



China Financial International Investments Limited

中國金融國際投資有限公司

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

(Stock Code: 721)

Interim Report
2018



BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Ding Xiaobin
Mr. Zhang Huayu (Vice Chairman)
Ms. Li Jie

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

AUDITORS

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>



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REVIEW REPORT

To the board of directors of China Financial International Investments Limited

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

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 3 to 43 which comprise the interim condensed consolidated statement of financial position of China Financial International Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 31 December 2018 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

BDO Limited

Certified Public Accountants

Leung Tze Wai
Practising Certificate Number: P06158

Hong Kong, 28 February 2019

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

For the six months ended 30 December 2018

	Notes	Unaudited Six months ended 31 December	
		2018 HK\$'000	2017 HK\$'000
Revenue	5	28,601	32,084
Other income and gains	5	70,573	888
Net change in fair value of financial assets	6	(33,127)	23,694
Finance costs	7	(1,588)	(1,601)
Administrative expenses		(19,185)	(23,860)
Share of profit from an associate		45	205
		<hr/>	<hr/>
Profit before income tax	8	45,319	31,410
Income tax expense	9	(29,424)	(3)
		<hr/>	<hr/>
Profit for the period		15,895	31,407
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified to profit or loss:</i>			
– Change in fair value of equity instrument at fair value through other comprehensive income		(36,156)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Change in fair value of debt instrument at fair value through other comprehensive income		(62,960)	(58,229)
– Reversal of loss allowance for financial assets at fair value through other comprehensive income		(4,626)	–
– Effective interest income from financial assets at fair value through other comprehensive income		(58,900)	–
– Exchange difference on translation of foreign operations		(347)	11,413
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(162,989)	(46,816)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(147,094)	(15,409)
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	11		
– Basic		HK0.14 cents	HK0.29 cents
– Diluted		HK0.14 cents	HK0.29 cents
		<hr/> <hr/>	<hr/> <hr/>

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	<i>Notes</i>	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	633	770
Investment in an associate	13	1,073	1,028
Available-for-sale financial assets	14	–	174,407
Financial assets at fair value through other comprehensive income	15	116,650	–
Financial assets at fair value through profit or loss	16	537,344	725,262
Deposits paid	17	54,571	157,753
		<hr/>	<hr/>
Total non-current assets		710,271	1,059,220
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	15	395,608	–
Financial assets at fair value through profit or loss	16	246,184	338,559
Prepayments, deposits and other receivables	17	26,858	34,461
Cash and cash equivalents		80,301	153,935
		<hr/>	<hr/>
Total current assets		748,951	526,955
CURRENT LIABILITIES			
Other payable and accruals	18	31,409	35,944
Receipt in advance		22,500	22,500
Due to a related company		10	–
Due to an associate	13	124	188
Tax payable		3,866	4,485
		<hr/>	<hr/>
Total current liabilities		57,909	63,117
NET CURRENT ASSETS		<hr/> 691,042	<hr/> 463,838
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,401,313	<hr/> 1,523,058
NON-CURRENT LIABILITIES			
Interest bearing loans	19	62,975	62,975
Deferred tax liabilities	9	29,522	–
		<hr/>	<hr/>
NET ASSETS		<hr/> 1,308,816	<hr/> 1,460,083
EQUITY			
Share capital	20	109,717	109,717
Reserves		1,199,099	1,350,366
		<hr/>	<hr/>
TOTAL EQUITY		<hr/> 1,308,816	<hr/> 1,460,083
Net asset value per share	22	<hr/> HK11.93 cents	<hr/> HK13.31 cents

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 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	Financial assets at fair value through other comprehensive income reserve HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
At 30 June 2018 as originally presented (audited)	109,717	2,067,672	278,979	2,766	(21,920)	-	(8,180)	(968,951)	1,460,083
Initial application of HKFRS 9 (note 2)	-	-	-	-	21,920	(109,685)	-	83,592	(4,173)
Restated balance at 1 July 2018	109,717	2,067,672	278,979	2,766	-	(109,685)	(8,180)	(885,359)	1,455,910
Profit for the period	-	-	-	-	-	-	-	15,895	15,895
Other comprehensive income for the period:									
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	(162,642)	-	-	(162,642)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(347)	-	(347)
Total comprehensive income for the period	-	-	-	-	-	(162,642)	(347)	15,895	(147,094)
At 31 December 2018 (unaudited)	<u>109,717</u>	<u>2,067,672</u>	<u>278,979</u>	<u>2,766</u>	<u>-</u>	<u>(272,327)</u>	<u>(8,527)</u>	<u>(869,464)</u>	<u>1,308,816</u>
At 1 July 2017 (audited)	109,717	2,067,672	278,979	2,766	30,726	-	(14,764)	(896,109)	1,578,987
Profit for the period	-	-	-	-	-	-	-	31,407	31,407
Other comprehensive income for the period:									
Change in fair value of debt instrument at fair value through other comprehensive income	-	-	-	-	(58,229)	-	-	-	(58,229)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	11,413	-	11,413
Total comprehensive income for the period	-	-	-	-	(58,229)	-	11,413	31,407	(15,409)
At 31 December 2017 (unaudited)	<u>109,717</u>	<u>2,067,672</u>	<u>278,979</u>	<u>2,766</u>	<u>(27,503)</u>	<u>-</u>	<u>(3,351)</u>	<u>(864,702)</u>	<u>1,563,578</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,199,099,000 (30 June 2018: HK\$1,350,366,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

