



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)

Annual Report
2018



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Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Director

Mr. Ding Xiaobin

Independent Non-executive Directors

Mr. Zhang Jing
Mr. Zeng Xianggao
Mr. Li Cailin

EXECUTIVE COMMITTEE

Mr. Du Lin Dong (*Chairman*)

AUDIT COMMITTEE

Mr. Zhang Jing (*Chairman*)
Mr. Zeng Xianggao
Mr. Li Cailin

REMUNERATION COMMITTEE

Mr. Li Cailin (*Chairman*)
Mr. Du Lin Dong
Mr. Zhang Jing

NOMINATION COMMITTEE

Mr. Zhang Jing (*Chairman*)
Mr. Zeng Xianggao
Mr. Li Cailin

RISK MANAGEMENT COMMITTEE

Mr. Du Lin Dong (*Chairman*)
Mr. Zhang Jing

AUTHORISED REPRESENTATIVES

Mr. Du Lin Dong
Mr. Li Chi Chung

COMPANY SECRETARY

Mr. Li Chi Chung

AUDITOR

BDO Limited
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>

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Financial International Investments Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2018 (the "Year").

KEY PERFORMANCE INDICATOR

The Group's net asset value is a key indicator of the financial performance and it decreased to HK\$1,460,083,000 (2017: HK\$1,578,987,000) for the end of the Year. During the Year, the Group suffered from a loss of HK\$72,842,000, mainly because of the loss on unlisted investments amounting to HK\$80,960,000.

The net asset value per share was HK13.31 cents, which was calculated on the above net assets value and 10,971,634,000 ordinary shares of HK\$0.01 each in issue as at 30 June 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held at Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 21 December 2018 at 11:00 a.m.. Notice of AGM will be published and sent to shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 21 December 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 18 December 2018 to Friday, 21 December 2018 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 December 2018.

ECONOMIC OUTLOOK

In the second half of 2017, the global economy performed well, the economic recovery spread from the United States to many other countries, and global trade and cross-border capital flows recovered significantly. However, in the first half of 2018, with the radical trade policy launched by the U.S. government in the global market, global emerging economies have suffered varying degrees of losses. Looking forward, although the global economy faces many variables, such as the Sino-US trade war which increases the uncertainty of economic growth, the global economic is expected to continue grow steadily due to the overall recovery trend of the global economy. China's economy was generally stable in the first half of 2018. Although the economy growth rate has declined and come up with a downward pressure, China is trying to keep a stable growth by introducing policy adjustments. With the advancement of the deleveraging process and adjustments of monetary policy, China's economy is likely to maintain a medium-to-high speed growth. The Group keeps optimistic and prudent attitude towards the long-term growth of the China's and global economy.

Chairman's Statement

PROSPECT

Looking forward, the Company aims to position itself as one of the major players and investors in China's clean energy sector, and in particular, the ethanol sector. The Board will carefully assess potential investments in this field which will allow the Company to carry out its overall strategy, with the ultimate objective to maximize returns and minimize risks for the shareholders of the Company (the "Shareholders").

APPRECIATION

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

Du Lin Dong

Chairman and Chief Executive Officer

Hong Kong, 28 September 2018

Management Discussion and Analysis

BUSINESS REVIEW

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

During the Year, a net loss attributable to ordinary equity Shareholders amounted to HK\$72,842,000 as compared to a loss of HK\$184,981,000 for the year ended 30 June 2017. The loss has been partly offset by a gain on disposal of listed securities of HK\$62,960,000, dividend income from listed investments and an unlisted investment of HK\$15,633,000 and the interest income of HK\$51,164,000 from the unlisted investments and an unlisted convertible bond investment. The loss was mainly attributable to the following reasons:

- (i) net change in fair value loss of approximately HK\$67,878,000 on unlisted investments at fair value through profit or loss;
- (ii) unrealised loss of approximately HK\$54,850,000 on listed investments at fair value through profit or loss; and
- (iii) impairment loss of approximately HK\$15,456,000 on an available-for-sale financial asset.

During the Year, dividend income from investments increased by 256.84% to HK\$15,633,000 as compared to HK\$4,381,000 in last year. Interest income from unlisted investments amounted to HK\$51,164,000 (2017: HK\$36,853,000). The other income which comprised bank interest income amounted to HK\$1,657,000, representing a decrease of 73.11% as compared to HK\$6,161,000 in last year. Administrative and other expenses increased by 38.25% from HK\$45,650,000 in last year to HK\$63,111,000 this year mainly due to the increase of the provision for financial guarantees and investment management fee.

LISTED INVESTMENT REVIEW

During the Year, the Group recorded the total loss of HK\$46,910,000 on listed securities business as compared to a loss of HK\$1,630,000 last year. Dividend income of HK\$15,172,000 from listed investments was recorded for the Year (2017: HK\$4,381,000).

As at 30 June 2018, the total market value of held-for-trading listed securities and available-for-sale listed securities amounted to HK\$440,319,000 (2017: HK\$445,857,000), all the listed investments were listed on the Stock Exchange.

Management Discussion and Analysis

LISTED INVESTMENT REVIEW (continued)

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 30 June 2018 HK\$'000	Dividend received/receivable during the Year HK\$'000	% to the Group's net assets as at 30 June 2018
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	3,216	–	0.22%
China City Infrastructure Group Limited ("China City Infrastructure")	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	558,735,429	18.13%	223,494	–	15.31%
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	30,995,000	0.41%	141,028	10,854	9.66%
China Communications Construction Co. Ltd.	infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	72,581	2,402	4.97%
Wynn Macau, Limited	Hotel and casino resorts in Macau	–	–	–	1,831	–
Sino Biopharmaceutical Limited	Research, development, production and sale of a series of modernised Chinese medicines and chemical medicines for the treatment of hepatitis and cardio-cerebral diseases	–	–	–	85	–
				440,319	15,172	

Management Discussion and Analysis

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2018, the total loss on the Group's unlisted investment portfolio recorded as HK\$80,960,000 (2017: HK\$192,625,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investments in fixed income financial assets. During the Year, dividend income of HK\$461,000 from a unlisted investment was recorded. (2017: Nil).

As at 30 June 2018, the fair value of the Group's unlisted investments amounted to HK\$797,909,000 as compared to HK\$752,208,000 in last year, representing a 6.08% increase.

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 to 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.

Beside the small loan industry, the Group made a new investment to the clean energy industry during the year as announced on 11 May 2018. Bioenergy is a carbonneutral and renewable energy source that reducing greenhouse gas emissions. Biofuels such as ethanol and biodiesel, are less toxic and are biodegradable. Using biomass can help build resilience in agricultural, timber and food-processing industries. Bioenergy provides a use for their waste streams, can help them reduce their energy costs. The investments in bioenergy industry is in line with the investment objective of the Company.

Unlisted equity investment and unlisted convertible bond investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Micro-loan service							
1	(1)	Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	312	0.02%
2		Tianjin	30%	Provision of small loan and financial consultation services	72,450	20,000	1.37%
3		Tianjin	30%	Provision of small loan and financial consultation services	36,606	3,424	0.23%
4		Tianjin	10%	Provision of small loan and financial consultation services	12,189	5,568	0.38%
5	(2)	Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	-
6		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	3,170	0.22%
7	(3)	Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	87,811	6.01%
8		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	183	0.01%
9		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation services	36,673	7,114	0.49%
10		Tianjin	30%	Provision of small loan and financial consultation services	36,741	13,986	0.96%
11		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation services	56,874	24,062	1.65%
Sub-total:					747,917	165,630	

Management Discussion and Analysis

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	Cost HK\$'000	Fair value at 30 June 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Guarantee Service							
12 Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(4)	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises ("SME")	43,150	27,694	1.90%
Investment and management consultation service							
13 Shenzhen Zhongtounixin Asset Management Company Limited		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	–
14 Xi'an Kairong Financial Service Limited		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	9,228	0.63%
15 Hubei Zhongjin Tech Financial Services Co., Ltd.		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	5,488	0.38%
				Sub-total:	56,104	14,716	
Real estate and natural gas							
16 China City Infrastructure	(5)	Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	23,000	24,641	1.69%
Clean energy							
17 Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(6)	Henan Province	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastics and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	106,660	106,660	7.31%
				Total:	976,831	339,341	

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 RMB125,000,000 in Jingdezhen CFI Guosen and the registered capital of Jingdezhen CFI Guosen was reduced from RMB500,000,000 to RMB375,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with Rule 21.04(3)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company voluntarily relinquished the voting rights beyond 30%.

Given that the reduction in the registered capital of 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 dividends. 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%.

UNLISTED INVESTMENT REVIEW *(continued)*

Unlisted Equity Investments and Unlisted Convertible Bond Investment *(continued)*

Unlisted equity investment and unlisted convertible bond investment portfolio (continued)

Notes: (continued)

- (2) On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK\$2,500,000 has been received which was included in receipt in advance under current liabilities as at 30 June 2018 and 2017. As at the date of this announcement, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (3) 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 RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

Given that the reduction in the registered capital of 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 dividends. 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%.

- (4) On 13 April 2011, the Group acquired a 30% equity interest of Jiangxi Huazhang, a joint venture establish in the PRC. The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and reduce to 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.
- (5) On 30 June 2017, the Company converted in aggregate principal amount of HK\$50,000,000 into 100,000,000 shares in China City Infrastructure at the conversion price of HK\$0.50 each, when the closing market price of shares of China City Infrastructure was HK\$0.61 per share on this conversion and a loss on this conversion of approximately HK\$4,091,000, which has been included in net change in fair value of financial assets in profit or loss for the year ended 30 June 2017.
- (6) On 11 May 2018, the Company entered into the joint venture agreement with the joint venture partners in relation to the formation of the Henan Tianguan in Henan province, the PRC. Pursuant to the joint venture agreement, the Company owned 30% of the registered capital of the Henan Tianguan.

Management Discussion and Analysis

UNLISTED INVESTMENT REVIEW (continued)

Unlisted Bond Investments

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

Name of company	Notes	Business nature	Cost HK\$'000	Fair value at 30 June 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Hollys (China) Limited ("Hollys")	(1)	Engaged in coffee shop franchise in the PRC	200,000	193,210	13.23%
Pure Unity Investments Limited ("Pure Unity")	(2)	Investment holding	190,000	135,798	9.30%
Talent Trend Global Limited ("Talent Trend")	(3)	Investment holding	160,000	109,560	7.50%
Xing Yue Investments Limited ("Xing Yue")	(4)	Investment holding	20,000	20,000	1.37%
			570,000	458,568	

Notes:

- (1) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited ("Joy State"), entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys 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. The bond is secured by 100% unlisted equity interest in Hollys pledged to the Group by Mr. Xiao Yan.
- (2) 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 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. As at 30 June 2018, Mr. Feng Xin is the sole shareholder and the sole director of Pure Unity. Pure Unity has redeemed HK\$10,000,000 during the year ended 30 June 2017. The bond is secured by 760,000,000 shares of the Company held by Pure Unity as irrevocable guarantee.
- (3) 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 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. As at 30 June 2018, Mr. Feng Xu is the sole shareholder and the sole director of Talent Trend. The bond is secured by unlisted equity interests and by 640,000,000 shares of the Company held by Talent Trend as irrevocable guarantee.
- (4) The Company entered into a subscription agreement dated 8 March 2018 as subscriber with Xing Yue as issuer and Ms. Dong Lili as guarantor, in relation to the subscription of the 9% secured three months bond with the principal amount of HK\$20,000,000. Ms. Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by unlisted equity interests and by 200,000,000 shares of the Company which 100,000,000 held by Xing Yue and 100,000,000 held by Rightfirst Holdings Limited ("Rightfirst") as irrevocable guarantee, respectively. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive Director of the Company. The bond was already overdue as at 30 June 2018 and the management is under negotiation with Xing Yue for renewal of the bond.

MAJOR ACQUISITIONS AND DISPOSALS

The major acquisition and disposal of subsidiary or associate during the Year are set out in note 1 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2018, the Group had cash and cash equivalents of HK\$153,935,000 (2017: HK\$416,047,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2018 was approximately 8.35 times (2017: 25.65 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2018 was approximately 7.95% (2017: 5.57%).

The Group did not have any bank borrowing as at 30 June 2018 (2017: Nil).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2017: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, there were no charges on the Group's assets.

CAPITAL STRUCTURE

As at 30 June 2018, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,460,083,000 (2017: HK\$1,578,987,000) and approximately 10,971,634,000 (2017: 10,971,634,000), respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 11 (2017: 16) employees (including Directors). The total staff costs (including Directors' remuneration) of the Group for the Year was HK\$16,118,000 (2017: HK\$25,431,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Du Lin Dong, aged 50, currently as the chairman and chief executive officer of the Company. He was also the chief executive officer of China Water Affairs Group Limited (Stock code: 855), a company listed on the main board of the Stock Exchange. Mr. Du has about 27 years' experience in investment and finance sector in the PRC and he had held senior management positions in various unlisted investment companies incorporated in the PRC. Mr. Du is also the director of various subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ding Xiaobin, aged 48, graduated with a master of business administration degree from Huazhong University of Science and Technology, and has been honored the academic title of economist. He has worked for different business enterprises in various fields, including banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Holdings Limited, he acts as the investment consultant for projects in relation to clothes sales, harbour operation, agricultural, chemical synthesis and so on, with close cooperative relationship with the commercial banks, insurance corporation and fund corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang, aged 62, is currently a director of private equity investment of Oriental Patron Financial Group Limited in Hong Kong. Mr. Zhang has over 22 years of experiences in corporate management. Mr. Zhang served as the general manager of China Security Limited (中國中安保有限公司). Prior to this, Mr. Zhang was the deputy general manager of Sichuan Jinguang Group (四川金廣集團). He also served as the director and deputy general manager of collective economic management department of China Yituo Group (中國一拖集團) and the chief financial officer of First Tractor Company Limited. Mr. Zhang obtained a bachelor's degree in industrial accounting from Henan Radio & Television University and a master's degree in management engineering from Jiangsu University. Mr. Zhang appointed as independent non-executive director of New City Development Group Limited (stock code: 0456) since June 2016 and a non-executive director of China Billion Resources Limited (Stock code: 0274) since 1 September 2018.

