured by 600,000,000 shares of the Company held by Ruixin Taifu Investment Group Co., Limited as irrevocable guarantee.

(c) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Nanchang) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Pure Unity Investments Limited as issuer and Mr. Zhu Mingliang as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity Investments Limited. The transaction was completed during the period.

The bond is secured by 500,000,000 shares of the Company held by Rightfirst Holdings Limited ("Rightfirst") as irrevocable guarantee. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive director of the Company.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                       | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|---------------------------------------|--|--|
| Prepayments and deposits              | 1,700  | 1,366                                  |
| Other receivables ( <i>note (a)</i> ) | 9,648  | 413,777                                |
|                                       | <b>11,348</b>                                | <b>415,143</b>                         |

Note:

(a) As at 31 December 2016, other receivables included dividend receivables of HK\$7,567,000 (30 June 2016: HK\$9,478,000). This balance is unsecured, interest-free and repayable on demand.

As at 30 June 2016, other receivables included receivable of HK\$404,088,000 from Yi Jia Investment Limited under the strategic cooperation agreement entered between the Company and Irena Culture Co., Ltd. on 24 November 2015, which was fully settled by 6 July 2016.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 19. BORROWINGS

|  | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|--|--|--|
| Non-current portion                    |  |  |
| Interest bearing loans – unsecured     | 62,978                                       | 62,974                                 |
| Analysed into:                         |  |  |
| Loans repayable:                       |  |  |
| Within one year                        | –  | –                                      |
| In the third to fifth years, inclusive | 62,978                                       | 62,974                                 |
| Beyond five years                      | –  | –                                      |
|  | 62,978                                       | 62,974                                 |

As at 31 December 2016, bonds with a total nominal amount of HK\$63,000,000 (30 June 2015: HK\$63,000,000) were issued to independent third parties at a 5% interest rate per annum with maturity dates falling in years 2020 or 2021, being 7 years from the dates of issue.

## 20. CONVERTIBLE BOND

On 27 December 2012 (the “Issue Date”), the Company issued a convertible bond (the “Convertible Bond”) with a nominal value of HK\$280,000,000.

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 allocated transaction costs was HK\$7,231,000.

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

|                                      | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|--------------------------------------|--|--|
| At beginning of the period/year      | –  | 278,816                                |
| Interest expense for the period/year | –  | 419                                    |
| Interest paid for the period/year    | –  | (590)                                  |
| Conversion ( <i>Note 21(b)</i> )     | –  | (278,645)                              |
| At end of the period/year            | –  | –                                      |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 21. SHARE CAPITAL

|   | Notes | Number of<br>shares<br>'000 | HK\$'000 |
|---|-------|-----------------------------|----------|
| <b>Authorised:</b>                                      |       |                             |          |
| At 31 December 2016 and 30 June 2016                    |       |                             |          |
| Ordinary shares of HK\$0.01 each                        |       | <b>30,000,000</b>           | 300,000  |
| <b>Issued and fully paid:</b>                           |       |                             |          |
| At 1 July 2015  |       |                             |          |
| Ordinary shares of HK\$0.01 each                        |       | 4,671,634                   | 46,717   |
| Issue of shares upon exercise of share options          | (a)   | 40,000                      | 400      |
| 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   |
| At 31 December 2016 and 30 June 2016                    |       |                             |          |
| Ordinary shares of HK\$0.01 each                        |       | <b>10,971,634</b>           | 109,717  |

Notes:

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

During the year ended 30 June 2016, share options to subscribe for 40,000,000 shares were exercised. The gross proceeds were approximately HK\$17,000,000, of which HK\$400,000 were credited to share capital, while HK\$21,946,000 were credited to share premium.

**(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 new ordinary shares issued during the year ended 30 June 2016 rank pari passu in all respects with the existing ordinary shares of the Company.

## 22. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of the Group as at 31 December 2016 of HK\$1,656,400,000 (30 June 2016: HK\$1,785,088,000) and on 10,971,634,000 ordinary shares being in issue as at 31 December 2016 (30 June 2016: 10,971,634,000 ordinary shares).