	Unaudited	
	Six months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax	45,319	31,410
Adjustments for:		
Share of profit from an associate	(45)	(205)
Interest income	(28,332)	(25,574)
Effective interest income derived from debt instruments of financial assets at FVTOCI	(58,900)	–
Dividend income	(3,068)	(6,565)
Finance costs	1,588	1,601
Depreciation	144	142
Reversal of impairment loss on financial assets at FVTOCI	(4,626)	–
Exchange loss	3,811	–
Net gain on disposal of financial assets at fair value through profit or loss	(5,135)	(23,694)
Fair value change of financial assets at fair value through profit or loss	38,262	–
Impairment loss on deposits and other receivables (Reversal of provision)/Provision for financial guarantee liabilities	(4,248)	10,000
Operating loss before working capital changes	(13,773)	(12,885)
Increase in prepayments, deposits and other receivables	(20,925)	(12,665)
(Decrease)/Increase in other payables and accruals	(287)	7,773
Increase/(Decrease) in an amount due to a related company	10	(73)
(Decrease)/Increase in an amount due to an associate	(64)	114
Purchase of financial assets at fair value through profit or loss	(124,103)	(137,630)
Sales of financial assets at fair value through profit or loss	52,814	17,804
Cash used in operations	(106,328)	(137,562)
Interest received	27,926	24,508
Dividend received	10,276	9,198
Overseas tax paid	(521)	(355)
Net cash used in operating activities	(68,647)	(104,211)
Cash flows from investing activities		
Purchases of property, plant and equipment	(7)	(3)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 31 December 2018

	Unaudited	
	Six months ended 31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in investing activities	(7)	(3)
Cash flows from financing activities		
Interest paid	(1,588)	(1,588)
Net cash used in financing activities	(1,588)	(1,588)
Net decrease in cash and cash equivalents	(70,242)	(105,802)
Cash and cash equivalents at beginning of the period	153,935	416,047
Effect of foreign exchange rate changes	(3,392)	10,490
Cash and cash equivalents at the end of period	80,301	320,735
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	80,301	320,735

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

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

The Company and its subsidiaries (the “Group”) 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”).

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVTOCI”) and available-for-sale financial assets which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. The independent review report issued by BDO Limited to the Board of Directors (the “Board”) is included on page 2.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 30 June 2018. The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 30 June 2018, except for the adoption of the new or revised HKFRSs (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New or Revised HKFRSs – effective 1 July 2018

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 July 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Interpretation 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* has been summarised in below. The adoption of other new or revised HKFRSs has no significant impact on the Group's accounting policies.

HKFRS 9 – Financial Instruments

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and accumulated losses as of 1 July 2018 as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Accumulated losses		
Accumulated losses as at 30 June 2018		(968,951)
Reclassify investments from financial assets at FVTPL to financial assets at FVTOCI	<i>(i)(b)</i>	111,432
Reclassify investments from available-for-sale financial assets to financial assets at FVTPL	<i>(i)(c)</i>	3,968
Increase in expected credit losses ("ECLs") for financial assets at amortised cost	<i>(ii)</i>	(4,173)
Increase in ECLs for debt instruments at FVTOCI	<i>(ii)</i>	(27,635)
		<hr/>
Restated accumulated losses as at 1 July 2018		(885,359)
		<hr/> <hr/>
Available-for-sales financial assets revaluation reserve		
Reserves balance at 30 June 2018		(21,920)
Reclassify investments from available-for-sale financial assets to financial assets at FVTOCI	<i>(i)(a)</i>	25,888
Reclassify investments from available-for-sale financial assets to FVTPL	<i>(i)(c)</i>	(3,968)
		<hr/>
Restated available-for-sale financial assets revaluation reserve balance as at 1 July 2018		–
		<hr/> <hr/>
Financial assets at FVTOCI reserve		
Reserves balance at 30 June 2018		–
Reclassify investments from available-for-sale financial assets to financial assets at FVTOCI	<i>(i)(a)</i>	(25,888)
Reclassify investments from financial assets at FVTPL to financial assets at FVTOCI	<i>(i)(b)</i>	(111,432)
Increase in ECLs for debt instruments at FVTOCI	<i>(ii)</i>	27,635
		<hr/>
Restated financial assets at FVTOCI reserve balance as at 1 July 2018		(109,685)
		<hr/> <hr/>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New or Revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the unaudited interim condensed consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below:

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at FVTOCI; or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Adoption of New or Revised HKFRSs – effective 1 July 2018 (Continued)****HKFRS 9 – Financial Instruments (Continued)***(i) Classification and measurement of financial instruments (Continued)*

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

Amortised cost Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI (debt investments) Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTOCI (equity investments) Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 July 2018, certain equity investments in listed and unlisted entities were reclassified from available-for-sale financial assets at FVTOCI to financial assets at FVTOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as financial assets measured at FVTOCI. As a result, financial assets with a fair value of HK\$152,806,000 were reclassified from available-for-sale financial assets at FVTOCI to financial assets at FVTOCI and the fair value losses of HK\$25,888,000 were reclassified from the available-for-sale financial assets revaluation reserve to the financial assets at FVTOCI reserve on 1 July 2018.

(b) In addition to (a) above, unlisted bond investments previously accounted for as financial assets at FVTPL were reclassified to financial assets at FVTOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. These unlisted bond investments meet the SPPI criterion of HKFRS 9. As such, these unlisted bond investments with fair value of HK\$458,568,000 were reclassified from financial assets at FVTPL to financial assets at FVTOCI and the fair value loss of HK\$111,432,000 was reclassified from the accumulated losses to financial assets at FVTOCI reserve on 1 July 2018.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New or Revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

- (c) As at 30 June 2018, the Group holds a hybrid instrument that included non-derivative host contract and embedded derivatives. Under HKAS 39, the non-derivative host contract, representing the bond component, has been designated as an available-for-sale financial asset at FVTOCI. The embedded derivatives, representing the conversion option which allows the Group to convert the bond into ordinary shares of the bond issuer at an established conversion, has been designated as a derivative financial instrument at fair value.

Upon adoption of HKFRS 9, the non-derivative host contract was reclassified from available-for-sale financial asset at FVTOCI to financial assets at FVTPL. It is because the hybrid financial instrument is assessed as a whole for the classification. As the entire hybrid instrument failed the SPPI criterion of HKFRS 9, it should be classified as financial asset at FVTPL on 1 July 2018. As a result, a financial asset with a fair value of HK\$21,601,000 was reclassified from available-for-sale financial asset at FVTOCI to financial asset at FVTPL and a fair value gain of HK\$3,968,000 was reclassified from the available-for-sale financial assets revaluation reserve to the accumulated losses on 1 July 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at	Carrying amount as at
			1 July 2018 under HKAS 39 HK\$'000	1 July 2018 under HKFRS 9 HK\$'000
Listed equity investments	Available-for-sale financial assets (at fair value) (note 2(i)(a))	Financial assets at FVTOCI	104,800	104,800
Unlisted equity investments	Available-for-sale financial assets (at fair value) (note 2(i)(a))	Financial assets at FVTOCI	48,006	48,006
Non-derivative host contract	Available-for-sale financial assets (at fair value) (note 2(i)(c))	Financial assets at FVTPL	21,601	21,601
Derivative financial instrument	Financial assets at FVTPL (note 2(i)(c))	Financial assets at FVTPL	3,040	3,040
Listed equity investments	Financial assets at FVTPL	Financial assets at FVTPL	335,519	335,519
Unlisted equity investments	Financial assets at FVTPL	Financial assets at FVTPL	266,694	266,694
Unlisted bond investments, secured	Financial assets at FVTPL (note 2(i)(b))	Financial assets at FVTOCI	458,568	430,933
Deposit and other receivables	Loans and receivables	Financial assets amortised cost	191,851	187,678
Cash and cash equivalents	Loans and receivables	Financial assets amortised cost	153,935	153,935

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New or Revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognise ECL for deposits and other receivables, financial assets at amortised costs and debt investments at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For the Group's debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the loss allowance will be estimated based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment and including forward-looking information. The Group's debt investments at FVTOCI are considered to have low credit risk since most of them were supported by corresponding pledged assets of which their fair value is sufficient to recover the debts.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New or Revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The Group's financial assets at amortised cost includes deposits and other receivables and deposits paid for investments. Applying the ECL model result in the recognition of loss allowances for financial assets at amortised cost of HK\$4,173,000 on 1 July 2018 and the loss allowances further increased by HK\$1,457,000 for the six months ended 31 December 2018.