Mr. Zeng Xianggao, aged 59, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants (practicing). Mr. Zeng was previously an accounting lecturer of Sun Yat-Sen University at Guangzhou, and an audit and tax consultant in two international accounting firms. He has extensive experience in accounting, taxation and auditing practice in Hong Kong as well as in the PRC. Mr. Zeng graduated from the Renmin University of China (Beijing) with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004. Mr. Zeng was the independent non-executive director of Capinfo Company Limited from 18 January 2011 to 19 June 2015, a joint stock limited company incorporated in the PRC and the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 1075).

Biographical Details of Directors and Senior Management

Mr. Li Cailin, aged 64, is a senior engineer. He holds a Bachelor Degree in International Finance at the Wuhan University, and a research graduate in Investment Management at the Dongbei University of Finance and Economics. Mr. Li has held senior positions in China Construction Bank and acted as the directors of Postal Savings Bank of China and China UnionPay. He is currently the director of Cinda Financial Leasing Co., Ltd. Mr. Li has been working in the banking services field for 46 years with over 30 years of experience in management of commercial banks. He won the First Class Progress Prize in Scientific and Collective Technology (Provincial) in the PRC. Mr. Li is a senior banker in the PRC.

COMPANY SECRETARY

Mr. Li Chi Chung, aged 50, is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is the company secretary of Kingbo Strike Limited (Stock Code: 1421), Huscoke Resources Holdings Limited (Stock Code: 704), all of which are companies listed on the main board of the Stock Exchange. He is also the company secretary of Singasia Holdings Limited (Stock Code: 8293), a company listed on the GEM of the Stock Exchange.

From 15 June 2015 to 20 September 2016, he was the company secretary of KPM Holding Limited (Stock Code: 8027); from 9 June 2000 to 17 January 2017 and from 17 January 2017 to 4 July 2017, he was the independent non-executive director and non-executive director of PINE Technology Holdings Limited (Stock Code: 1079) respectively; from 13 December 2016 to 6 September 2017, he was the company secretary of China City Infrastructure Group Limited (Stock Code: 2349); from 23 March 2005 to 12 September 2017, he was the independent non-executive director of Kenford Group Holdings Limited (Stock Code: 464), and from 1 April 2017 to 1 March 2018, he was the company secretary of Upbest Group Limited (Stock Code: 0335).

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the year ended 30 June 2018 are set out below:

Name	Details of Changes
Mr. Pong Po Lam	Resigned as an executive director of the Company with effect from 24 September 2018
Dr. Cheung Wai Bun Charles	Resigned as an independent non-executive director of the Company with effect from 24 September 2018
Mr. Zhang Jing	Appointed as an independent non-executive director of the Company with effect from 24 September 2018

Report of Directors

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are investment holding and investing in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC. Details of the principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

OPERATING SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

The Board does not recommend the payment of any dividend for the year ended 30 June 2018 (2017: Nil).

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group's immediate and long-term goals. Although there were no major customers and suppliers during the Year, as disclosed in the section headed "Major Customers and Suppliers" on page 15 of this annual report, the Company has created a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

COMPLIANCE WITH LAWS AND REGULATIONS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 118. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in notes 25 and 26 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on page 45 respectively.

DISTRIBUTABLE RESERVES

At 30 June 2018, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK\$1,368,565,000 (2017: HK\$1,442,736,000) calculated in accordance with the Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive Directors:

Mr. Du Lin Dong

Mr. Pong Po Lam (resigned on 24 September 2018)

Non-executive Director:

Mr. Ding Xiaobin

Report of Directors

DIRECTORS (continued)

Independent non-executive Directors:

Dr. Cheung Wai Bun Charles (resigned on 24 September 2018)

Mr. Zhang Jing (appointed on 24 September 2018)

Mr. Zeng Xianggao

Mr. Li Cailin

In accordance with Bye-laws 88(1) and 88(2), Mr. Du Lin Dong and Mr. Ding Xiaobin shall retire from office by rotation at the AGM. In accordance with Bye-law 87(2), Mr. Zhang Jing shall retire from office at the AGM. Being eligible, each of them will offer himself for re-election executive/non-executive/independent non-executive Director (as the case may be) at the forthcoming AGM.

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

Biographical details of the Directors are set out on pages 12 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Du Lin Dong entered into a service agreement with the Company on 23 June 2010, pursuant to which Mr. Du Lin Dong was appointed to act as executive Director and the chairman of the Board for a period of 3 years from the date of the agreement at an annual remuneration of HK\$3,000,000, a housing allowance of not more than HK\$50,000 per month and an annual fee of HK\$120,000 for his office as executive Director. Under the service agreement, either party needs to give not less than 3 months' written notice to the other party in case of early termination of the appointment. The service agreement was amended on 8 October 2013, 8 June 2015, 1 July 2016, 1 July 2017 and 28 February 2018, pursuant to which Mr. Du Lin Dong resigned as the chairman of the Board and was appointed as the chief executive officer of the Company on 8 October 2013, and appointed as the chairman of the Board on 8 June 2015, his annual remuneration was increased to HK\$5,000,000 with effect from 1 July 2016, decreased to HK\$3,000,000 with effect from 1 July 2017 and increased to HK\$5,000,000 with effect from 28 February 2018, respectively. The other terms of the service agreement remain unchanged.

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

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive in the shares, share options, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held			Total interests	Approximate 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 Holdings Limited ("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 in which Ms. Liu Zan and Rightfirst are interested.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive had or was deemed to have any interests and short positions in the shares, share options, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2018, 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:

Report of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

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%
Century Golden Resources Investment Co., Ltd	Beneficial owner	(3)	1,000,000,000	-	-	1,000,000,000	9.11%
Huang Shiyong	Interests of controlled corporation	(3)	-	-	1,000,000,000	1,000,000,000	9.11%
Huang Tao	Interests of controlled corporation	(3)	-	-	1,000,000,000	1,000,000,000	9.11%
Pure Unity Investments Limited	Beneficial owner	(4)	760,000,000	-	-	760,000,000	6.93%
Feng Xin	Interests of controlled corporation	(4)	-	-	760,000,000	760,000,000	6.93%
Talent Trend Global Limited	Beneficial owner	(5)	640,000,000	-	-	640,000,000	5.83%
Feng Xu	Interests of controlled corporation	(5)	-	-	640,000,000	640,000,000	5.83%
Li Li Hong	Beneficial owner		579,830,000	-	-	579,830,000	5.87%
Hong Rui Holdings Limited	Beneficial owner	(6)	1,100,000,000	-	-	1,100,000,000	10.03%
Lan Heng	Interests of controlled corporation	(6)	-	-	1,100,000,000	1,100,000,000	10.03%

Notes:

- (1) The entire issued share capital of Rightfirst is beneficially owned by Mr. Du Lin Dong, and Mr. Du Lin Dong is therefore deemed to be interested in the ordinary shares held by Rightfirst.
- (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) 40% and 50% of the issued share capital of Century Golden Resources Investment Co., Limited is owned by Mr. Huang Shiyong and Mr. Huang Tao, respectively, and Mr. Huang Shiyong and Mr. Huang Tao are therefore deemed to be interested in the ordinary shares held by Century Golden Resources Investment Co., Limited.
- (4) The entire issued share capital of Pure Unity Investments Limited is beneficially owned by Mr. Feng Xin, and Mr. Feng Xin is therefore deemed to be interested in the ordinary shares held by Pure Unity Investments Limited.
- (5) The entire issued share capital of Talent Trend Global Limited is beneficially owned by Mr. Feng Xu, and Mr. Feng Xu is therefore deemed to be interested in the ordinary shares held by Talent Trend Global Limited.
- (6) The entire issued share capital of Hong Rui Holdings Limited is beneficially owned by Mr. Lan Heng, and Mr. Lan Heng is therefore deemed to be interested in the ordinary shares held by Hong Rui Holdings Limited.

Save as disclosed above, as at 30 June 2018, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the ordinary shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

EMOLUMENTS OF DIRECTORS

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

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

PERMITTED INDEMNITY PROVISION

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal activity is investing in listed and unlisted investments and other related financial assets. Details of the principal risks and uncertainties relating to the investments of the Group are set out in notes 3, 32 and 33 to the consolidated financial statements. The activity of the Group is also affected by the volatility and uncertainty of the world wide economies.

ENVIRONMENTAL POLICIES

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

The Board is pleased to present you the environmental, social and governance report (the "ESG Report") set out on pages 33 to 37 of this annual report which depicts the performance on the sustainability of the Group.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the "Share Option Scheme" section below, no equity-linked agreements were entered into by the Group, or existed during the Year.

Report of Directors

SHARE OPTION SCHEME

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme (the “Scheme”) on 15 December 2017. Under the Scheme, the Directors may grant share options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Further details of the Scheme are disclosed in note 26(a) to the financial statements.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 26(a) to the consolidated financial statements, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

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

(a) Non-exempted continuing connected transaction

Investment management agreement

An investment management agreement (the “Investment Management Agreement”) was entered into between the Company and an associate, China Financial International Investments & Managements Limited (“CFIIM”) 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 to 28 April 2017. 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.

The Investment Management Agreement expired on 28 April 2017 and a new investment management agreement (the “New Investment Management Agreement”) was entered into accordingly on 26 April 2017 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2017 to 28 April 2020. Pursuant to the New 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.

The aggregate management fees payable to CFIIM under the Investment Management Agreement and the New Investment Management Agreement are subject to the following caps:

- not exceeding HK\$1,800,000 annually from 29 April 2014 to 28 April 2017
- not exceeding HK\$6,000,000 annually from 29 April 2017 to 28 April 2020

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(a) Non-exempted continuing connected transaction *(continued)*

Investment management agreement (continued)

During the Year, the aggregate management fees paid/payable by the Company to CFIIIM under the Investment Management Agreement together with the New Investment Management Agreement to CFIIIM amounted to HK\$2,833,000 (2017: HK\$1,773,000).

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

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

BDO Limited, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

Custodian agreement

Pursuant to the custodian agreement (the "Custodian Agreement") dated 12 June 2007, the Company appointed Bank of Communications Trustee Limited as its custodian with effect from 12 June 2007. The custodian has agreed to provide securities services to the Company, including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until it is terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, the custodian fee is 0.05% of the net asset value, the minimum charge is HK\$4,000 per valuation per month and will be billed monthly (i.e., calculated on a monthly basis on the net asset value of the portfolio as at the month end), the fund service fee is HK\$4,000 per month, and the transaction fees are HK\$320 per transaction for listed securities and HK\$650 per unlisted/physical securities transaction. The custodian fee paid/payable during the Year amounted to HK\$267,000 (2017: HK\$210,000).

Report of Directors

CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

Custodian agreement (continued)

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 34 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 30 June 2017 were audited by Messers. Ernst & Young ("EY"). On 27 December 2017, EY resigned as auditor of the Company and BDO Limited ("BDO") was appointed by the Shareholders at the special general meeting held on 19 January 2018. Save as disclosed, there are no changes of auditors in the past three years.

The consolidated financial statements of the Group for the year ended 30 June 2018 were audited by BDO, who would retire at the conclusion of the forthcoming AGM of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming AGM to re-appoint BDO as the auditor of the Company.

ON BEHALF OF THE BOARD

Du Lin Dong

Chairman and Chief Executive Officer

Hong Kong
28 September 2018

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

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

- (a) The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The positions of both chairman and chief executive officer of the Company have been held by Mr. Du Lin Dong during the Year. Given the Group's current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.
- (b) The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, Mr. Li Cailin was unable to attend the annual general meeting and the special general meeting of the Company held on 15 December 2017 and 19 January 2018.

DIRECTORS' SECURITIES TRANSACTION

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

THE BOARD

Responsibilities

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

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

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

Corporate Governance Report

THE BOARD (continued)

Responsibilities (continued)

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

Composition

During the Year and up to the date of this report, the composition of the Board is as follows:

Executive Directors:

Mr. Du Lin Dong

Mr. Pong Po Lam (resigned on 24 September 2018)

Non-executive Director:

Mr. Ding Xiaobin

Independent non-executive Directors:

Dr. Cheung Wai Bun Charles (resigned on 24 September 2018)

Mr. Zhang Jing (appointed on 24 September 2018)

Mr. Zeng Xianggao

Mr. Li Cailin

The Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' biographical details are set out in the section of "Biographical Details of Directors and Senior Management" on pages 12 to 13 of this annual report.

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

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

THE BOARD *(continued)*

Board Diversity Policy

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

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

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

The Company has received written annual confirmation from each INED of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in light of the independence guidelines set out in the Listing Rules. Also, one INED have been serving more than 9 years: Mr. Zeng Xianggao already offered himself for re-election and his further appointment was approved by the Shareholders at the AGM held on 15 December 2017. The Board and the Nomination Committee further consider that all INEDs remain independent, notwithstanding their length of tenure. They continue to demonstrate the attributes of an INED noted above and there is no evidence that their tenure has had any impact on their independence. The Board and the Nomination Committee believe that their detailed knowledge and experience of the Group’s business and their external experience continue to be of significant benefit to the Company and that they maintain an independent view of its affairs.

Corporate Governance Report

THE BOARD *(continued)*

Appointment and Re-election of Directors

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

Continuous Professional Development

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

Meetings

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

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

During the Year, 8 Board meetings, 3 audit committee (the "Audit Committee") meetings, 2 remuneration committee (the "Remuneration Committee") meetings, 1 Nomination Committee meeting, 3 executive committee (the "Executive Committee") meetings, 1 risk management committee (the "Risk Management Committee") meeting and 2 general meetings (including the AGM and special general meeting) were held. The attendance record of each Director was as follows:

Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Risk	General Meeting
						Management Committee Meeting	
Mr. Du Lin Dong	8/8	N/A	2/2	N/A	3/3	1/1	2/2
Mr. Pong Po Lam	8/8	N/A	N/A	N/A	3/3	N/A	2/2
Mr. Ding Xiaobin	8/8	N/A	N/A	N/A	N/A	N/A	2/2
Dr. Cheung Wai Bun Charles	8/8	3/3	2/2	1/1	N/A	1/1	2/2
Mr. Zeng Xianggao	8/8	3/3	N/A	1/1	N/A	N/A	2/2
Mr. Li Cailin	8/8	3/3	2/2	1/1	N/A	N/A	0/2

BOARD COMMITTEES

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

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

Audit Committee

As at 30 June 2018, the Audit Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles (chairman of the Audit Committee), Mr. Li Cailin and Mr. Zeng Xianggao. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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

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

- reviewed and discussed the annual financial statements, results announcement and report for the year ended 30 June 2017, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the reappointment of the external auditors;
- reviewed and discussed the interim financial statements, results announcement and report for the six months ended 31 December 2017 and the related accounting principles and practices adopted by the Group; and
- reviewed and discussed the internal control and risk management systems.