## 23. COMMITMENTS

The Group leases its office premises under an operating lease arrangement with a negotiated term of one year. At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | Unaudited<br>31 December<br>2016<br>HK\$'000 | Audited<br>30 June<br>2016<br>HK\$'000 |
|---|--|--|
| Within one year                         | 2,296  | 4,766                                  |
| In the second to fifth years, inclusive | –  | 202                                    |
|   | <b>2,296</b>                                 | <b>4,968</b>                           |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 24. SHARE OPTIONS

### (a) Share option scheme

The Company has a share option scheme for eligible employees of the Group. As at 30 June 2016, the Company had 4,700,000 share options outstanding under the share option scheme. During the period ended 31 December 2016, 4,700,000 share options were lapsed and no share options were granted, exercised or forfeited.

The Company recognised a total expense of approximately HK\$440,000 for the six months ended 31 December 2015 in relation to the share options granted by the Company on 19 December 2013.

### (b) Share options

On 7 April 2014, the Company granted each of 200,000,000 share options to United Truth Group Limited and GCA Special Situations (A) Limited, respectively, under a specific mandate (the "Specific Mandate") for their provision of consultancy services to the Company.

As at 31 December 2016, the Company had 400,000,000 share options (30 June 2016: 400,000,000 share options) outstanding under the Specific Mandate. No share options under Specific Mandate were exercised, lapsed or forfeited during the period.

The share options outstanding at 31 December 2016 had the exercise price of HK\$0.48 per share.

## 25. RELATED PARTY TRANSACTIONS

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

|   | Notes | Unaudited<br>Six months ended 31 December |                  |
|---|-------|---|------------------|
|   |       | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| Investment management fee paid/payable to China Financial International Investments & Managements Limited | (i)   | 918                                       | 496              |
| Legal advisory fees paid/payable to Michael Li & Co   | (ii)  | 342                                       | 648              |
|   |       | <u>1,260</u>                              | <u>1,144</u>     |

Notes:

(i) An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") 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, 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.

At 31 December 2016, the balance due to CFIIM of HK\$146,000 (30 June 2016: HK\$80,000) was unsecured, interest-free and repayable on demand.

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

At 31 December 2016, the balance due to Michael Li & Co of HK\$342,000 (30 June 2016: Nil) was unsecured, interest-free and repayable on demand.

### (b) Compensation of key management personnel of the Group

|   | Unaudited<br>Six months ended 31 December |                  |
|---|---|------------------|
|   | 2016<br>HK\$'000                          | 2015<br>HK\$'000 |
| Salaries, allowances and benefits in kind | 9,705                                     | 3,120            |
| Pension scheme contributions              | 47  | 29               |
|   | <u>9,752</u>                              | <u>3,149</u>     |



# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

|   | Fair value measurement using                                   |  |  | Total<br>HK\$'000 |
|---|--|--|--|-------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| <b>Assets measured at fair value</b>      |  |  |  |                   |
| <i>As at 31 December 2016 (unaudited)</i> |  |  |  |                   |
| Available-for-sale financial assets:      |  |  |  |                   |
| – Listed investments                      | 119,210  | –  | –  | 119,210           |
| – Unlisted investments                    | –  | 59,768   | 99,245   | 159,013           |
| Financial assets at FVTPL                 |  |  |  |                   |
| – Listed securities                       | 235,772  | –  | –  | 235,772           |
| – Derivative financial instrument         | –  | 27,711   | –  | 27,711            |
| – Unlisted equity investments             | –  | –  | 289,955  | 289,955           |
| – Unlisted bond investments, secured      | –  | –  | 559,787  | 559,787           |
|   | <u>354,982</u>   | <u>87,479</u>  | <u>948,987</u>   | <u>1,391,448</u>  |
| <i>As at 30 June 2016 (audited)</i>       |  |  |  |                   |
| 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           |
|   | <u>298,178</u>   | <u>108,950</u>   | <u>373,736</u>   | <u>780,864</u>    |

During the six months ended 31 December 2016 and the year ended 30 June 2016, 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.