Debt investments at FVTOCI of the Group include unlisted bond investments. Applying the ECL model result in the recognition of loss allowances for debt investments at FVTOCI of HK\$27,635,000 on 1 July 2018 and a reversal of loss allowance of HK\$4,626,000 was made for the six months ended 31 December 2018.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional loss allowances is as follow:

	<i>HK\$'000</i>
Loss allowance as at 1 July 2018 under HKAS 39	–
Loss allowances recognised for financial assets at amortised cost	4,173
Loss allowances recognised for debt investments at FVTOCI	27,635
	<hr/>
Loss allowance as a 1 July 2018 under HKFRS 9	31,808
	<hr/> <hr/>

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the reclassification are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 July 2018. Accordingly, the information presented for June 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Issued but not yet effective HKFRSs**

The Group has not applied the following new or revised HKFRSs that have been issued but not yet effective, in these unaudited interim condensed consolidated financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs ¹
Amendments to HKAS 1 (Revised)	Presentation of Financial statements ²
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors ²
Amendments to HKAS 19	Employee Benefits ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 3 (Revised)	Business Combinations ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

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

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors do not expect the adoption of these new or revised HKFRSs that have been issued but are not yet effective would result in significant impact on the Group's consolidated results and consolidated financial position.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

3. OPERATING SEGMENT INFORMATION (Continued)

Segment results

	Micro-loan service <i>HK\$'000</i>	Real estate and natural gas <i>HK\$'000</i>	Investment in fixed income financial assets <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 December 2018					
Segment results	<u>(85,989)</u>	<u>62,140</u>	<u>87,897</u>	<u>(5,637)</u>	58,411
Share of profit from an associate					45
Unallocated income					7,047
Unallocated expenses					
– Staff costs, including directors' remuneration					(6,439)
– Finance costs					(1,588)
– Others					(12,157)
Profit before income tax					45,319
Income tax credit					(29,424)
Profit for the period					<u>15,895</u>
Six months ended 31 December 2017					
Segment results	<u>(27,774)</u>	<u>(5,821)</u>	<u>46,426</u>	<u>42,947</u>	55,778
Share of profit from an associate					205
Unallocated income					888
Unallocated expenses					
– Provision for financial guarantee liabilities					(10,000)
– Staff costs, including directors' remuneration					(7,311)
– Finance costs					(1,601)
– Others					(6,549)
Profit before income tax					31,410
Income tax expense					(3)
Profit for the period					<u>31,407</u>

Segment results represent the net change in fair value of financial assets, loss allowances for interest receivables and deposits paid, loss allowance for financial assets at FVTOCI, the corresponding dividend income and interest income earned from listed and unlisted investments and effective interest income derived from the unlisted bond investments without allocation of central administration expenses and fees to the investment manager.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

3. OPERATING SEGMENT INFORMATION (Continued)

Segment assets

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

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Micro-loan service	79,529	165,630
Real estate and natural gas	714,114	389,163
Investment in fixed income financial assets	395,608	438,569
Others	106,535	244,866
	<hr/>	<hr/>
Total segment assets	1,295,786	1,238,228
Unallocated assets	163,436	347,947
	<hr/>	<hr/>
	1,459,222	1,586,175

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, deposits paid, prepayments, deposits and other receivables and cash and cash equivalents.

All liabilities as at 31 December 2018 and 30 June 2018 were unallocated liabilities.

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

4. GAIN/(LOSS) ON INVESTMENTS

	Unaudited listed investments <i>HK'000</i>	Unaudited unlisted investments <i>HK'000</i>	Unaudited Total <i>HK'000</i>
<i>Six months ended 31 December 2018</i>			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Financial assets at FVTPL	(60,200)	27,073	(33,127)
Total (loss)/gain included in profit or loss	<u>(60,200)</u>	<u>27,073</u>	<u>(33,127)</u>
<i>Included in other comprehensive income ("OCI"):</i>			
Change in fair value:			
Financial assets at FVTOCI	(30,130)	(68,986)	(99,116)
Total loss included in OCI	<u>(30,130)</u>	<u>(68,986)</u>	<u>(99,116)</u>
Total loss for the period	<u><u>(90,330)</u></u>	<u><u>(41,913)</u></u>	<u><u>(132,243)</u></u>
<i>Six months ended 31 December 2017</i>			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Financial assets at FVTPL	36,443	(12,749)	23,694
Total gain/(loss) included in profit or loss	<u>36,443</u>	<u>(12,749)</u>	<u>23,694</u>
<i>Included in OCI:</i>			
Change in fair value:			
Available-for-sale financial assets	(49,780)	(8,449)	(58,229)
Total loss included in OCI	<u>(49,780)</u>	<u>(8,449)</u>	<u>(58,229)</u>
Total loss for the period	<u><u>(13,337)</u></u>	<u><u>(21,198)</u></u>	<u><u>(34,535)</u></u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

5. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited Six months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Dividend income from listed investments	3,068	6,565
Interest income from unlisted investments	25,533	25,519
	<u>28,601</u>	<u>32,084</u>
Other income and gains		
Bank interest income	2,799	55
Effective interest income derived from debt investments at FVTOCI	58,900	–
Reversal of loss allowance for debt investments at FVTOCI (note 2(ii))	4,626	–
Reversal of provision for financial guarantee liabilities	4,248	–
Exchange gains	–	833
	<u>70,573</u>	<u>888</u>

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	Unaudited Six months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net gain on disposal of financial assets at FVTPL	5,135	3,429
Fair value change of financial assets at FVTPL	(38,262)	20,265
	<u>(33,127)</u>	<u>23,694</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited Six months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on borrowings	1,588	1,601

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Custodian fee	97	94
Depreciation	144	142
Investment management fees	798	1,368
Loss allowance for deposits and other receivable (note 2(ii))	1,457	–
Minimum operating lease payments in respect of properties	2,071	1,154
(Reversal of provision)/Provision for financial guarantee liabilities (note 18)	(4,248)	10,000
Staff costs, including directors' remuneration:		
– Salaries and wages	6,246	6,603
– Pension scheme contributions	93	81
– Staff quarters expenses	100	627
	100	627

9. INCOME TAX EXPENSE

	Unaudited Six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Current – PRC		
– Provision for the period	–	3
– Overprovision in respect of prior year	(98)	–
	(98)	3
Deferred tax – PRC		
– Provision for the period	29,522	–
	29,522	–
	29,424	3

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 period ended 31 December 2018 (31 December 2017: Nil).

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

9. INCOME TAX EXPENSE (Continued)

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the current interim reporting period.

As at 31 December 2018, the Group provided a deferred tax liability of HK\$29,522,000 in respect of the fair value gain on certain unlisted equity investments in the PRC.

10. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 December 2018 (31 December 2017: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the six months ended 31 December 2018 attributable to owners of the Company of HK\$15,895,000 (31 December 2017: HK\$31,407,000), and the weighted average number of ordinary shares of 10,971,634,000 (31 December 2017: 10,971,634,000) in issue during the period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amount presented for the six months ended 31 December 2018 and 2017 in respect of a dilution as no dilutive potential ordinary shares in existence during the period.

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Opening net book value	770	1,052
Additions	7	3
Depreciation provided during the period/year	(144)	(285)
	<hr/>	<hr/>
Closing net book value	633	770

13. INVESTMENT IN AN ASSOCIATE

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Share of net assets	1,073	1,028
Due to an associate (note)	(124)	(188)
	<hr/>	<hr/>
Total	949	840

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

13. INVESTMENT IN AN ASSOCIATE (Continued)

Note:

The amount due is unsecured, interest-free and repayable within one month.

Particulars of the associate are as follows:

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Listed securities, at fair value	–	104,800
Unlisted investments, at fair value	–	69,607
Total	–	174,407

Upon adoption of HKFRS 9, the Company has designated those listed and unlisted securities investments of HK\$104,800,000 and HK\$48,006,000 respectively originally classified as available-for-sale financial assets to financial assets at FVTOCI. In addition, a non-derivative host contract of HK\$21,601,000 under available-for-sale financial assets was reclassified as financial assets at FVTPL. Further details of the Company's investments in financial assets at FVTOCI and financial assets at FVTPL after the transition to HKFRS 9 on 1 July 2018 are included in notes 15 and 16 to the unaudited interim condensed consolidated financial statements respectively.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Non-current portion:			
Listed equity securities	(i)	74,670	–
Unlisted equity investments	(ii)	41,980	–
		116,650	–
Current portion:			
Unlisted bond investments, secured	(iii)	395,608	–
Total		512,258	–

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 31 December 2018, the gross loss in respect of the Group's financial assets at FVTOCI recognised in OCI amounted to HK\$162,642,000.

For the year ended 30 June 2018 (before the adoption of HKFRS 9), the gross loss in respect of the Group's available-for-sale financial assets recognised in OCI amounted to HK\$68,102,000, of which impairment loss of HK\$15,456,000 was reclassified from OCI to profit or loss.

As at 31 December 2018, the above investments consist of listed equity securities (note (i)) and unlisted equity investments (note (ii)) which were designated as financial assets at FVTOCI and have no fixed maturity date or coupon rate. The unlisted bond investments held by the Group are summarised in note (iii) below.

Notes:

(i) Listed equity securities

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period. Particulars of the investment as at 31 December 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 31 December 2018, the 262,000,000 shares (30 June 2018: 262,000,000 shares) representing approximately 8.5% (30 June 2018: 8.5%) 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. As at 31 December 2018, the fair value of the Group's interest in China City Infrastructure was HK\$74,670,000 (30 June 2018: classified as available-for-sale financial assets of HK\$104,800,000 (note 14)).