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

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

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Remuneration Committee

As at 30 June 2018, the Remuneration Committee comprises the following members, namely, Mr. Du Lin Dong, an executive Director, and Dr. Cheung Wai Bun Charles and Mr. Li Cailin (chairman of the Remuneration Committee), both of them are INEDs.

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

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

- generally reviewed the remuneration policy and remuneration package of the Group;
- reviewed and approved the remuneration of the Directors; and
- determine the remuneration package for newly appointment director.

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

Nomination Committee

As at 30 June 2018, the Nomination Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles (chairman of the Nomination Committee), Mr. Li Cailin and Mr. Zeng Xianggao.

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

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

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

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

Details of re-appointments were set out in the circulars of the Company dated 30 October 2017, all re-appointments were approved by the Shareholders at the AGM held on 15 December 2017.

Executive Committee

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

Risk Management Committee

The Risk Management Committee comprises the following members, namely, Mr. Du Lin Dong (chairman of Risk Management Committee), an executive Director, and Mr. Zhang Jing, an INED. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to the unlisted investments and providing comments and recommendations thereon to the Board, and identifying such risks of the Group and providing recommendations to the Board.

Corporate Governance Functions

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

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

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company, BDO Limited, with regard to their reporting responsibilities on the Company's financial statements, is set out in the "Independent Auditor's Report" on page 38 to 42 of this Annual Report.

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

COMPANY SECRETARY

As at 30 June 2018, the company secretary of the Company, Mr. Li Chi Chung, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the current Year under review. His biography is set out in the "Biographical Details of the Directors and Senior Management" section of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Shareholders' investment and the Company's assets.

During the Year, the outsourced internal auditor was responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee in three phases with highlighting observations and recommendations to improve the risk management and internal control systems. The Audit Committee also reviewed the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The Audit Committee considered that there was no material defect in the Company's internal control review report. After discussion with the Audit Committee, the Board and management considered that the recommendations were reasonable and would implement the relevant procedures accordingly.

RISK MANAGEMENT AND INTERNAL CONTROLS *(continued)*

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the Year, including financial, operational, compliance and risk management. The Board was of the view that the existing risk management and internal control systems are effective and adequate to the Group.

AUDITOR'S REMUNERATION

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

During the Year, the fees paid/payable to the Group's external auditor, BDO Limited, in respect of audit services and non-audit services amounted to HK\$680,000 (2017: HK\$850,000 to Ernst & Young) and HK\$200,000 (2017: HK\$185,000 to Ernst & Young), respectively. It should be noted that the non-audit services, e.g. interim financial statements and results announcements, provided by the external auditor during the Year were incidental to their audit services.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(continued)*

Right to convene special general meeting *(continued)*

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

Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board.

INVESTOR RELATIONS

Constitutional Documents

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

General Meetings

General meetings, including AGM, are an important forum where communications with the Shareholders can be effectively conducted. During the Year, two general meetings (including AGM and special general meeting) were held at the Hong Kong's principal place of business of the Company on 15 December 2017 and 19 January 2018. Separate resolutions are proposed at general meeting on each substantially separate issue. All resolutions proposed were duly passed. Details of the poll results were posted on the websites of the Stock Exchange and the Company.

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

Environmental, Social and Governance Report

We are pleased to present our second annual ESG Report for the Company which depicts our initiatives and performance on the sustainability of the Group.

The Board recognises the importance of and acknowledge the responsibility for the strategy and reporting the environmental and social areas of the Group. While achieving our goals and business objectives, the Company works to minimise and manage environmental and social impacts arising from its daily operations and contribute to the long-term well being of the communities in which it operates.

ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and has complied with the “comply or explain” provisions. Our ESG report covers the principal activities of the Company and its principal subsidiaries which are investment activities in listed and unlisted investments and other related financial assets. It also summarises the highlights of our ESG initiatives and certain performance that considered as material by the Group during the reporting period which covers environmental protection, employment and labour practices, operating practices and community investment.

Unless otherwise stated, ESG Report covers the period from 1 July 2017 to 30 June 2018 (“reporting period”). It includes disclosure of significant environmental and social impacts of our operation in Hong Kong.

Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

ENVIRONMENTAL PROTECTION

Environmental Policies and Performance

The Group is committed to building an eco-friendly corporation that tries to reduce the impacts of its operation on the environment. The Group’s principal investment objective is to achieve long-term capital appreciation of assets through investments primarily in equity and equity-related investments in companies operating in Hong Kong and the PRC. Its operation is office based with limited energy and water consumption, the direct impact to the environment is minimal. The Group’s most significant environmental impacts are greenhouse gas (“GHG”) emissions from a motor vehicle and electricity consumption in the office through the use of lights, air conditioners and office equipments.

Accordingly, the Group adopts various practices to prevent pollution, reduce waste, increase recycling and minimize natural resource use by continually improving our environmental management practices and measures. Through an environmental protection guideline sent during the reporting period which mainly suggests ways to reduce energy and paper consumption, we educate our staff to adopt responsible behavior and promote environmental protection in our work place.

To save papers, employees are encouraged to use duplex printing for internal documents; facilities and procedures are in place for paper waste recycling; and the Group had strived for long to establish a paperless office by using electronic storage and communication whenever possible. During the reporting period, the total amount of paper consumed is 208.65 kg.

The impact of freshwater use is relatively insignificant for the Group and we did not encounter any problems in sourcing water that is fit for purpose. Water rate charges do not form a separate item in the rent, yet the Group encourages staff to reduce water wastage in daily operations.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION *(continued)*

Environmental Policies and Performance *(continued)*

We also took different measures to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other materials such as 1) the room temperature should be set in a range from 20°C to 26°C, 2) power supply should be switched off when they are not in use and 3) preference will be given to office equipment with relatively high energy efficiency.

Major air pollutants emission from a motor vehicle during the reporting period as follows:

Type of Air Pollutants	Air Pollutant Emission	Air Pollutant Emission (kg)
Sulphur Dioxide		0.05
Nitrogen Oxides		3.18
Particulate Matter		0.23

During the reporting period, the GHG emission from the operation is set out below:

Type of GHG emissions	GHG Emission	Equivalent CO ² emission (kg)
Scope 1 Direct emissions		9,583.13
Scope 2 Indirect emission		8,641.97
Total		18,225.10
Intensity		74.08 kg/m²

Note:

The calculation of the greenhouse gas is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

Scope 1: Direct emission from a vehicle that is owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

Scope 3 is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group

Energy consumption by the Group during the reporting period is set out below:

Type of energy	Energy Consumption	Energy consumed (kWh)
Unleaded Petrol		31,649.30
Purchased electricity		10,639.20
Total		42,588.50
Energy intensity		173.12 kWh/m²

During the reporting period, the Group consumed/generated no significant hazardous waste, non-hazardous waste, water and packaging materials due to its business nature. The Group is not aware of any material violation in all applicable environmental laws and regulations.

ENVIRONMENTAL PROTECTION *(continued)*

The Environment and Natural Resources

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned as above, the Group strives to minimise the impacts to the environment and natural resources.

EMPLOYMENT AND LABOUR PRACTICES

Employment

People are the foundation of our business success and we treat employees as our greatest asset. To attract and retain our high-calibre labour force, the Group has implemented policies and procedures to achieve an effective human capital management system, covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

We promote a culture of diversity and respect and strive to provide a fair and inclusive work environment free of all kinds of discrimination for employees to achieve their goals and pursue their career objectives.

The Group places emphasis on maintaining a team of high-caliber talent and provides competitive remuneration and welfare packages. The Group has endeavored to review and improve its remuneration system on a regular basis to remain competitive. With an aim to facilitate the retention of talent, the Group offers, in addition to salaries and bonuses, various benefits including an education allowance, a housing allowance, the Mandatory Provident Fund, meal allowances and compensation for mobile communication.

The Group is not aware of any non-compliance with relevant laws and regulations in relation to employment during the reporting period that have significant impact on the Group.

Health and Safety

It is the policy of the Group to provide a healthy and safety working environment to the employees. The Group will maintain its office premises from time to time in order to provide a safety working place for the employees. The Group also encourage employees to participate in recreational activities organised by outside parties.

The Group is not aware of any non-compliance with relevant laws and regulations in relation to health and safety working environment during the reporting period that have significant impact on the Group.

The Group regularly promotes employees' occupational safety and health good practice at work in the aspects of lighting condition, use of office equipment, office safety, computer workstation design and working posture through briefing and various communication channels, resulting in better working environment quality.

Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Development and Training

On-the-job training and continuous professional development are important elements to enhance the industry knowledge of the employees of the Group. The Group encourage employees to attend training courses (e.g. Listing Rules and accountancy related seminars) and reimbursement will be made by the Group for those job-related training courses. Besides, the Group purchases relevant reference materials for the employees' self-study.

Labour Standards

The Company complies with all applicable labour laws and regulations on employment in Hong Kong and the countries in which the Company or its subsidiaries operate.

The Group considers child and forced labour is unacceptable and has to be prevented. It respects human rights and treats this factor seriously when making investments. The Group has not invested, to its reasonable knowledge, in any company which has historical records of utilizing child or forced labour.

The Group believes it is important to recruit employees of high quality; a very comprehensive screening has been part of the recruitment processes.

Employee work schedules are set up consistent with standard working hours adopted within the industry. All employees are provided with appropriate leave entitlements, including annual leave, sick leave, marriage leave, maternity leave, examination leave and compassionate leave etc.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labor or forced labor.

OPERATING PRACTICES

Supply Chain Management

The Group's general business suppliers include providers of financial information, legal and securities brokerage services. The Group is committed to ensure that its supply chain management is socially responsible. We implemented selection process on its suppliers taking into considerations such elements as their qualification, reputation, past performance, financial strength and price.

Product Responsibility

The Group invests in companies operating in diversified industries. It will take into account environmental, public health, safety, and social issues associated with target companies when evaluating its investment decisions.

All staff members are reminded of the importance of keeping confidential any aspects of the Group's business and the need to comply with the "Code of Confidentiality" whose details are laid down in the Staff Manual.

During the Reporting Period, there were no cases of non-compliance with the relevant laws or regulations regarding product responsibility.

OPERATING PRACTICES *(continued)*

Anti-corruption

The Group is committed to ensuring that no bribes, payment or advantages are solicited from or given or offered to any persons, whether in the public or private sector, for any purpose, which can ensure the strict adherence to the Prevention of Bribery Ordinance. The Group regards honesty, integrity and fair play as the core values that must be upheld by our colleagues at all times.

The Group has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

COMMUNITY

Community Investment

The Group is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Group would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Group's missions and values.

Independent Auditor's Report



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To the Shareholders of China Financial International Investments Limited

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

OPINION

We have audited the consolidated financial statements of China Financial International Investments Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 117 which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Valuation of unlisted available-for-sale financial assets and unlisted financial assets at fair value through profit or loss

(Refer to notes 17, 18 and 32 to the consolidated financial statements)

How our audit addressed the key audit matter:

The Group held unlisted available-for-sale financial assets and unlisted financial assets at fair value through profit or loss of approximately HK\$69,607,000 and HK\$728,302,000 respectively which were measured at fair value in the consolidated statement of financial position as at 30 June 2018 and represented approximately 4.8% and 49.9% of the Group's net asset value respectively. The fair values were assessed by the management based on valuations performed by an independent valuer (the "Valuer") engaged by the Group.

The valuations of the unlisted available-for-sale financial assets and unlisted financial assets at fair value through profit or loss involved significant judgement and estimates, including the determination of valuation methodology and the selection of different inputs to the corresponding valuation models.

We identified the valuation of unlisted available-for-sale financial assets and unlisted financial assets at fair value through profit or loss as a key audit matter due to the material balances of these unlisted financial instruments on the consolidated statement of financial position, a higher degree of complexity, and the significance of management's judgements and unobservable inputs involves in the valuation. The valuation of these unlisted financial instruments involve the application of unobservable inputs such as price to book ratios, discount rates, credit spread and volatility. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly.

Our audit procedures in relation to the management's valuation assessment included:

- Assessing the competence, capabilities, independence and objectivity of the Valuer;
- Assessing the valuation methodology used and the appropriateness of the key bases with assistance from our internal valuation specialists and assumptions used, and discussing these bases and assumptions with the management and the Valuer;
- Obtaining supportive evidence for the significant judgements and estimates of the valuations and the key inputs used in the valuations; and
- Checking the mathematical accuracy of the valuation.