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

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

The fair values of the interest bearing loans approximate their carrying amounts.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2016 and 30 June 2016:

|  | Valuation technique         | Significant unobservable inputs  | Range  | Sensitivity of fair value to the input   |
|--|-----------------------------|----------------------------------|--|--|
| <u>Available-for-sale financial assets in unlisted investments</u> |                             |                                  |  |  |
| <i>Micro-loan service</i>  | Market comparable companies | Price to book ratio ("PB ratio") | 31 December 2016:<br>0.4401 to 1.8616<br><br>30 June 2016:<br>0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2016, the Group's OCI would have increased by HK\$34,031,000 (30 June 2016: HK\$24,321,000). Had the lowest PB ratio among the comparables been used as at 31 December 2016, the Group's OCI would have decreased by HK\$26,236,000 (30 June 2016: HK\$18,129,000).                           |
| <i>Others</i>  | Market comparable companies | PB ratio                         | 31 December 2016:<br>0.4401 to 1.8616<br><br>30 June 2016:<br>0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2016, the Group's OCI would have increased by HK\$38,753,000 (30 June 2016: HK\$30,048,000). Had the lowest PB ratio among the comparables been used as at 31 December 2016, the Group's OCI would have decreased by HK\$30,945,000 (30 June 2016: HK\$22,398,000).                           |
| <u>Financial assets FVTPL in unlisted investments</u>              |                             |                                  |  |  |
| <i>Micro-loan service</i>  | Market comparable companies | PB ratio                         | 31 December 2016:<br>0.4401 to 1.8616<br><br>30 June 2016:<br>0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratio of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2016, the Group's profit or loss would have increased by HK\$203,073,000 (30 June 2016: HK\$145,704,000). Had the lowest PB ratio among the comparables been used as at 31 December 2016, the Group's profit or loss would have decreased by HK\$156,561,000 (30 June 2016: HK\$108,607,000). |
| <i>Bonds</i>   | Recent transaction price    | N/A                              | N/A  | N/A  |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

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

| Available-for-sale financial assets (unlisted investments) | <i>HK\$'000</i> |
|--|-----------------|
| At 1 July 2015 (audited)                                   | 325,232         |
| Total losses recognised in profit or loss                  | (223,577)       |
| Total losses recognised in OCI                             | (4,337)         |
|  | <hr/>           |
| At 30 June 2016 and 1 July 2016 (audited)                  | 97,318          |
| Total gains recognised in OCI                              | 1,927           |
|  | <hr/>           |
| At 31 December 2016 (unaudited)                            | <u>99,245</u>   |
|  | <hr/>           |
| Financial assets at FVTPL (unlisted investments)           | <i>HK\$'000</i> |
| At 1 July 2015 (audited)                                   | 550,542         |
| Total losses recognised in profit or loss                  | (230,036)       |
| Purchases  | 360,000         |
| Disposals  | (404,088)       |
|  | <hr/>           |
| At 30 June 2016 and 1 July 2016 (audited)                  | 276,418         |
| Purchase   | 560,000         |
| Total gains recognised in profit or loss                   | 13,324          |
|  | <hr/>           |
| At 31 December 2016 (unaudited)                            | <u>849,742</u>  |
|  | <hr/>           |

The fair values of listed securities are based on quoted market prices. The fair values of unlisted investments designated as available-for-sale financial assets and unlisted equity 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 fair values of unlisted bond investments designated as at FVTPL have been estimated using an effective interest rate valuation technique. 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 the statement of profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## 27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 February 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

China Financial International Investments Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the investments in the listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

The Group recorded a loss of HK\$73,351,000 for the six months ended 31 December 2016 (the “Period”), as compared to a loss of HK\$158,264,000 for the same period last year. The loss was mainly attributable to the following reasons:

- (i) unrealised loss of approximately HK\$46,518,000 on listed investments at fair value through profit or loss;
- (ii) unrealised loss of approximately HK\$11,918,000 on unlisted investments at fair value through profit or loss; and
- (iii) the administrative expenses increased to HK\$27,910,000 due to the increase in the staff cost and consultant fee.

## LISTED INVESTMENT REVIEW

During the Period, the Group recorded a loss of HK\$97,608,000 in respect of unrealised loss on listed securities business (31 December 2015: HK\$64,340,000). Dividend income of HK\$1,723,000 from a listed investment was received for the Period (31 December 2015: Nil).