(ii) Unlisted equity investments

As at 31 December 2018, the Group held the following unlisted equity investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	Unaudited	Unaudited	Audited	Audited
			Unaudited 31 December 2018	Audited 30 June 2018		31 December 2018	31 December 2018	30 June 2018	30 June 2018
						Fair value Cost	Fair value Cost	Fair value Cost	Fair value Cost
						HK\$'000	HK\$'000	HK\$'000	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	200	188,690	312	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")	21,780	43,150	27,694	43,150
Shenzhen Zhongtougxin Asset Management Company Limited ("Zhongtougxin")	(d)	The PRC	30%	30%	Provision of consultation services on project investments	-	18,350	-	18,350
						41,980	48,006*		

* classified as available-for-sale financial assets before adoption of HKFRS 9 (note 14)

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

(ii) Unlisted equity investments (Continued)

- (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 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%.

- (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 at the end of the reporting period. As at the date of this interim report, the disposal transaction has not been completed but still be valid.

- (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 dropped 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.

- (d) On 29 April 2011, the Group invested in a 30% equity interest of Zhongtougjinxin, 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. Zhongtougjinxin is principally engaged in the provision of consultation services for project investments in the PRC.

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

The Group does not hold more than 20% of the controlling power in the board of directors in any of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies of these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTOCI during the six months ended 31 December 2018 (year ended 30 June 2018: available-for-sale financial assets).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

(iii) Unlisted bond investments, secured

Upon adoption of HKFRS 9, the Company has designated unlisted bond investments originally classified as financial assets at FVTPL to financial assets at FVTOCI on 1 July 2018. As at 31 December 2018, the Group held the following unlisted bond investments, secured:

Name of company	Notes	Business nature	Unaudited	Unaudited	Audited	Audited
			31 December 2018 Fair value HK\$'000	31 December 2018 Cost HK\$'000	30 June 2018 Fair value HK\$'000	30 June 2018 Cost HK\$'000
Hollys (China) Limited ("Hollys")	(a)	Engaged in coffee shop franchise in the PRC	191,205	200,000	193,210	200,000
Pure Unity Investments Limited ("Pure Unity")	(b)	Investment holding	98,898	190,000	135,798	190,000
Talent Trend Global Limited ("Talent Trend")	(c)	Investment holding	85,505	160,000	109,560	160,000
Xing Yue Investments Limited ("Xing Yue")	(d)	Investment holding	20,000	20,000	20,000	20,000
			395,608		458,568*	

* classified as financial assets at fair value through profit or loss before adoption of HKFRS 9 (note 16)

Notes:

(a) 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.

At the end of the reporting period, 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.

(b) 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 31 December 2018 and 30 June 2018.

At the end of the reporting period, Mr. Feng Xin is the sole shareholder and the sole director of Pure Unity. The bond is secured by: (1) 100% unlisted equity interests in Pure Unity pledged to the Group by Mr. Feng Xin; and (2) 760,000,000 shares of the Company, with a market value of HK\$112,000,000 (30 June 2018: HK\$172,520,000) held by Pure Unity.

(c) 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.

At the end of the reporting period, Mr. Feng Xu 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; and (2) 640,000,000 shares of the Company, with a market value of HK\$94,000,000 (30 June 2018: 145,280,000) held by Talent Trend.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

(iii) Unlisted bond investments, secured (Continued)

Notes: (Continued)

(d) 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 the end of the reporting period, 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\$29,400,000 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Current portion:			
Financial assets held for trading:			
Listed securities	(i)	222,504	335,519
Hybrid financial instrument	(ii)	23,680	–
Derivative financial instrument	(ii)	–	3,040
		246,184	338,559
Non-current portion:			
Financial assets at FVTPL:			
Unlisted equity investments	(iii)	537,344	266,694
Unlisted bond investments, secured	(iv)	–	458,568
		537,344	725,262

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

Notes:

- (i) The fair values of listed securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period.
- (ii) 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 financial asset previously as disclosed in note 14 above and was reclassified as financial assets at FVTPL upon adoption of HKFRS 9 (note 2(i)(c)). 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") and presented as financial assets at FVTPL. Under HKFRS 9, the hybrid instrument is no longer to divide into non-derivative host contract and embedded derivatives. As a result, non-derivative host contract and embedded derivatives were combined as a whole and presented as a hybrid financial instrument on 1 July 2018.

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.

At the end of the reporting period, the remaining 46,000,000 conversion shares (30 June 2018: the remaining 46,000,000 conversion shares) upon exercise of the conversion right would represent approximately 1.49% (30 June 2018: 1.49%) of the issued share capital of China City Infrastructure.