Independent Auditor's Report

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 29 September 2017.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Leung Tze Wai

Practising Certificate Number: P06158

Hong Kong, 28 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Revenue	<i>6</i>	66,797	41,234
Other income and gains	<i>6</i>	1,657	6,161
Net change in fair value of financial assets	<i>7</i>	(59,768)	(151,482)
Impairment loss on available-for-sale financial assets		(15,456)	(23,628)
Impairment loss on dividend receivable	<i>19 (a)</i>	–	(7,226)
Finance costs	<i>8</i>	(3,151)	(3,146)
Administrative expenses		(63,111)	(45,650)
Share of profit from an associate		485	190
		<hr/>	<hr/>
Loss before income tax	<i>9</i>	(72,547)	(183,547)
Income tax expense	<i>13</i>	(295)	(1,434)
		<hr/>	<hr/>
Loss for the year		(72,842)	(184,981)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value		(68,102)	(38,806)
Reclassification adjustment for (gain)/loss included in profit or loss			
– Impairment loss		15,456	23,628
– Gain on partial conversion of convertible bond		–	(3,967)
Income tax effect		–	1,054
		<hr/>	<hr/>
		(52,646)	(18,091)
Exchange difference on translation of foreign operations		6,584	(3,029)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(46,062)	(21,120)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(118,904)	(206,101)
		<hr/> <hr/>	<hr/> <hr/>
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		(72,842)	(184,981)
		<hr/> <hr/>	<hr/> <hr/>
TOTAL COMPREHENSIVE INCOME OF THE COMPANY		(118,904)	(206,101)
		<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	<i>14</i>		
– Basic		HK (0.664) cents	HK (1.686) cents
– Diluted		HK (0.664) cents	HK (1.686) cents
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Financial Position

As at 30 June 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	770	1,052
Investment in an associate	16	1,028	543
Available-for-sale financial assets	17	174,407	242,509
Financial assets at fair value through profit or loss	18	725,262	654,802
Deposits paid	19	157,753	–
		<hr/>	<hr/>
Total non-current assets		1,059,220	898,906
		<hr/>	<hr/>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	18	338,559	300,754
Prepayments, deposits and other receivables	19	34,461	56,396
Cash and cash equivalents	20	153,935	416,047
		<hr/>	<hr/>
Total current assets		526,955	773,197
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other payable and accruals	21	35,944	22,875
Receipt in advance		22,500	2,500
Due to a related company	22	–	73
Due to an associate	16	188	141
Tax payable		4,485	4,552
		<hr/>	<hr/>
Total current liabilities		63,117	30,141
		<hr/>	<hr/>
NET CURRENT ASSETS		463,838	743,056
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,523,058	1,641,962
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest bearing loans	23	62,975	62,975
		<hr/>	<hr/>
Net assets		1,460,083	1,578,987
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	25	109,717	109,717
Reserves	27	1,350,366	1,469,270
		<hr/>	<hr/>
TOTAL EQUITY		1,460,083	1,578,987
		<hr/> <hr/>	<hr/> <hr/>
Net asset value per share	28	HK13.31 cents	HK14.39 cents
		<hr/> <hr/>	<hr/> <hr/>

On behalf of the Board

Du Lin Dong
Director

Ding Xiaobin
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

Attributable to owners of the Company

	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Capital reserve* HK\$'000	Available-for-sale financial assets revaluation reserve* HK\$'000	Share option reserve* HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
At 1 July 2016	109,717	2,067,672	278,979	2,766	48,817	60,698	(11,735)	(771,826)	1,785,088
Loss for the year	-	-	-	-	-	-	-	(184,981)	(184,981)
Other comprehensive income for the year:									
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(18,091)	-	-	-	(18,091)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,029)	-	(3,029)
Total comprehensive income for the year	-	-	-	-	(18,091)	-	(3,029)	(184,981)	(206,101)
Lapse of share options	-	-	-	-	-	(60,698)	-	60,698	-
At 30 June 2017	<u>109,717</u>	<u>2,067,672</u>	<u>278,979</u>	<u>2,766</u>	<u>30,726</u>	<u>-</u>	<u>(14,764)</u>	<u>(896,109)</u>	<u>1,578,987</u>

Attributable to owners of the Company

	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Capital reserve* HK\$'000	Available-for-sale financial assets revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
At 1 July 2017	109,717	2,067,672	278,979	2,766	30,726	(14,764)	(896,109)	1,578,987
Loss for the year	-	-	-	-	-	-	(72,842)	(72,842)
Other comprehensive income for the year:								
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(52,646)	-	-	(52,646)
Exchange differences on translation of foreign operations	-	-	-	-	-	6,584	-	6,584
Total comprehensive income for the year	-	-	-	-	(52,646)	6,584	(72,842)	(118,904)
At 30 June 2018	<u>109,717</u>	<u>2,067,672</u>	<u>278,979</u>	<u>2,766</u>	<u>(21,920)</u>	<u>(8,180)</u>	<u>(968,951)</u>	<u>1,460,083</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,350,366,000 (2017: HK\$1,469,270,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before income tax		(72,547)	(183,547)
Adjustments for:			
Share of profit from an associate		(485)	(190)
Interest income	<i>6</i>	(52,821)	(43,002)
Dividend income	<i>6</i>	(15,633)	(4,381)
Finance costs	<i>8</i>	3,151	3,146
Depreciation	<i>15</i>	285	642
Gain on disposal of property, plant and equipment	<i>6</i>	–	(12)
Net realised loss on partial conversion of convertible bond	<i>7</i>	–	4,091
Net (gain)/loss on disposal of financial assets at fair value through profit or loss	<i>7</i>	(62,960)	380
Fair value change of financial assets at fair value through profit or loss	<i>7</i>	122,728	147,011
Impairment loss on available-for-sale financial assets		15,456	23,628
Impairment loss on dividend receivables	<i>19(a)</i>	–	7,226
Provision for financial guarantee liabilities	<i>21</i>	33,986	–
		<hr/>	<hr/>
Operating loss before working capital changes		(28,840)	(45,008)
(Increase)/decrease in prepayments, deposits and other receivables		(105,146)	378,634
(Decrease)/increase in other payables and accruals		(917)	23,005
(Decrease)/increase in an amount due to a related company		(73)	73
Increase in an amount due to an associate		47	61
Purchase of financial assets at fair value through profit or loss		(357,677)	(738,188)
Sales of financial assets at fair value through profit or loss		187,936	126,731
		<hr/>	<hr/>
Cash used in operations		(304,670)	(254,692)
Interest received		27,746	18,548
Dividend received		7,827	1,723
Overseas tax paid		(362)	(1,086)
		<hr/>	<hr/>
Net cash used in operating activities		(269,459)	(235,507)

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Cash flows from investing activities			
Purchases of property, plant and equipment		(3)	(1,111)
Proceeds from disposal of property, plant and equipment		–	1,266
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(3)	155
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid	<i>35</i>	(3,151)	(3,146)
		<hr/>	<hr/>
Net cash used in financing activities		(3,151)	(3,146)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents			
		(272,613)	(238,498)
Cash and cash equivalents at beginning of the year		416,047	657,542
Effect of foreign exchange rate changes		10,501	(2,997)
		<hr/>	<hr/>
Cash and cash equivalents at the end of year		153,935	416,047
		<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		153,935	416,047
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

30 June 2018

1. CORPORATION AND GROUP INFORMATION

China Financial International Investments Limited (the “Company”) was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Companies Act 1981 of Bermuda as an exempted company. The Company’s registered office address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. 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 are principally engaged in investing in listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name of company	Place of incorporation/ operation and form of business structure	Description of shares held	Percentage of ownership interests/voting rights/ profit share directly held by the Company		Principal activities
			2018	2017	
Best Joy Asia Investment Limited	The British Virgin Islands (“BVI”)/ Hong Kong and limited liability company	United States dollar (“US\$”)1,000	100%	100%	Investment holding
Joy State Holdings Limited	Hong Kong and limited liability company	Hong Kong dollar (“HK\$”) 1	100%	100%	Inactive
China Financial International Investments (Nanchang) Limited	BVI and limited liability company	US\$10,000	100%	100%	Inactive
China Financial International Investments (Haerbin) Limited	BVI and limited liability company	US\$10,000	100%	100%	Inactive
China Financial International Investments (Henan) Limited	BVI and limited liability company	US\$10,000	100%	100%	Inactive
China Financial International Investments (Jiangxi) Limited	BVI and limited liability company	US\$10,000	100%	100%	Investment holding
China Financial International Investments (Wuhan) Limited	BVI and limited liability company	US\$10,000	100%	100%	Inactive
China Jingde Town Ceramics Group Limited*	BVI and limited liability company	US\$10,000	–	100%	Inactive
科逸(上海)投资有限公司 (transliterated as Keyi (Shanghai) Investments Limited)	The PRC and limited liability company	Renminbi (“RMB”) 200,000,000	100%	100%	Investment holding (2017: Inactive)

* The company was struck off on 1 November 2017 under the British Virgin Islands law.

2.1. BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for available-for-sale financial assets and financial assets at fair value through profit or loss (“FVTPL”) which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in HK\$, which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following new or revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, which are effective from current year, have been adopted by the Group.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Amendments to HKFRS 12, Disclosure of Interests in Other Entities</i>

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, note 35.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Notes to the Consolidated Financial Statements

30 June 2018

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, *Disclosure of Interests in Other Entities*, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

2.3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards¹</i>
Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Amendments to HKAS 28, Investments in Associates and Joint Ventures¹</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 12, Income Tax; HKAS 23, Borrowing costs; HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements²</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 15	<i>Revenue from Contracts with Customers (Clarifications to HKFRS 15)¹</i>
Amendments to HKAS 19	<i>Employee Benefits²</i>
Amendments to HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures²</i>
HKFRS 9	<i>Financial Instruments¹</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HK (IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK (IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>

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

² Effective for annual periods beginning on or after 1 January 2019

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2.3. ISSUED BUT NOT YET EFFECTIVE HKFRSs (*continued*)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39. Under the expected credit loss model, it will no longer be necessary for loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group’s receivables and other financial assets. In addition, HKFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company do not expect that adoption of HKFRS 9 would result in significant impact on the amounts reported on the Group’s consolidated financial statements.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

Notes to the Consolidated Financial Statements

30 June 2018

2.3. ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

HKFRS 15 – Revenue from Contracts with Customers *(continued)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, licenses of intellectual property and transition requirements.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported in the Group's consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2.3. ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HKFRS 16 – Leases (continued)

As set out in note 30, total operating lease commitment of the Group in respect of lease office premises and staff quarters as at 30 June 2018 amounted to HK\$7,312,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the lease will be made following the requirements of HKFRS 16.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows together with unrealised profits relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

30 June 2018

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate

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

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

In the Company's statement of financial position, investment in an associate are carried at cost less impairment losses, if any. The results of an associate are accounted for by the Company on the basis of dividends received and receivable during the year.

Fair value measurement

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

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

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

Notes to the Consolidated Financial Statements

30 June 2018

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

Impairment of non-financial assets

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

or

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

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

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

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

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

Operating leases

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

Investments and other financial assets

Initial recognition and measurement

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets

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

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale financial assets

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

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in OCI.

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of financial liability depends on its classification as follow:

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Revenue recognition

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Share-based payments

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

The cost of equity-settled transactions with employees and consultants for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial or trinomial model, further details of which are given in note 26 to the consolidated financial statements.

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

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

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

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

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

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

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

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

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair value of financial instruments

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

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

The fair values of available-for-sale financial assets and financial assets at FVTPL at 30 June 2018 were HK\$174,407,000 (2017: HK\$242,509,000) and HK\$1,063,821,000 (2017: HK\$955,556,000), respectively. Details are included in notes 17 and 18 to the consolidated financial statements, respectively.

Impairment of available-for-sale financial assets

The Group classifies certain unlisted investments as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 30 June 2018, HK\$15,456,000 of impairment loss (2017: HK\$23,628,000) has been recognised for available-for-sale financial assets.

Taxes

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of other receivables

The policy for the impairment of other receivables of the Group is based on management's evaluation of collectability and ageing analysis of balances and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these balances, including the current creditworthiness and the past collection history of each debtors. If the financial condition of the debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

De-facto control

De-facto control exists when the size of an entity's own voting, rights relative to the size and disbursement of other vote holders, give the entity the practical ability to unilaterally direct the relevant activities of the investee. Due to the reduction in the registered capital of one of the investee companies, Ezhou Zhongjiinguotou Microfinance Limited ("Ezhou Zhongjiinguotou") (note 18(iii)(e)) on 16 December 2016, the shareholding held by the Company in Ezhou Zhongjiinguotou inevitably increased from 30% to 50% while the remaining 50% of voting rights being held by several unrelated individual shareholders. However, the Company has no right to appoint any director in Ezhou Zhongjiinguotou's board of directors in accordance with the memorandum and articles of association of Ezhou Zhongjiinguotou, thus, the Company has no de-facto control over Ezhou Zhongjiinguotou. More information is disclosed in note 18 to the consolidated financial statements.

Power to exercise significant influence

Where the Group holds more than 20% of voting rights in an investment but the Group has not appointed any director in the board of the investee companies and has no power to exercise significant influence, such an investment is treated as either available-for-sale financial asset or financial asset at fair value through profit or loss, depending on the nature of that investment. More information is disclosed in notes 17 and 18 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

- a) micro-loan service
- b) real estate and natural gas
- c) investment in fixed income financial assets
- d) others (includes guarantee service, investment and management consultation service and other businesses)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

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4. OPERATING SEGMENT INFORMATION (continued)

Segment results

	Micro-loan service HK\$'000	Real estate and natural gas HK\$'000	Investment in fixed income financial assets HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 30 June 2018					
Segment results	<u>(42,623)</u>	<u>(33,681)</u>	<u>41,090</u>	<u>26,787</u>	<u>(8,427)</u>
Share of profit from an associate					485
Unallocated income					1,657
Unallocated expenses					
– Provision for financial guarantee liabilities					(33,986)
– Staff cost, excluding directors' remuneration					(11,493)
– Finance costs					(3,151)
– Others					(17,632)
Loss before income tax					<u>(72,547)</u>
Income tax expense					<u>(295)</u>
Loss for the year					<u><u>(72,842)</u></u>
Year ended 30 June 2017					
Segment results	<u>(68,253)</u>	<u>(6,049)</u>	<u>(65,655)</u>	<u>(1,145)</u>	<u>(141,102)</u>
Share of profit from an associate					190
Unallocated income					6,161
Unallocated expenses					
– Staff cost, excluding directors' remuneration					(19,473)
– Finance costs					(3,146)
– Others					(26,177)
Loss before income tax					<u>(183,547)</u>
Income tax expense					<u>(1,434)</u>
Loss for the year					<u><u>(184,981)</u></u>

Segment results represent the net change in fair value of financial assets, impairment loss on available-for-sale financial assets, impairment loss on dividend receivable 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 manager.

4. OPERATING SEGMENT INFORMATION (continued)**Segment assets**

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Micro-loan service	165,630	208,815
Real estate and natural gas	389,163	476,320
Investment in fixed income financial assets	438,569	447,492
Others	244,866	65,438
	<hr/>	<hr/>
Total segment assets	1,238,228	1,198,065
Unallocated assets	347,947	474,038
	<hr/>	<hr/>
	1,586,175	1,672,103
	<hr/> <hr/>	<hr/> <hr/>

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, investment in an associate, deposit paid, prepayments, deposits and other receivables and cash and cash equivalents.

All liabilities as at 30 June 2018 and 30 June 2017 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.