As at 31 December 2016, the market value of the listed securities amounted to HK\$354,982,000 (30 June 2016: HK\$298,178,000). All the listed securities were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### Listed Securities Portfolio

| Name of listed securities  | Nature of business   | Number of shares held | Group’s effective interest | Market value at 31 December 2016<br>HK\$’000 | Dividend received during the Period<br>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 Group Limited  | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC | 458,735,429           | 19.89%                     | 208,724                                      | –   |
| Sino-Ocean Group Holding Limited   | Investment holding, property development and property investment in the PRC  | 42,271,000            | 0.56%                      | 146,258                                      | 1,723   |
|  |  |                       |                            | 354,982                                      | 1,723   |

### Note:

- (1) As at 31 December 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 ended 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### UNLISTED INVESTMENT REVIEW

The Group's unlisted investments include unlisted equity investments, an unlisted convertible bond investment and unlisted bond investments. For the six months ended 31 December 2016, the loss on the Group's unlisted investment portfolio recorded as HK\$6,220,000 (31 December 2015: HK\$159,750,000). During the Period, no dividend income from the unlisted equity investment was recorded (31 December 2015: HK\$429,000), while interest income of HK\$10,589,000 from the unlisted investments was recorded (31 December 2015: Nil).

The fair value of the Group's unlisted investments increased by 114.73% to HK\$1,036,466,000 (30 June 2016: HK\$482,686,000).

### Unlisted Equity Investments and Unlisted Convertible Bond Investment

The Group's unlisted equity investments are mainly concentrated on small loan companies in the PRC. Small loan industry in the PRC is still facing worries of the decreasing interest rate of private lending and the increase of operation risks, resulting in certain small loan companies continue to generate overdue loans and incur losses. In view of the slipping performance of the small loan industry, the Company has decided identify potential investors to dispose of part of small loan business. The Company shall from time to time monitor the performance and the progress of downscaling of this segment.

#### *Unlisted equity investment and unlisted convertible bond investment portfolio*

| Name of company           | Notes  | Location | Group's effective interest                  | Business nature | Fair value at 31 December 2016                              |          |         |
|---------------------------|--|----------|---|-----------------|---|----------|---------|
|                           |  |          |   |                 | Cost<br>HK\$'000  | HK\$'000 |         |
| <b>Micro-loan service</b> |  |          |   |                 |   |          |         |
| 1                         | Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen") | (1)      | Jingdezhen, Jiangxi Province                | 40%             | Provision of small loan and financial consultation services | 188,690  | 539     |
| 2                         | Tianjin XEDA Microfinance Co., Ltd.                                    |          | Tianjin                                     | 30%             | Provision of small loan and financial consultation services | 72,450   | 46,180  |
| 3                         | Tianjin Rongshun Microfinance Limited                                  |          | Tianjin                                     | 30%             | Provision of small loan and financial consultation services | 36,606   | 14,757  |
| 4                         | TIIC RongShun Micro-Loan Company Limited                               |          | Tianjin                                     | 10%             | Provision of small loan and financial consultation services | 12,189   | 7,720   |
| 5                         | Harbin Zhongjinguoxin Microfinance Co., Ltd.                           | (2)      | Harbin, Heilongjiang Province               | 30%             | Provision of small loan and financial consultation services | 36,693   | -       |
| 6                         | Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.                  | (3)      | Donghu District, Nanchang, Jiangxi Province | 30%             | Provision of small loan and financial consultation services | 36,901   | 10,587  |
| 7                         | Tianjin Binlian Microfinance Limited                                   |          | Tianjin                                     | 3.3%            | Provision of small loan and financial consultation services | 12,271   | 4,581   |
| 8                         | Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")     | (4)      | Ezhou, Hubei Province                       | 30%             | Provision of small loan and financial consultation services | 185,000  | 124,169 |

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### UNLISTED INVESTMENT REVIEW (Continued)

#### Unlisted Equity Investments and Unlisted Convertible Bond Investment (Continued)

*Unlisted equity investment and unlisted convertible bond investment portfolio (Continued)*