The fair value of the hybrid 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Notes: (Continued)

(iii) As at 31 December 2018, the Group had the following unlisted equity investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	Unaudited	Unaudited	Audited	Audited
			31 December 2018	Audited 30 June 2018		31 December 2018	31 December 2018	30 June 2018	30 June 2018
						Fair value	Cost	Fair value	Cost
						HK\$'000	HK\$'000	HK\$'000	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	1,662	36,606	3,424	36,606
TiIC Rongshun Micro-Loan Company Limited ("TiIC Rongshun")	(b)	The PRC	10%	10%	Provision of small loan and financial consultation services	4,121	12,189	5,568	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 Binlian Microfinance Limited ("Tianjin Binlian")	(d)	The PRC	3.3%	3.3%	Provision of small loan and financial consultation services	769	12,271	3,170	12,271
Ezhou Zhongjinguotou	(e)	The PRC	50%	50%	Provision of small loan and financial consultation services	19,684	185,000	87,811	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(f)	The PRC	30%	30%	Provision of small loan and financial consultation services	-	73,730	183	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning")	(g)	The PRC	30%	30%	Provision of small loan and financial consultation services	10,395	36,673	7,114	36,673
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(h)	The PRC	30%	30%	Provision of small loan and financial consultation services	9,738	36,741	13,986	36,741
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(i)	The PRC	30%	30%	Provision of small loan and financial consultation services	12,959	56,874	24,062	56,874
<i>Others:</i>									
Xi'an Kairong Financial Service Limited ("Xi'an Kairong")	(j)	The PRC	30%	30%	Provision of financial management services	6,729	18,724	9,228	18,724
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	(k)	The PRC	30%	30%	Provision of financial management services	3,921	19,030	5,488	19,030

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Notes: (Continued)

(iii) As at 31 December 2018, the Group had the following unlisted equity investments: (Continued)

Name	Notes	Place of incorporation/ registration and business	Group's effective interest		Principal activities	Unaudited	Unaudited	Audited	Audited
			Unaudited 31 December 2018	Audited 30 June 2018		31 December 2018	31 December 2018	30 June 2018	30 June 2018
						Fair value	Cost	Fair value	Cost
						HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Others:</i>									
Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(l)	The PRC	36%	30%	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	232,202	230,783	106,660	106,660
Liaoyuan Jufeng Biochimstry Science and Technology Co., Limited ("Liaoyuan Jufeng")	(m)	The PRC	25%	N/A	Manufacturing and selling of ethanol, ethyl acetate, pentane, denatured fuel ethanol, edible alcohol and related chemical products	235,164	116,852	-	-
						<u>537,344</u>	<u>266,694</u>		

- (a) On 24 August 2011, the Group invested in a 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.
- (b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.
- (c) On 29 August 2011, the Group invested in a 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC.

On 22 December 2016, the Company entered into a disposal agreement to dispose of 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 31 December 2018 and 30 June 2018. As at the date of this interim 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.
- (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%.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Notes: (Continued)

(iii) As at 31 December 2018, the Group had the following unlisted equity investments: (Continued)

(e) (Continued)

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

- (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.
- (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.
- (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.
- (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.
- (j) On 18 December 2012, the Group invested in a 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC.
- (k) On 22 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.
- (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.

Since the Group also invested in a 25% equity interest of Liaoyuan Jufeng (note (m)) which has 24% equity interest in Henan Tianguan, the effective interest held by the Group in Henan Tianguan was approximately 36%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30% in Henan Tianguan.

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

Notes: (Continued)

(iii) As at 31 December 2018, the Group had the following unlisted equity investments: (Continued)

(m) On 28 June 2018, the Group invested in a 25% equity interest of Liaoyuan Jufeng, a limited liability company established in the PRC. The principal activities of Liaoyuan Jufeng is same as that of Henan Tianguan (note (n)). According to the investment agreement, 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 a result, the investment cost of RMB100,000,000 (equivalent to approximately HK\$118,512,000) was recorded as deposits paid as at 30 June 2018. Liaoyuan Jufeng is principally engaged in the manufacturing and selling of ethanol, ethyl acetate, pentane, denatured fuel ethanol, edible alcohol and related chemical products.

On 26 October 2018, the legal title of such 25% equity interests was successfully transferred to the Group and, thus, the corresponding amount of deposit paid amounted to HK\$118,512,000 (note 17) was transferred from deposits paid to financial assets at FVTPL accordingly.

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

The Group does not hold more than 20% of the controlling power in the board of directors in any of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies of these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the six months ended 31 December 2018 and for the year ended 30 June 2018.