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5. LOSS ON INVESTMENTS

	Listed investments <i>HK\$'000</i>	Unlisted investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2018			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Financial assets at FVTPL	8,110	(67,878)	(59,768)
Impairment loss:			
Available-for-sale financial assets	–	(15,456)	(15,456)
	<u>8,110</u>	<u>(83,334)</u>	<u>(75,224)</u>
Total gain/(loss) included in profit or loss			
<i>Included in OCI:</i>			
Change in fair value:			
Available-for-sale financial assets	(55,020)	(13,082)	(68,102)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	15,456	15,456
	<u>(55,020)</u>	<u>2,374</u>	<u>(52,646)</u>
Total (loss)/gain included in OCI			
	<u>(46,910)</u>	<u>(80,960)</u>	<u>(127,870)</u>

5. LOSS ON INVESTMENTS (continued)

	Listed investments HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
Year ended 30 June 2017			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Available-for-sale financial assets	–	(4,091)	(4,091)
Financial assets at FVTPL	8,850	(156,241)	(147,391)
	<u>8,850</u>	<u>(160,332)</u>	<u>(151,482)</u>
Impairment loss:			
Available-for-sale financial assets	–	(23,628)	(23,628)
	<u>–</u>	<u>(23,628)</u>	<u>(23,628)</u>
Total gain/(loss) included in profit or loss	<u>8,850</u>	<u>(183,960)</u>	<u>(175,110)</u>
<i>Included in OCI:</i>			
Change in fair value:			
Available-for-sale financial assets	(10,480)	(28,326)	(38,806)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	23,628	23,628
Reclassification of gain on partial conversion of convertible bond:			
Available-for-sale financial assets	–	(3,967)	(3,967)
	<u>–</u>	<u>(3,967)</u>	<u>(3,967)</u>
Total loss included in OCI	<u>(10,480)</u>	<u>(8,665)</u>	<u>(19,145)</u>
Total loss for the year	<u><u>(1,630)</u></u>	<u><u>(192,625)</u></u>	<u><u>(194,255)</u></u>

Notes to the Consolidated Financial Statements

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6. REVENUE, OTHER INCOME AND GAINS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Dividend income from an unlisted investment	461	–
Dividend income from listed investments	15,172	4,381
Interest income from unlisted investments	51,164	36,853
	<u>66,797</u>	<u>41,234</u>
Other income and gains		
Bank interest income	1,657	6,149
Gain on disposal of property, plant and equipment	–	12
	<u>1,657</u>	<u>6,161</u>

7. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net realised loss on partial conversion of convertible bond	–	(4,091)
Net gain/(loss) on disposal of financial assets at FVTPL	62,960	(380)
Fair value change of financial assets at FVTPL	(122,728)	(147,011)
	<u>(59,768)</u>	<u>(151,482)</u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on other loans	<u>3,151</u>	<u>3,146</u>

Notes to the Consolidated Financial Statements

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9. LOSS BEFORE INCOME TAX

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

	2018 HK\$'000	2017 HK\$'000
Auditor's remuneration		
– audit services	680	850
– non-audit services	200	185
Custodian fee	267	210
Depreciation (<i>note 15</i>)	285	642
Investment management fees (<i>note 12</i>)	2,833	1,773
Minimum operating lease payments in respect of properties	2,463	2,094
Provision for financial guarantee liabilities (<i>note 21</i>)	33,986	–
Staff costs, excluding directors' remuneration (<i>note 10</i>):		
– Salaries and wages	10,119	16,804
– Pension scheme contributions	133	151
– Staff quarters expenses	1,241	2,518
	<u> </u>	<u> </u>

10. DIRECTORS' REMUNERATION

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

	2018 HK\$'000	2017 HK\$'000
Fees	460	460
Other emoluments:		
Salaries, allowances and benefits in kind	4,147	5,480
Pension scheme contributions	18	18
	<u> </u>	<u> </u>
	4,165	5,498
	<u> </u>	<u> </u>
	4,625	5,958
	<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements

30 June 2018

10. DIRECTORS' REMUNERATION (continued)

The remuneration of each director for the years ended 30 June 2018 and 2017 is set out below:

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2018				
Executive directors				
Du Lin Dong (<i>Chairman and Chief Executive Officer</i>)	120	4,147	18	4,285
Pong Po Lam (resigned on 24 September 2018)	60	-	-	60
Non-executive director				
Ding Xiaobin	60	-	-	60
Independent non-executive directors				
Cheung Wai Bun Charles, <i>J.P.</i> (resigned on 24 September 2018)	100	-	-	100
Zeng Xianggao	60	-	-	60
Li Cailin	60	-	-	60
Zhang Jing (appointed on 24 September 2018)	-	-	-	-
	<u>460</u>	<u>4,147</u>	<u>18</u>	<u>4,625</u>
Year ended 30 June 2017				
Executive directors				
Du Lin Dong (<i>Chairman and Chief Executive Officer</i>)	120	5,480	18	5,618
Pong Po Lam	60	-	-	60
Non-executive director				
Ding Xiaobin	60	-	-	60
Independent non-executive directors				
Cheung Wai Bun Charles, <i>J.P.</i>	100	-	-	100
Zeng Xianggao	60	-	-	60
Li Cailin	60	-	-	60
	<u>460</u>	<u>5,480</u>	<u>18</u>	<u>5,958</u>

During the year ended 30 June 2018 and 2017, none of the directors waived the remuneration and there were no amount paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Five highest paid individuals**

The five highest paid individuals during the year included 1 (2017: 1) director, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 4 (2017: 4) highest paid individuals who are not directors of the Company during the year ended 30 June 2018 are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	7,179	11,914
Pension scheme contributions	72	47
	<hr/>	<hr/>
	7,251	11,961
	<hr/> <hr/>	<hr/> <hr/>

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

	Number of individuals	
	2018	2017
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$2,000,000	2	2
HK\$2,000,001 to HK\$5,000,000	2	1
HK\$5,000,001 to HK\$6,000,000	–	1
	<hr/>	<hr/>
	4	4
	<hr/> <hr/>	<hr/> <hr/>

During the years ended 30 June 2018 and 2017, there were no amounts paid or payable by the Group to the above non-director highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

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11. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors fell within the bands is as follows:

	Number of individuals	
	2018	2017
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

12. INVESTMENT MANAGEMENT FEES

An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") 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 to 28 April 2017. 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.

The Investment Management Agreement expired on 28 April 2017 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly on 26 April 2017 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2017 to 28 April 2020. Pursuant to the New 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.

The management fee paid or payable to CFIIM for the year ended 30 June 2018 amounted to HK\$2,833,000 (2017: HK\$1,773,000). At 30 June 2018, the balance due to CFIIM of HK\$188,000 (2017: HK\$141,000) was unsecured, interest-free and repayable within one month.

Investment management fees also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in the report of directors of this annual report.

13. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – PRC		
– Provision for the year	295	1,434

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year ended 30 June 2018 (2017: Nil).

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before income tax	(72,547)	(183,547)
Tax calculated at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	(11,970)	(30,285)
Tax effect of expenses not deductible for tax purposes	16,853	20,583
Tax effect of income not subject to tax purposes	(2,587)	(5,470)
Tax effect of different tax rates of unlisted investments operating in other jurisdictions	98	890
Tax effect of profit attributable to an associate	(80)	(32)
Tax effect of temporary difference not recognised	38	(33)
Utilisation of tax losses previously not recognised	(2,057)	–
Tax effect of unused tax losses not recognised	–	15,781
Income tax expense	295	1,434

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$72,842,000 (2017: HK\$184,981,000), and the weighted average number of ordinary shares of 10,971,634,000 (2017: 10,971,634,000) in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the years ended 30 June 2018 and 2017 in respect of a dilution as no dilutive potential ordinary shares in existence during the year.

Notes to the Consolidated Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
As at 1 July 2016	294	164	3,645	4,103
Additions	1,105	6	–	1,111
Written off	(294)	(86)	(1,941)	(2,321)
Exchange realignment	–	–	(26)	(26)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June and 1 July 2017	1,105	84	1,678	2,867
	<hr/>	<hr/>	<hr/>	<hr/>
Additions	–	3	–	3
Written off	–	(23)	–	(23)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2018	1,105	64	1,678	2,847
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
As at 1 July 2016	224	140	1,875	2,239
Depreciation	99	14	529	642
Written off	(254)	(86)	(728)	(1,068)
Exchange realignment	–	–	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June and 1 July 2017	69	68	1,678	1,815
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	276	9	–	285
Written off	–	(23)	–	(23)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2018	345	54	1,678	2,077
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
As at 30 June 2017	1,036	16	–	1,052
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 30 June 2018	760	10	–	770
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. INVESTMENT IN AN ASSOCIATE

	2018 HK\$'000	2017 HK\$'000
Share of net assets	1,028	543
Due to an associate (<i>note (i)</i>)	(188)	(141)
	<hr/>	<hr/>
Total	840	402
	<hr/> <hr/>	<hr/> <hr/>

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

	2018 HK\$'000	2017 HK\$'000
Revenue	2,833	1,773
Profit and total comprehensive income for the year	1,672	656
	<hr/>	<hr/>
Current assets	3,717	1,927
Current liabilities	(172)	(55)
	<hr/>	<hr/>
Net assets	3,545	1,872
	<hr/> <hr/>	<hr/> <hr/>
Reconciled to the Group's interest in the associate:		
Proportion of the Group's ownership	29%	29%
Group's share of net assets of the associate	1,028	543
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The associate is the investment manager of the Group and provides investment management services to the Group in relation to the Group's investments. The amount due is unsecured, interest-free and repayable within one month.
- (ii) The Group has not incurred any contingent liabilities or other commitments relating to its investment in the associate.

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17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2018 HK\$'000	2017 HK\$'000
Listed securities, at fair value	(i)	104,800	159,820
Unlisted investments, at fair value	(ii)	69,607	82,689
Total		174,407	242,509

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in OCI amounted to HK\$68,102,000 (2017: HK\$38,806,000), of which HK\$15,456,000 of impairment loss (2017: HK\$23,628,000) was reclassified from OCI to profit or loss.

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

Notes:

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

Particulars of the investment as at 30 June 2018, in terms of the carrying value of the listed investment, are as follows:

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

On 21 June 2016, the Company and China City Infrastructure, a company listed on the Stock Exchange, entered into the share subscription agreement to subscribe for 262,000,000 new shares of China City Infrastructure with a one-year lock-up period for a total subscription price of HK\$131,000,000 at HK\$0.50 per share. The transaction was completed on 28 June 2016. At 30 June 2018, the 262,000,000 shares representing approximately 8.5% (2017: 9.14%) of the entire issued share capital in China City Infrastructure. China City Infrastructure is principally engaged in infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC. No dividend was received during the year (2017: Nil). As at 30 June 2018, the market value of the investment in the shares of China City Infrastructure was HK\$104,800,000 (2017: HK\$159,820,000). The audited loss attributable to shareholders of China City Infrastructure for the year ended 31 December 2017 was approximately HK\$289,222,000 (2016: HK\$453,722,000) and the unaudited loss attributable to shareholders of China City Infrastructure for the six months ended 30 June 2018 was approximately HK\$82,968,000 (2017: HK\$173,655,000). The unaudited net assets attributable to shareholders of China City Infrastructure at 30 June 2018 amounted to approximately HK\$1,510,591,000 (2017: HK\$1,621,382,000).

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

Notes: (continued)

(ii) As at 30 June 2018, the Group held the following unlisted investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2018	2018	2017	2017
			2018	2017		Fair value HK\$'000	Cost HK\$'000	Fair value HK\$'000	Cost HK\$'000
<i>Micro-loan services:</i>									
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(a)	The PRC	40%	40%	Provision of small loan and financial consultation services	312	188,690	412	188,690
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	(b)	The PRC	30%	30%	Provision of small loan and financial consultation services	20,000	72,450	20,000	72,450
<i>Others:</i>									
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(c)	The PRC	2.98%	2.98%	Provision of financing guarantees to small and medium enterprises ("SMEs")	27,694	43,150	42,820	43,150
Shenzhen Zhongtounxin Asset Management Company Limited ("Zhongtounxin")	(d)	The PRC	30%	30%	Provision of consultation services on project investments	-	18,350	-	18,350
China City Infrastructure	(e)	Cayman Islands	N/A	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	21,601	17,633	19,457	17,633

Refer to note 32 to the consolidated financial statements for the details of valuation techniques and significant unobservable inputs of micro-loan service interest and others.

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

(a) 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 RMB125,000,000 in Jingdezhen CFI Guosen and the registered capital of Jingdezhen CFI Guosen was reduced from RMB500,000,000 to RMB375,000,000. Due to the reduction in registered capital, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company voluntarily relinquished the voting rights beyond 30%.

Given that the reduction in the registered capital of 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 dividends. The directors of the Company 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%.

During the year ended 30 June 2016, an impairment loss of HK\$188,690,000 was provided for the investment in Jingdezhen CFI Guosen. As at 30 June 2018, the accumulated impairment loss in relation to Jingdezhen CFI Guosen was HK\$188,690,000 (2017: HK\$188,690,000). No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Jingdezhen CFI Guosen was approximately RMB443,000 (2017: RMB1,121,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2018 was approximately RMB372,666,000 (2017: RMB373,109,000).

Notes to the Consolidated Financial Statements

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

Notes: (continued)

- (ii) As at 30 June 2018, the Group held the following unlisted investments: (continued)

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

- (b) 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.

On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of 30% equity interest in TianJin XEDA for a cash consideration of HK\$45,557,000. The Company has received a non-refundable deposit of HK\$20,000,000 which was included in receipt in advance under current liabilities as at 30 June 2018. As at the date of this annual report, the disposal transaction has not been completed but still be valid.

There was a significant decline in the market value of TianJin XEDA for the year ended 30 June 2017. The directors considered that such a decline indicated that the unlisted investment had been impaired. During the year, no impairment loss in relation to the investment in Tianjin XEDA (2017: HK\$23,628,000) was reclassified from the available-for-sale financial assets revaluation reserve to profit or loss. As at 30 June 2018, the accumulated impairment loss in relation to TianJin XEDA was HK\$52,450,000 (2017: HK\$52,450,000). No dividend was declared and received during the year (2017: Nil). The unaudited profit for the year ended 30 June 2018 of TianJin XEDA was approximately RMB7,847,000 (2017: RMB9,322,000) and the unaudited net asset value of TianJin XEDA at 30 June 2018 was approximately RMB249,066,000 (2017: RMB241,219,000).

- (c) On 13 April 2011, the Group acquired 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 reduce to 2.98% on 19 August 2016, as the registered capital of 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.