| Name of company                    | Notes | Location                     | Group's effective interest | Business nature  | Fair value at 31 December 2016 |          |
|------------------------------------|-------|------------------------------|----------------------------|--|--------------------------------|----------|
|                                    |       |                              |                            |  | Cost<br>HK\$'000               | HK\$'000 |
| 9                                  |       | Ziyang, Sichuan Province     | 30%                        | Provision of small loan and financial consultation services  | 73,730                         | 40,589   |
| 10                                 |       | Nanjing, Jiangsu Province    | 30%                        | Provision of small loan and financial consultation service   | 36,673                         | 14,206   |
| 11                                 |       | Tianjin                      | 30%                        | Provision of small loan and financial consultation services  | 36,741                         | 17,101   |
| 12                                 |       | Zhenjiang, Jiangsu Province  | 30%                        | Provision of small loan and financial consultation service   | 56,874                         | 34,206   |
|                                    |       |                              |                            | Sub-total:   | 784,818                        | 314,635  |
| 13                                 | (5)   | Nanchang, Jiangxi Province   | 2.98%                      | Provision of financing guarantees to small and medium enterprises  | 43,150                         | 52,526   |
| 14                                 |       | Shenzhen, Guangdong Province | 30%                        | Provision of consultation services on project investments  | 18,350                         | -        |
| 15                                 |       | Xi'an, Shaanxi Province      | 30%                        | Provision of financial management services   | 18,724                         | 13,316   |
| 16                                 |       | Wuhan, Hubei Province        | 30%                        | Provision of financial management services   | 19,030                         | 8,723    |
|                                    |       |                              |                            | Sub-total:   | 56,104                         | 22,039   |
| <b>Real estate and natural gas</b> |       |                              |                            |  |                                |          |
| 17                                 |       | Cayman Islands               | N/A                        | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC | 73,000                         | 87,479   |
|                                    |       |                              |                            |  | 957,072                        | 476,679  |

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## UNLISTED INVESTMENT REVIEW (Continued)

### Unlisted Equity Investments and Unlisted Convertible Bond Investment (Continued)

*Unlisted equity investment and unlisted convertible bond investment portfolio (Continued)*

*Notes:*

- (1) On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to previous shareholders of Jingdezhen CFI Guosen withdrew their capital commitment in the sum of RMB125 million in Jingdezhen CFI Guosen so that the registered capital of Jingdezhen CFI Guosen was reduced from RMB500 million to RMB375 million. Due to the capital reduction, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 21.04(3)(a), the Company voluntarily relinquished the voting rights beyond 30%.

Given that the capital reduction in Jingdezhen CFI Guosen is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Jingdezhen CFI Guosen. The relinquishment of the voting rights is an interim arrangement and the Company still possesses other rights such as the rights to receive dividend. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Jingdezhen CFI Guosen or to restore the shareholdings in Jingdezhen CFI Guosen to 30%.

- (2) On 22 December 2016, the Company entered into a disposal agreement to dispose of its equity interest in Harbin Zhongjinguoxin Microfinance Co., Ltd. to an independent third party for a cash consideration of RMB25,000,000. As at the date of this interim report, a deposit of HK\$2,500,000 has been received and this disposal transaction has not been completed. The directors of the Company (the "Directors") expect this disposal transaction will be completed within one year.
- (3) 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 interim report, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (4) On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200 million in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500 million to RMB300 million. Due to the capital reduction, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with the Listing Rule 21.04(3)(a), the Company shall voluntarily relinquished the voting rights beyond 30%. As at the date of this interim report, the capital reduction has not been completed. The directors expect the capital reduction will be completed within six months.

Given that the capital reduction in Ezhou Zhongjinguotou is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Ezhou Zhongjinguotou. The relinquishment of the voting rights is an interim arrangement and the Company still possesses other rights such as the rights to receive dividend. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Ezhou Zhongjinguotou or to restore the shareholdings in Ezhou Zhongjinguotou to 30%.

- (5) On 19 August 2016, the Group's equity interest of Jiangxi Huazhang Hanchen Guarantee Group Limited changed from 7.2% to 2.98% as Jiangxi Huazhang Hanchen Guarantee Group Limited was enlarged by the new registered capital subscribed by its other shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Unlisted Bond Investments

The Group invested three bonds during the Period for the purpose of engaging in the medium term investments and earning the stable return. The details of the bond investments are as follows:

- (a) 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 with the principal amount of HK\$200,000,000. Mr. Xiao Yan is the sole shareholder and the sole director of Hollys (China) Limited. The transaction was completed during the Period.
- (b) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Henan) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Talent Trend Global Limited as issuer and Mr. Huang Xianli as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$160,000,000. Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend Global Limited. The transaction was completed during the Period. The bond is secured by 600,000,000 shares of the Company held by Ruixin Taifu Investment Group Co, Limited as irrevocable guarantee.
- (c) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Nanchang) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Pure Unity Investments Limited as issuer and Mr. Zhu Mingliang as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity Investments Limited. The transaction was completed during the Period. The bond is secured by 500,000,000 shares of the Company held by Rightfirst Holdings Limited (“Rightfirst”) as irrevocable guarantee. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive Director of the Company.