There was a significant decline in the market value of Jiangxi Huazhang for the year ended 30 June 2018. The directors considered that such a decline indicated that the unlisted investment had been impaired. For the year ended 30 June 2018, a loss in relation to the investment in Jiangxi Huazhang amounting to HK\$15,456,000 was reclassified from the available-for-sale financial assets revaluation reserve to profit or loss as an impairment loss (2017: Nil). As at 30 June 2018, the accumulated impairment loss in relation to Jiangxi Huazhang was HK\$15,456,000 (2017: Nil). No dividend was declared and received during the year (2017: Nil). The unaudited profit for the year ended 30 June 2018 of Jiangxi Huazhang was approximately RMB33,081,000 (2017: RMB67,753,000) and the unaudited net asset value of Jiangxi Huazhang at 30 June 2018 was approximately RMB2,278,461,000 (2017: RMB2,302,898,000).

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

During the year ended 30 June 2016, an impairment loss of HK\$6,065,000 was provided for the investment in Zhongtounxin. As at 30 June 2018, the accumulated impairment loss in relation to Zhongtounxin was HK\$18,350,000 (2017: HK\$18,350,000). No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Zhongtounxin was approximately RMB4,213,000 (2017: RMB3,554,000) and the unaudited net asset value of Zhongtounxin at 30 June 2018 was approximately RMB4,966,000 (2017: RMB9,179,000).

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

Notes: (continued)

- (ii) As at 30 June 2018, the Group held the following unlisted investments: (continued)

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

- (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”).

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.

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 derivative, 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), has been designated as a derivative financial instrument (the “China City Infrastructure Derivative”) as disclosed in note 18(ii).

On 30 June 2017, the Company converted an aggregate principal amount of HK\$50,000,000 into 100,000,000 shares in China City Infrastructure at the conversion price of HK\$0.50 each, when the closing market price of shares of China City Infrastructure was HK\$0.61 per share on this conversion and a loss on this conversion of approximately HK\$4,091,000, which has been included in net change in fair value of financial assets in profit or loss for the year ended 30 June 2017.

As at 30 June 2018, the fair value of the China City Infrastructure Bond was stated at HK\$21,601,000 (2017: HK\$19,457,000), and a fair value gain of HK\$2,144,000 (2017: HK\$5,760,000) in respect of the China City Infrastructure Bond was recognised as OCI for the year. For the year ended 30 June 2017, the fair value gain of HK\$5,760,000 included a gain on partial conversion of China City Infrastructure Bond of HK\$3,967,000 which was reclassified from OCI to profit or loss.

As at 30 June 2018 and 2017, the remaining 46,000,000 conversion shares upon exercise of the conversion right would represent approximately 1.49% and 1.60% of the issued share capital of China City Infrastructure respectively,

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 years ended 30 June 2018 and 2017.

Notes to the Consolidated Financial Statements

30 June 2018

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 HK\$'000	2017 HK\$'000
Financial assets held for trading:			
Listed securities	(i)	335,519	286,037
Derivative financial instrument	(ii)	3,040	14,717
		338,559	300,754
Financial assets designated as at FVTPL:			
Unlisted equity investments	(iii)	266,694	207,310
Unlisted bond investments, secured	(iv)	458,568	447,492
		725,262	654,802

The above financial assets as at 30 June 2018 and 30 June 2017 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes:

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

Particulars of the major components of the investment portfolio as at 30 June 2018, in terms of the carrying value of the respective individual investment, are as follows:

China City Infrastructure

As at 30 June 2018, the Group held 296,735,429 shares (2017: 296,735,429 shares) in China City Infrastructure, representing approximately 9.63% (2017: 10.35%) of the issued share capital of China City Infrastructure. As at 30 June 2018, the market value of the investment in the shares of China City Infrastructure was HK\$118,694,000 (2017: HK\$181,009,000).

Sino-Ocean Group Holding Limited ("Sino-Ocean Group")

As at 30 June 2018, the Group held 30,995,000 shares (2017: 26,592,500 shares) in Sino-Ocean Group, representing approximately 0.41% (2017: 0.35%) of the issued share capital of Sino-Ocean Group. Sino-Ocean Group is principally engaged in investment holding, property development and property investment in the PRC. During the year, a dividend of HK\$10,854,000 (2017: HK\$4,381,000) was declared and received/receivable from Sino-Ocean Group. As at 30 June 2018, the market value of the investment in the shares of Sino-Ocean Group was HK\$141,028,000 (2017: HK\$101,317,000). The audited profit attributable to shareholders of Sino-Ocean Group for the year ended 31 December 2017 was approximately RMB6,258,667,000 (2016: RMB4,445,560,000) and the unaudited profit attributable to shareholders of Sino-Ocean Group for the six months ended 30 June 2018 was approximately RMB2,719,934,000 (2017: RMB2,995,820,000). The unaudited net assets attributable to shareholders of Sino-Ocean Group at 30 June 2018 amounted to approximately RMB62,118,116,000 (2017: RMB51,823,700,000).

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

Notes: (continued)

(i) (continued)

Hidili Industry International Development Limited ("Hidili Industry")

As at 30 June 2018 and 2017, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.6% of the issued share capital of Hidili Industry. Hidili Industry is principally engaged in coal mining and manufacture and sale of clean coal. No dividend was declared and received during the year (2017: Nil).

The trading in the shares of Hidili Industry have been suspended since 1 April 2016 and was resumed on 1 March 2017. As at 30 June 2018, the market value of the investment in the shares of Hidili Industry was HK\$3,216,000 (2017: HK\$3,711,000). The audited loss attributable to shareholders of Hidili Industry for the year ended 31 December 2017 was approximately RMB1,077,755,000 (2016: RMB1,000,097,000) and the unaudited loss attributable to shareholders of Hidili Industry for the six months ended 30 June 2018 was approximately RMB68,004,000 (2017: RMB170,870,000). The unaudited net assets attributable to shareholders of Hidili Industry at 30 June 2018 amounted to approximately RMB1,166,653,000 (2017: RMB2,141,542,000).

China Communications Construction Co Ltd ("China Communications")

As at 30 June 2018, the Group held 9,588,000 shares in China Communications, representing approximately 0.22% of the issued share capital of China Communications. China Communications is principally engaged in infrastructure construction, infrastructure design and dredging businesses. During the year, a dividend of HK\$2,402,000 was declared and received/receivable from China Communications (2017: Nil).

As at 30 June 2018, the market value of the investment in the shares of China Communications was HK\$72,581,000 (2017: Nil). The audited profit attributable to shareholders of China Communications for the year ended 31 December 2017 was approximately RMB21,726,000,000 (2016: RMB17,689,000,000) and the unaudited profit attributable to shareholders of China Communications for the six months ended 30 June 2018 was approximately RMB8,704,000,000 (2017: RMB8,185,000,000). The unaudited net assets attributable to shareholders of China Communications at 30 June 2018 amounted to approximately RMB210,986,000,000 (2017: RMB194,772,000,000).

(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 inputs. The valuation requires the directors to make estimates, including credit spread 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 Derivative represents the derivative embedded in the China City Infrastructure Convertible Bond. On 30 June 2017, the Company partially converted the China City Infrastructure Convertible Bond. These details are set out in note 17(ii)(e) to the consolidated financial statements.

As at 30 June 2018, the fair value of the China City Infrastructure Derivative was stated at HK\$3,040,000 (2017: HK\$14,717,000) after the conversion, based on the valuation performed by an independent professionally qualified valuer. A fair value loss of HK\$11,677,000 (2017: HK\$11,477,000) in respect of the China City Infrastructure Derivative was recognised in profit or loss for the year ended 30 June 2018.

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

Notes: (continued)

(iii) As at 30 June 2018, the Group had the following unlisted equity investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	2018	2018	2017	2017
			2018	2017		Fair value HK\$'000	Cost HK\$'000	Fair value HK\$'000	Cost HK\$'000
<i>Micro-loan services:</i>									
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	The PRC	30%	30%	Provision of small loan and financial consultation services	3,424	36,606	3,776	36,606
TIIC RongShun Micro-Loan Company Limited ("TIIC Rongshun")	(b)	The PRC	10%	10%	Provision of small loan and financial consultation services	5,568	12,189	2,974	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	The PRC	30%	30%	Provision of small loan and financial consultation services	-	36,693	-	36,693
Tianjin Birlian Microfinance Limited ("Tianjin Birlian")	(d)	The PRC	3.3%	3.3%	Provision of small loan and financial consultation services	3,170	12,271	4,564	12,271
Ezhou Zhongjinguotou	(e)	The PRC	50%	50%	Provision of small loan and financial consultation services	87,811	185,000	123,549	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(f)	The PRC	30%	30%	Provision of small loan and financial consultation services	183	73,730	245	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning")	(g)	The PRC	30%	30%	Provision of small loan and financial consultation services	7,114	36,673	12,926	36,673
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(h)	The PRC	30%	30%	Provision of small loan and financial consultation services	13,986	36,741	6,700	36,741
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(i)	The PRC	30%	30%	Provision of small loan and financial consultation services	24,062	56,874	33,669	56,874
<i>Others:</i>									
Xi'an Kairong Financial Service Limited ("Xi'an Kairong")	(j)	The PRC	30%	30%	Provision of financial management services	9,228	18,724	11,156	18,724
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	(k)	The PRC	30%	30%	Provision of financial management services	5,488	19,030	7,751	19,030
Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(l)	The PRC	30%	N/A	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastic and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	106,660	106,660	-	-

Refer to note 32 to the consolidated financial statements for the details of valuation techniques and significant unobservable inputs of micro-loan service and others.

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

Notes:

- (a) On 24 August 2011, the Group invested in a 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Tianjin Rongshun was approximately RMB57,172,000 (2017: RMB22,370,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2018 was approximately RMB13,675,000 (2017: RMB70,477,000).
- (b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited profit for the year ended 30 June 2018 of TIIC Rongshun was approximately RMB17,988,000 (2017: profit of RMB10,475,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2018 was approximately RMB111,567,000 (2017: RMB93,532,000).

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

- (iii) As at 30 June 2018, the Group had the following unlisted equity investments: *(continued)*

A brief description of the business and financial information of the unlisted equity investments is as follows: *(continued)*

Notes: (continued)

- (c) On 29 August 2011, the Group invested in a 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Harbin Zhongjinguoxin was approximately RMB2,577,000 (2017: RMB2,574,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2018 was approximately RMB105,222,000 (2017: RMB107,799,000).

On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK\$2,500,000 has been received which was included in receipt in advance under current liabilities as at 30 June 2018 and 2017. As at the date of this annual report, this disposal transaction has not been completed but still be valid.

- (d) 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 was reduced to 3.3% on 22 January 2014, as the registered capital of Tianjin Binlian was enlarged by the new registered capital subscribed by its other shareholders on that date. Tianjin Binlian is principally engaged in the provision of small loan and financial consultation services in Tianjin, especially Dongli District, the PRC. During the year, a dividend of HK\$461,000 (2017: Nil) was declared and received/receivable from Tianjin Binlian. The unaudited profit for the year ended 30 June 2018 of Tianjin Binlian was approximately RMB1,580,000 (2017: RMB3,052,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2018 was approximately RMB305,932,000 (2017: RMB317,390,000).
- (e) 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 RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou was reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in registered capital, the shareholding of the Company in Ezhou Zhongjinguotou inevitably increased from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

Given that the reduction in the registered capital of 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 dividends. 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%.

No dividend was declared and received during the year (2017: Nil). The unaudited profit for the year ended 30 June 2018 of Ezhou Zhongjinguotou was approximately RMB2,681,000 (2017: profit of RMB8,192,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2018 was approximately RMB300,040,000 (2017: RMB500,468,000).

Notes to the Consolidated Financial Statements

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

Notes: (continued)

(iii) As at 30 June 2018, the Group had the following unlisted equity investments: *(continued)*

A brief description of the business and financial information of the unlisted equity investments is as follows: *(continued)*

Notes: (continued)

- (f) On 6 August 2012, the Group invested in a 30% equity interest of Ziyang Yanjiang, a joint venture established in the PRC. Ziyang Yanjiang is principally engaged in the provision of small loan and financial consultation services in Ziyang, Sichuan Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Ziyang Yanjiang was approximately RMB66,450,000 (2017: RMB124,360,000) and the unaudited net asset value of Ziyang Yanjiang at 30 June 2018 was approximately RMB1,876,000 (2017: RMB68,325,000).
- (g) On 31 August 2012, the Group invested in a 30% equity interest of Nanjing Jiangning, a joint venture established in the PRC. Nanjing Jiangning is principally engaged in the provision of small loan and financial consultation services in Jiangning District, Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Nanjing Jiangning was approximately RMB1,336,000 (2017: RMB1,347,000) and the unaudited net asset value of Nanjing Jiangning at 30 June 2018 was approximately RMB77,347,000 (2017: RMB78,682,000).
- (h) On 13 September 2012, the Group invested in a 30% equity interest of Tianjin Rongyang, a joint venture established in the PRC. Tianjin Rongyang is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited profit for the year ended 30 June 2018 of Tianjin Rongyang was approximately RMB4,911,000 (2017: RMB5,361,000) and the unaudited net asset value of Tianjin Rongyang at 30 June 2018 was approximately RMB123,238,000 (2017: RMB117,782,000).
- (i) On 22 November 2013, the Group invested in a 30% equity interest of Zhenjiang CFI, a joint venture established in the PRC. Zhenjiang CFI is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Zhenjiang CFI was approximately RMB26,034,000 (2017: RMB3,745,000) and the unaudited net asset value of Zhenjiang CFI at 30 June 2018 was approximately RMB127,167,000 (2017: RMB153,201,000).
- (j) On 18 December 2012, the Group invested in a 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Xi'an Kairong was approximately RMB2,464,000 (2017: profit of RMB734,000) and the unaudited net asset value of Xi'an Kairong at 30 June 2018 was approximately RMB60,857,000 (2017: RMB53,343,000).
- (k) On 22 September 2014, the Group invested in a 30% equity interest of Hubei Zhongjin, a joint venture established in the PRC. Hubei Zhongjin is principally engaged in the provision of financial management services to SMEs in Wuhan, Hubei Province, the PRC. No dividend was declared and received during the year (2017: Nil). The unaudited loss for the year ended 30 June 2018 of Hubei Zhongjin was approximately RMB1,602,000 (2017: RMB7,972,000) and the unaudited net asset value of Hubei Zhongjin at 30 June 2018 was approximately RMB29,391,000 (2017: RMB30,989,000).
- (l) On 11 May 2018, the Group invested in a 30% equity interest of Henan Tianguan, a joint venture established in the PRC. Henan Tianguan is principally engaged in production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastic and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production. No dividend was declared and received during the year. The unaudited loss for the year ended 30 June 2018 of Henan Tianguan was approximately RMB6,000 and the unaudited net asset value of Henan Tianguan at 30 June 2018 was approximately RMB211,206,000.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)*Notes: (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 financial assets at FVTPL for the years ended 30 June 2018 and 2017.

- (iv) As at 30 June 2018, the Group invested in four (2017: three) unlisted bonds for the purpose of engaging in the medium term investments and earning the stable return. The details of the bond investments are as follows:

Name of company	Notes	Business nature	2018	2018	2017	2017
			Fair value HK\$'000	Cost HK\$'000	Fair value HK\$'000	Cost HK\$'000
Hollys (China) Limited ("Hollys")	(i)	Engaged in coffee shop franchise in the PRC	193,210	200,000	195,745	200,000
Pure Unity Investments Limited ("Pure Unity")	(ii)	Investment holding	135,798	190,000	150,965	190,000
Talent Trend Global Limited ("Talent Trend")	(iii)	Investment holding	109,560	160,000	100,782	160,000
Xing Yue Investments Limited ("Xing Yue")	(iv)	Investment holding	20,000	20,000	-	-

Notes:

- (i) On 8 September 2016, Joy State Holdings Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Hollys. The nominal value of the bond is HK\$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

As at 30 June 2018, Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interests in Hollys pledged to the Group by Mr. Xiao Yan.

- (ii) On 21 November 2016, China Financial International Investments (Nanchang) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Pure Unity. The nominal value of the bond is HK\$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears. Pure Unity redeemed HK\$10,000,000 during the year ended 30 June 2017, accordingly, the nominal value of the bond was reduced to HK\$190,000,000 as at 30 June 2018 and 2017.

As at 30 June 2018, Mr. Feng Xin (2017: Mr. Zhu Mingliang) is the sole shareholder and the sole director of Pure Unity. As at 30 June 2018, the bond is secured by: (1) 100% unlisted equity interests in Pure Unity pledged to the Group by Mr. Feng Xin (2017: by Mr. Zhu Mingliang); and (2) 760,000,000 shares of the Company, with a market value of HK\$172,520,000 held by Pure Unity (2017: 500,000,000 shares of the Company, with a market value of HK\$150,000,000 held by Rightfirst Holdings Limited, which is beneficially owned by Mr. Du Lin Dong, the executive director of the Company). As at 30 June 2017, one more pledged asset from Pure Unity which is a property in the PRC with market value of HK\$67,200,000.

Notes to the Consolidated Financial Statements

30 June 2018

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

Notes: (continued)

- (iv) As at 30 June 2018, the Group invested in four (2017: three) unlisted bonds for the purpose of engaging in the medium term investments and earning the stable return. The details of the bond investments are as follows: *(continued)*

Notes: (continued)

- (iii) On 21 November 2016, China Financial International Investments (Henan) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Talent Trend. The nominal value of the bond is HK\$160,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

As at 30 June 2018, Mr. Feng Xu (2017: Mr. Huang Xianli) is the sole shareholder and the sole director of Talent Trend. The bond is secured by (1) 100% unlisted equity interests in Talent Trend pledged to the Group by Mr. Feng Xu (2017: by Mr. Huang Xianli); and (2) 640,000,000 shares of the Company, with a market value of HK\$145,280,000 held by Talent Trend (2017: 620,000,000 shares of the Company, with a market value of HK\$186,000,000 held by Ruixin Taifu Investment Group Co., Limited).

- (iv) On 8 March 2018, the Company entered into a subscription agreement to subscribe a three-month bond issued by Xing Yue. The nominal value of the bond is HK\$20,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group on the bond maturity date.

As at 30 June 2018, Ms. Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by (1) 100% unlisted equity interests in Xing Yue pledged to the Group by Ms. Dong Lili and (2) 200,000,000 shares of the Company, with a market value of HK\$45,400,000 of which 100,000,000 shares held by Xing Yue and another 100,000,000 shares held by Rightfirst Holdings Limited, which is beneficially owned by Mr. Du Lin Dong, the executive director of the Company. The bond was already overdue as at 30 June 2018 and the management was under negotiation with Xing Yue for renewal of the bond. Up to the issuance date of the report, no renewed subscription agreement of the bond has been signed.

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.

19. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Current portion:			
Prepayments		363	418
Deposits		822	1,249
Dividends receivable	<i>(a)</i>	7,806	3,233
Other receivables	<i>(b)</i>	25,470	51,496
		34,461	56,396
Non-current portion:			
Deposits paid	<i>(c)</i>	157,753	–

Note:

(a) Dividend receivable

	2018 HK\$'000	2017 <i>HK\$'000</i>
Dividends receivable	7,806	10,459
Provision for impairment	–	(7,226)
	7,806	3,233

Movements in the provision for impairment losses are as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
At 1 July	7,226	–
Written off	(7,226)	–
Provision for impairment losses	–	7,226
At 30 June	–	7,226

Included in the above provision for impairment of dividend receivable as at 30 June 2017 is a provision for individually impaired balance of HK\$7,226,000. The individually impaired balances were irrecoverable as the balances were long overdue. During the year ended 30 June 2018, the provision was fully written off. No provision for impairment was made for the year ended 30 June 2018. The Company does not hold any collateral or other credit enhancement over these balances.

Notes to the Consolidated Financial Statements

30 June 2018

19. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES *(continued)*

Note: (continued)

(b) Other receivables

As at 30 June 2017, other receivables included a balance of HK\$26,852,000 in respect of the disposal of a 30% equity interest of Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd., the amount has been settled during the year ended 30 June 2018.

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

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

(c) Deposit paid

As at 30 June 2018, deposits paid included RMB100,000,000 (equivalent to approximately HK\$118,512,000) of deposit paid for the potential investment of 25% equity interest in Liaoyuan Jufeng Biochemistry Science and Technology Co., Limited (“Liaoyuan Jufeng”) which is principally engaged in the manufacturing and selling of ethanol, ethyl acetate, pentane, denatured fuel ethanol, edible alcohol and related chemical products. As at 30 June 2018, Liaoyuan Jufeng held 24% equity interest in Henan Tianguan which is one of the investee companies of the Group (note 18(iii)(l)). According to the investment agreement signed on 28 June 2018, the investment in Liaoyuan Jufeng by the Group would be effective upon legal title of such 25% equity interests successfully transferred to the Group. As at 30 June 2018, the legal title of such 25% equity interests in Liaoyuan Jufeng was not transferred to the Group. As a result, the amount of RMB100,000,000 paid by the Group would be recorded as deposits paid and included in the non-current assets in the consolidated statement of financial position as at 30 June 2018.

During the year ended 30 June 2018, Keyi (Shanghai) Investments Limited, a wholly-owned subsidiary of the Company, has entered into an agreement (the “Agreement 1”) with an independent third party, 深圳市新宇天帆礦業開發有限公司 (transliterated as Shenzhen Xinyu Tianfan Mining Development Company Limited, “Xinyu Tianfan”). Pursuant to the Agreement 1, Xinyu Tianfan is responsible for assisting to seek and recommend potential investments to the Company with a term of two years, the Company agreed to provide the deposit to Xinyu Tianfan amounted to RMB16,235,700 (equivalent to approximately HK\$19,241,000) during the period as agreed, the deposit will be refunded after the period expired and is interest free.

During the year ended 30 June 2018, the Company has entered into another agreement (the “Agreement 2”) with an independent third party, Mr. Peng Kexi (“Mr. Peng”). Pursuant to the Agreement 2, Mr. Peng is responsible for assisting to seek and recommend potential investments in the PRC to the Company with a term of two years, and the Company agreed to provide the deposit to Mr. Peng amounted to HK\$20,000,000 during the period as agreed, the deposit will be refunded after the period expired and is interest free.

20. CASH AND CASH EQUIVALENTS

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	153,935	416,047

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$81,688,000 (2017: HK\$257,215,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Accruals	680	850
Other payables	1,278	22,025
Provision for financial guarantee liabilities (<i>note</i>)	33,986	–
	35,944	22,875

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

Note:

Pursuant to an irrevocable guarantee provided by the Company in 2012, the Company's entire equity interests in TianJin XEDA and Tianjin Rongyang have been used to secure the loans granted to certain customers of Tianjin XEDA and Tianjin Rongyang referred by 南京新寧光電自動化有限公司 (transliterated as Nanjing Xinning Guangdian Zidonghua Limited, "Xinning Guangdian"), an independent third party of the Group. At the end of the reporting period, the loans granted to the customers of TianJin XEDA and Tianjin Rongyang under such guarantee were approximately RMB75,000,000 (2017: RMB75,000,000). The Group holds 30% equity interest in each of TianJin XEDA (note 17(ii)(b)) and Tianjin Rongyang (note 18(iii)(h)) as of 30 June 2018 and 2017. Pursuant to an indemnity agreement signed between Xinning Guangdian and the Company in 2012, the Company is indemnified against any loss or damage arising from the non-performance of the aforesaid loans. For the year ended 30 June 2018, a provision for guarantee liability amounted to HK\$33,986,000 have been made against the potential exposures that may be borne by the Group under such guarantee (2017: Nil).

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22. DUE TO A RELATED COMPANY

The amount due to a related company as at 30 June 2017 was unsecured, interest-free and repayable on demand.

23. BORROWINGS

	2018 HK\$'000	2017 <i>HK\$'000</i>
Interest bearing loans – unsecured	62,975	62,975
Analysed into:		
Loans repayable:		
In the third to fifth years, inclusive	62,975	62,975

As at 30 June 2018 and 2017, bonds with a total nominal amount of HK\$63,000,000 were issued to independent third parties at 5% interest rate per annum with maturity dates ranging from years 2020 to 2021, being 7 years' maturity from the date of issue.

24. DEFERRED TAX

(a) The movement of deferred tax liabilities is as follow:

	Fair value adjustments of the available- for-sale financial assets HK\$'000
At 1 July 2016	1,054
Deferred tax credited to equity	(1,054)
Gross deferred tax liabilities at 30 June 2017 and 2018	–

Notes to the Consolidated Financial Statements

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24. DEFERRED TAX (continued)

(b) Deferred tax has not been recognised in respect of the following items:

	2018	2017
	HK\$'000	HK\$'000
Unused tax losses	<u>205,962</u>	<u>218,429</u>

The above tax losses of the Group are available for offset against future taxable profits. The tax losses are subject to the final assessment of Hong Kong Inland Revenue Department. Deferred tax assets have not been recognised in respect of such losses as the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	2018		2017	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>30,000,000</u>	<u>300,000</u>	<u>30,000,000</u>	<u>300,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>10,971,634</u>	<u>109,717</u>	<u>10,971,634</u>	<u>109,717</u>

26. SHARE OPTIONS

(a) Share Option Scheme

Under the share option scheme adopted by the Company on 15 January 2008 (the “Scheme”), options were granted to certain directors and consultants entitling them to subscribe for shares of the Company under the Scheme. The Scheme was approved and adopted by shareholders of the Company on 15 January 2008 (the “Date of Adoption”), whereby the directors of the Company are authorised, at their discretion, to invite full time employees of the Group, (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers of the Group, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the Date of Adoption. On 15 December 2017, the Scheme was terminated and the new share option scheme (the “New Scheme”) was approved by the Shareholders of the Company at the annual general meeting to replace the Scheme. The New Scheme shall be valid and effective for a period of 10 years ending on 14 December 2027. The exercise price of the options under the New Scheme is determinable by the board of directors, but will be at least the highest of:

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

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

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

The offer of a grant of share options under the New Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors.

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

26. SHARE OPTIONS (continued)**(a) Share Option Scheme (continued)**

The maximum number of the shares available for issue upon exercise of all share options which may be further granted under the New Scheme is 1,097,163,403 shares, representing 10% of the total number of issued shares of the Company on 15 December 2017.

All outstanding share options under the Scheme were lapsed during the year ended 30 June 2017 and no new share options were granted under the New Scheme for the current year. The following share options were outstanding under the Scheme during the year ended 30 June 2017:

	2017	
	Weighted average exercise price <i>HK\$ per share</i>	Number of share options '000
At 1 July	0.425	4,700
Lapsed during the year	0.425	(4,700)
		<hr/>
At 30 June	–	–
		<hr/> <hr/>

The exercise prices and exercise periods of the share options outstanding under the Scheme as at 30 June 2017 as follows:

Name of category of participant	Number of share options			Exercise period*	Exercise price** <i>HK\$ per share</i>	Date of grant
	At 1 July 2016 '000	Lapsed during the year '000	At 30 June 2017 '000			
Director Du Lin Dong	4,700	(4,700)	–	19/3/2014 – 18/12/2016	0.425	19/12/2013
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>			

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

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

No share options under the Scheme were exercised during the year ended 30 June 2017.

No expense was recognised for the year ended 30 June 2018 and 2017 in relation to amortisation of value of the share options granted under the Scheme by the Company in prior years.

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26. SHARE OPTIONS (continued)

(b) Share Options

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

All outstanding share options under the Specific Mandate were lapsed for the year ended 30 June 2017 and no new share options were granted for the current year. The following share options were outstanding under the Specific Mandate during the year ended 30 June 2017:

	2017	
	Weighted average exercise price <i>HK\$ per share</i>	Number of share options <i>'000</i>
At 1 July	0.48	400,000
Lapsed during the year	0.48	(400,000)
		-
At 30 June	-	-

No share options under the Specific Mandate were exercised during the year ended 30 June 2017.

The exercise prices and exercise periods of the share options outstanding under the Specific Mandate as at 30 June 2017 is as follows:

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

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

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

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of the consolidated financial statements.

28. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 30 June 2018 of HK\$1,460,083,000 (2017: HK\$1,578,987,000) and 10,971,634,000 ordinary shares in issue as at 30 June 2018 (2017: 10,971,634,000 ordinary shares).

29. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

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

(b) Significant related party transactions

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

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Investment management fee paid/ payable to CFIIM	<i>(i)</i>	2,833	1,773
Legal advisory fees paid/payable to Michael Li & Co	<i>(ii)</i>	161	415

Notes:

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

At 30 June 2017, the balance due to Michael Li & Co of HK\$73,000 was unsecured, interest-free and repayable on demand.