### 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 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 of the Company (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 acquisitions and disposals of subsidiary or associate during the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2016, the Group had cash and cash equivalents of HK\$322,580,000 (30 June 2016: HK\$657,542,000). Majority of the cash and bank balances denominated in Hong Kong dollar, United States dollar and Renminbi which placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2016 was approximately 85.42 times (30 June 2016: 188.50 times), gearing ratio (calculated as the total liabilities to total assets) of the Group as at 31 December 2016 was approximately 4.11% (30 June 2016: 3.81%).

The Group did not have any bank borrowing as at 31 December 2016 (30 June 2016: Nil). The capital commitments of the Group are set out in note 23 to the interim condensed consolidated financial statements.

### INTERIM DIVIDEND

The board (the "Board") of the Directors does not recommend the payment of interim dividend for the Period (2015: Nil).

### PLEDGE ON ASSETS

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

### CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (30 June 2016: Nil).

### CAPITAL STRUCTURE

As at 31 December 2016, the Shareholders' equity and total number of shares in issue for the Company stood at HK\$1,656,400,000 (30 June 2016: HK\$1,785,088,000) and approximately 10,971,634,000 (30 June 2016: 10,971,634,000), respectively.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 17 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$11,335,000 (2015: HK\$4,573,000). 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.

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

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the ordinary 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 Listing Rules, were as follows:

### Long positions in ordinary shares of the Company

| Name of Director            | Capacity  | Number of issued ordinary shares held |                     |                     | Total interests | Approximately percentage of shareholding in the Company |
|-----------------------------|---|---------------------------------------|---------------------|---------------------|-----------------|---|
|                             |   | Personal interests                    | Interests of spouse | Corporate 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, 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 are interested.

Save as disclosed above, as at 31 December 2016, none of the Directors nor the chief executive of the Company and their respective associates had or was deemed to have any interests and short positions in the ordinary shares, share options, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (Continued)

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

The register of substantial Shareholders maintained under Section 336 of the SFO shows that as at 31 December 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:

#### 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                                   | 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)       | 1,935,000,000                         | –                   | –                   | 1,935,000,000   | 17.64%  |
| Treasure Vanguard Investments Limited        | Interests of controlled corporation   | (3)       | –                                     | –                   | 1,935,000,000       | 1,935,000,000   | 17.64%  |
| Chen Meishu                                  | Interests of controlled corporation   | (3)       | –                                     | –                   | 1,935,000,000       | 1,935,000,000   | 17.64%  |
| 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)       | 825,000,000                           | –                   | –                   | 825,000,000     | 7.52%   |
| Xu Rongta                                    | Interests of controlled corporation   | (5)       | –                                     | –                   | 825,000,000         | 825,000,000     | 7.52%   |
| 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 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.
- (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.

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

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

Notes: (Continued)

- (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 31 December 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.

## SHARE OPTION SCHEME

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme (the "Scheme") on 15 January 2008. Under the Scheme, the Directors may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest.

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

| Name or category of participant | Number of share options |                                   |                                     |                                  |                             | Exercise period      | Exercise price<br>HK\$<br>per share | Date of grant |
|---------------------------------|-------------------------|-----------------------------------|-------------------------------------|----------------------------------|-----------------------------|----------------------|-------------------------------------|---------------|
|                                 | At 1 July 2016<br>'000  | Granted during the Period<br>'000 | Exercised during the Period<br>'000 | Lapsed during the Period<br>'000 | At 31 December 2016<br>'000 |                      |                                     |               |
| <b>Directors</b>                |                         |                                   |                                     |                                  |                             |                      |                                     |               |
| Du Lin Dong                     | 4,700                   | -                                 | -                                   | 4,700                            | -                           | 19/3/2014-18/12/2016 | 0.425                               | 19/12/2013    |

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

## Other Information (Continued)

### CORPORATE GOVERNANCE

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to Shareholders. During the six months ended 31 December 2016, the Company complied with the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules except for the following deviations:

- (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 have been held by Mr. Du Lin Dong. Given the Group’s current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company’s strategies.
- (b) The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagement at the relevant time, Mr. Li Cailin was unable to attend the annual general meeting of the Company held on 2 December 2016.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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

### AUDIT COMMITTEE

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

### REVIEW OF ACCOUNTS

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

### APPRECIATION

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

On behalf of the Board  
**China Financial International Investments Limited**  
**Du Lin Dong**  
*Chairman and Chief Executive Director*

Hong Kong, 24 February 2017