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30. COMMITMENTS

The Group leases its office premises and staff quarters under an operating lease arrangement with negotiated terms of two to three years (2017: three years). At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	3,591	2,390
In the second to fifth years, inclusive	3,721	3,415
	7,312	5,805

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

	2018 HK\$'000	2017 HK\$'000
<i>Financial assets</i>		
Available-for-sale financial assets		
– Listed securities	104,800	159,820
– Unlisted investments	69,607	82,689
Financial assets at FVTPL		
– Listed securities	335,519	286,037
– Derivative financial instrument	3,040	14,717
– Unlisted equity investments	266,694	207,310
– Unlisted bond investments, secured	458,568	447,492
Loans and receivables		
Financial assets included in prepayments, deposits and other receivables	191,851	55,978
Cash and cash equivalents	153,935	416,047
	1,584,014	1,670,090
<i>Financial liabilities at amortised cost</i>		
Other payables and accruals	35,944	22,875
Due to a related company	–	73
Due to an associate	188	141
Interest bearing loans	62,975	62,975
	99,107	86,064

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair value of the interest bearing loans as at 30 June 2018 amounted to HK\$62,700,000 (2017: HK\$62,850,000).

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

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

The fair values of the interest bearing loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest bearing loans as at 30 June 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments and unlisted 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 directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in OCI and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to the Consolidated Financial Statements

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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2018 and 2017:

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Available-for-sale financial assets in unlisted investments</i>				
Micro-loan service	Market comparable companies	Price to book ratio ("PB ratio")	0.4983 to 0.8912 (2017: 0.3913 to 2.3136)	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2018, the Group's OCI would have increased by HK\$6,343,000 (2017: HK\$54,558,000). Had the lowest PB ratio among the comparables been used as at 30 June 2018, the Group's OCI would have decreased by HK\$5,406,000 (2017: HK\$27,429,000).
		Lack of marketability discount ("LOMD")	25% (2017: 30%)	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2018, the Group's OCI would have increased by HK\$1,396,000 (2017: HK\$3,284,000). Had the LOMD increased by 5% as at 30 June 2018, the Group's OCI would have decreased by HK\$1,396,000 (2017: HK\$3,284,000).

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Available-for-sale financial assets in unlisted investments (continued)</i>				
Others	Market comparable companies	PB ratio	0.4389 to 0.8912 (2017: 0.3913 to 2.3136)	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2018, the Group's OCI would have increased by HK\$7,551,000 (2017: HK\$52,137,000). Had the lowest PB ratio among the comparables been used as at 30 June 2018, the Group's OCI would have decreased by HK\$7,985,000 (2017: HK\$26,212,000).
		LOMD	25% (2017: 30%)	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2018, the Group's OCI would have increased by HK\$1,846,000 (2017: HK\$3,059,000). Had the LOMD increased by 5% as at 30 June 2018, the Group's OCI would have decreased by HK\$1,846,000 (2017: HK\$3,059,000).

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30 June 2018

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Financial assets at FVTPL in unlisted investments</i>				
Micro-loan service	Market comparable companies	PB ratio	0.4983 to 0.8912 (2017: 0.3913 to 2.3136)	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2018, the Group's profit or loss would have increased by HK\$39,621,000 (2017: HK\$246,526,000). Had the lowest PB ratio among the comparables been used as at 30 June 2018, the Group's profit or loss would have decreased by HK\$44,661,000 (2017: HK\$123,940,000).
		LOMD	25% (2017: 30%)	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2018, the Group's profit or loss would have increased by HK\$9,688,000 (2017: HK\$14,239,000). Had the LOMD increased by 5% as at 30 June 2018, the Group's profit or loss would have decreased by HK\$9,688,000 (2017: HK\$14,239,000).

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Financial assets at FVTPL in unlisted investments (continued)</i>				
Others	Market comparable companies	PB ratio	0.4983 to 0.8912 (2017: 0.3913 to 2.3136)	The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2018, the Group's profit or loss would have increased by HK\$4,012,000 (2017: HK\$16,496,000). Had the lowest PB ratio among the comparables been used as at 30 June 2018, the Group's profit or loss would have decreased by HK\$4,243,000 (2017: HK\$12,919,000).
		LOMD	25% (2017: 30%)	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2018, the Group's profit or loss would have increased by HK\$981,000 (2017: HK\$1,948,000). Had the LOMD increased by 5% as at 30 June 2018, the Group's profit or loss would have decreased by HK\$981,000 (2017: HK\$4,209,000).

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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Unlisted bond investments</i>				
Hollys	Hull-White-One-Factor interest rate model	Credit spread	10.12% (2017: 9.17%)	The fair values of companies are determined with reference to Hull-White-One Factor interest rate model, using the credit spread for valuation. The fair value measurement is negatively correlated to the credit spread. Had the credit spread decreased by 5% as at 30 June 2018, the Group's profit or loss would have increased by HK\$6,665,000 (2017: HK\$4,255,000). Had the credit spread increased by 5% as at 30 June 2018, the Group's profit or loss would have decreased by HK\$10,114,000 (2017: HK\$17,159,000).
Pure Unity & Talent Trend	Monte Carlo simulation	Volatility	43.99% (2017: 76.06%)	The fair values of companies are determined with reference to Monte Carlo simulation, using the volatility for valuation. The fair value measurement is negatively correlated to the volatility. Had the volatility decreased by 5% as at 30 June 2018, the Group's profit or loss would have increased by HK\$7,820,906 (2017: HK\$15,285,000). Had the volatility increased by 5% as at 30 June 2018, the Group's profit or loss would have decreased by HK\$5,459,000 (2017: HK\$6,629,000).

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

Assets measured at fair value

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2018				
Available-for-sale financial assets:				
– Listed investments	104,800	–	–	104,800
– Unlisted investments	–	21,601	48,006	69,607
Financial assets at FVTPL				
– Listed securities	335,519	–	–	335,519
– Derivative financial instrument	–	3,040	–	3,040
– Unlisted equity investments	–	–	266,694	266,694
– Unlisted bond investments, secured	–	–	458,568	458,568
	440,319	24,641	773,268	1,238,228
As at 30 June 2017				
Available-for-sale financial assets:				
– Listed investments	159,820	–	–	159,820
– Unlisted investments	–	19,457	63,232	82,689
Financial assets at FVTPL				
– Listed securities	286,037	–	–	286,037
– Derivative financial instrument	–	14,717	–	14,717
– Unlisted equity investments	–	–	207,310	207,310
– Unlisted bond investments, secured	–	–	447,492	447,492
	445,857	34,174	718,034	1,198,065

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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

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

	2018 HK\$'000	2017 HK\$'000
Available-for-sale financial assets:		
At 1 July	63,232	97,318
Total losses recognised in profit or loss	(15,456)	(23,628)
Reclassification from OCI to profit or loss	15,456	23,628
Total losses recognised in OCI	(15,226)	(34,086)
	<hr/>	<hr/>
At 30 June	48,006	63,232
	<hr/> <hr/>	<hr/> <hr/>
Financial assets at FVTPL (unlisted investments):		
At 1 July	654,802	276,418
Total losses recognised in profit or loss	(56,200)	(134,715)
Purchases	126,660	560,000
Disposals	-	(46,901)
	<hr/>	<hr/>
At 30 June	725,262	654,802
	<hr/> <hr/>	<hr/> <hr/>

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (2017: Nil).

Liabilities disclosed at fair values

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2018				
Interest bearing loans	-	62,700	-	62,700
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 30 June 2017				
Interest bearing loans	-	62,850	-	62,850
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, deposit paid, other receivables, investments in listed securities and unlisted investments, an amount due to a related company, an amount due to an associate, interest bearing loans and other payables.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate strategies to manage the Group's exposure to these risks to ensure appropriate measures are implemented in a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes. The financial risks to which the Group is exposed to are described below.

Foreign currency risk

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

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

Interest rate risk

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

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

As management considers the Group's exposure to the interest rate risk is not significant, no interest-rate swap or other hedging activities are carried out by management during the years ended 30 June 2018 and 2017.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

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

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

Sensitivity analysis

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

	2018		2017	
	30 June 2018	High/Low	30 June 2017	High/Low
Hong Kong – Hang Seng Index (“HSI”)	<u>28,955</u>	<u>28,962/28,464</u>	<u>25,765</u>	<u>26,090/20,304</u>

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

	% of reasonable possible change of the relevant benchmark index		Change in loss before tax	
	2018	2017	2018	2017
			HK\$'000	HK\$'000
Relevant market index Hong Kong – HSI	<u>±12.38%</u>	<u>±23.90%</u>	<u>±54,516</u>	<u>±106,560</u>

Credit risk

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

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

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

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly. At 30 June 2018, the Group held cash and cash equivalents of HK\$153,935,000 (2017: HK\$416,047,000) and current receivables of HK\$33,276,000 (2017: HK\$54,729,000), which were considered adequate for working capital requirements.

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

	Within 1 year <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
2018			
Due to an associate	188	–	188
Interest bearing loans	3,151	66,781	69,932
Other payables	35,944	–	35,944
	39,283	66,781	106,064
2017			
Due to a related company	73	–	73
Due to an associate	141	–	141
Interest bearing loans	3,150	69,931	73,081
Other payables	22,025	–	22,025
	25,389	69,931	95,320

Notes to the Consolidated Financial Statements

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2018 and 2017. As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The investment manager and the executive committee manage the capital of the Company in accordance with the Group's investment objectives and policies.

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

34. EVENTS AFTER THE REPORTING PERIOD

On 1 August 2018, one of the unlisted equity investments – Henan Tianguan (note 18 (iii)(l)) had increased its registered capital from RMB300,000,000 to RMB660,000,000. To maintain 30% equity interest in Henan Tianguan, the Group further invested RMB78,000,000 and RMB30,000,000 through the Company's Hong Kong subsidiary, Joy State, and PRC subsidiary, Keyi (Shanghai), into Henan Tianguan respectively. After the additional capital injection, Keyi (Shanghai) and Joy State would hold 18.18% and 11.82% of equity interest in Henan Tianguan respectively. Other than the capital injection, the Group has no other change in relation to the participant of the operation and financing activities of Henan Tianguan while the Group still comply with Chapter 21.04(3)(a) of the Listing Rules.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest bearing loans <i>HK\$'000</i>
At 1 July 2017	62,975
Changes from cash flows:	
– Interest paid for the year	(3,151)
Other changes:	
– Interest expense incurred	3,151
At 30 June 2018	<u>62,975</u>

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSET		
Property, plant and equipment	768	1,046
Investments in subsidiaries	245,227	245,305
Investment in an associate	290	290
Available-for-sale financial assets	174,407	242,509
Financial assets at fair value through profit or loss	618,602	654,802
Deposit paid	20,000	–
Total non-current assets	1,059,294	1,143,952
CURRENT ASSETS		
Financial assets at fair value through profit or loss	338,559	300,754
Due from subsidiaries	83,093	1,482
Prepayments, deposits and other receivables	34,248	56,388
Cash and cash equivalents	72,216	155,828
Total current assets	528,116	514,452
CURRENT LIABILITIES		
Due to subsidiaries	3,577	1,128
Due to a related company	–	73
Due to an associate	188	141
Other payables and accruals	57,342	3,942
Tax payable	4,200	4,200
Total current liabilities	65,307	9,484
NET CURRENT ASSETS	462,809	504,968
TOTAL ASSETS LESS CURRENT LIABILITIES	1,522,103	1,648,920
NON-CURRENT LIABILITIES		
Interest bearing loans	62,975	62,975
NET ASSETS	1,459,128	1,585,945
EQUITY		
Share capital	109,717	109,717
Reserves	1,349,411	1,476,228
TOTAL EQUITY	1,459,128	1,585,945

On behalf of the Board

Du Lin Dong
Director

Ding Xiaobin
Director

Notes to the Consolidated Financial Statements

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

Movements in reserves of the Company

	Share premium <i>Note (i)</i> <i>HK\$'000</i>	Contribution surplus <i>Note (ii)</i> <i>HK\$'000</i>	Capital reserve <i>Note (iii)</i> <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>Note (iv)</i> <i>HK\$'000</i>	Share option reserve <i>Note (v)</i> <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2016	2,067,672	278,979	2,766	48,817	60,698	(777,265)	1,681,667
Loss for the year	-	-	-	-	-	(187,348)	(187,348)
Other comprehensive income for the year:							
- Change in fair value of available- for-sale financial assets, net of tax	-	-	-	(18,091)	-	-	(18,091)
Total comprehensive income for the year	-	-	-	(18,091)	-	(187,348)	(205,439)
Lapse of share options	-	-	-	-	(60,698)	60,698	-
At 30 June 2017 and 1 July 2017	2,067,672	278,979	2,766	30,726	-	(903,915)	1,476,228
Loss for the year	-	-	-	-	-	(74,171)	(74,171)
Other comprehensive income for the year:							
- Change in fair value of available- for-sale financial assets, net of tax	-	-	-	(52,646)	-	-	(52,646)
Total comprehensive income for the year	-	-	-	(52,646)	-	(74,171)	(126,817)
At 30 June 2018	2,067,672	278,979	2,766	(21,920)	-	(978,086)	1,349,411

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

Movements in reserves of the Company *(continued)*

Notes:

- (i) Share premium
The application of share premium is governed by section 40 of the Companies Act of Bermuda.
- (ii) Contributed surplus
The contributed surplus represents the share premium reduction. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it would after the payment, be unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.
- (iii) Capital reserve
The capital reserve represents the waiver of an amount due to a shareholder in 2005.
- (iv) Available-for-sale financial asset revaluation reserve
The available-for-sale financial asset revaluation reserve represents changes in fair value of available-for-sale financial assets.
- (v) Share option reserve
The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

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

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 September 2018.

Five Year Financial Summary

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

RESULTS

	Year ended 30 June				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	66,797	41,234	5,548	2,216	29,813
Loss before tax	(72,547)	(183,547)	(491,207)	(1,608)	(216,278)
Income tax (expense)/credit	(295)	(1,434)	1,678	982	3,398
Loss for the year	(72,842)	(184,981)	(489,529)	(626)	(212,880)
Other comprehensive income for the year, net of tax	(46,062)	(21,120)	25,732	(11,167)	(23,878)
Total comprehensive income for the year	(118,904)	(206,101)	(463,797)	(11,793)	(236,758)

ASSETS AND LIABILITIES

	As at 30 June				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	1,586,175	1,672,103	1,855,766	1,381,641	1,171,414
Total liabilities	(126,092)	(93,116)	(70,678)	(568,505)	(349,669)
Total equity	1,460,083	1,578,987	1,785,088	813,136	821,745