(iv) Upon adoption of HKFRS 9, the Company has reclassified those unlisted bond investments, secured originally classified as financial assets at FVTPL to financial assets at FVTOCI on 1 July 2018. Further details of the Company's investments in financial assets at FVTOCI after the transition to HKFRS 9 on 1 July 2018 are included in note 15(iii) to the unaudited interim condensed consolidated financial statements.

17. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
<i>Notes</i>		
Current portion:		
Prepayments	726	363
Deposits	629	822
Dividends receivable	–	7,806
Other receivables	25,503	25,470
	<u>26,858</u>	<u>34,461</u>
Non-current portion:		
Deposits paid	54,571	157,753

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

17. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES (Continued)

Notes:

- (i) The balance of receivables are unsecured, interest free and repayable on demand.
- (ii) Deposits paid

	Notes	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Deposits paid for potential investment:			
Liaoyuan Jufeng	(a)	–	118,512
Shenzhen Xinyu Tianfan Mining Development Company Limited	(b)	18,483	19,241
Mr. Peng Kexi	(c)	40,000	20,000
		58,483	157,753
Less: loss allowance		(3,912)	–
		54,571	157,753

Notes:

- (a) 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. Pursuant to the investment agreement signed on 28 June 2018, the investment in Liaoyuan Jufeng by the Group would be effective upon the legal title of such 25% equity interests was successfully transferred to the Group. Since the transfer of such 25% equity interests in Liaoyuan Jufeng was not completed on or before 30 June 2018, the amount of RMB100,000,000 paid by the Group was recorded as deposits paid accordingly.

On 26 October 2018, the legal title of such 25% equity interests in Liaoyuan Jufeng was successfully transferred to the Group and the corresponding deposit paid was recognised as financial assets at FVTPL as at 31 December 2018 (note 16(iii)(m)).

- (b) During the year ended 30 June 2018, Keyi (Shanghai) Investments Limited (“Keyi (Shanghai)”), 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. As at 31 December 2018, such deposit paid of RMB16,235,700 (equivalent to approximately HK\$18,483,000) remained unchanged. During the six months ended 30 June 2018, a provision for loss allowance of HK\$258,000 was made for the deposit paid to Xinyu Tianfan in profit or loss while a provision of loss allowance of HK\$906,000 was made as opening adjustment in the unaudited interim condensed consolidated statement of changes in equity under HKFRS 9.
- (c) 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. As at 31 December 2018, the deposit balance remained unchanged.

During the six months ended 31 December 2018, another deposit of HK\$20,000,000 was provided to Mr. Peng for seeking and recommending potential investments in the PRC to the Company with a term of two years. The deposit will also be refunded after the period expired and is interest free. During the six months ended 31 December 2018, a provision for loss allowance of HK\$610,000 was made for the deposits paid to Mr. Peng in profit or loss while a provision of loss allowance of HK\$2,138,000 was made as opening adjustment in the unaudited interim condensed consolidated statement of changes in equity under HKFRS 9.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

18. OTHER PAYABLE AND ACCRUALS

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Provision (note)	29,738	33,986
Other payables and accruals	1,671	1,958
	31,409	35,944

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 (30 June 2018: RMB75,000,000). The Group holds 30% equity interest in each of TianJin XEDA (note 15(ii) (b)) and Tianjin Rongyang (note 16(iii)(h)) as of 31 December 2018 and 30 June 2018. 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. As at 31 December 2018, a provision for guarantee liability amounted to HK\$29,738,000 (30 June 2018: HK\$33,986,000) have been made against the potential exposures that may be borne by the Group under such guarantee.

19. BORROWINGS

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Interest bearing loans – unsecured	62,975	62,975
Analysed into:		
Loans repayable:		
In the two to fifth years, inclusive	62,975	62,975

As at 31 December 2018 and 30 June 2018, 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

20. SHARE CAPITAL

	Unaudited 31 December 2018		Audited 30 June 2018	
	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>

21. SHARE OPTIONS

(a) Share Option Scheme

The Company has a share option scheme for eligible employees of the Group. As at 30 June 2018, all outstanding share options were lapsed and no new share options were granted, exercised or forfeited during the six months ended 31 December 2018.

(b) Share Options

On 7 April 2014, the Company granted an aggregate of 200,000,000 share options each to United Truth Group Limited and GCA Special Situations (A) Limited under a specific mandate for their provision of consultancy services to the Company. As at 30 June 2018, all outstanding share options were lapsed and no new share options were granted, exercised or forfeited during the six months ended 31 December 2018.

No share option was outstanding as at 31 December 2018 and 30 June 2018.

22. 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 31 December 2018 of HK\$1,308,816,000 (30 June 2018: HK\$1,460,083,000) and 10,971,634,000 ordinary shares in issue as at 31 December 2018 (30 June 2018: 10,971,634,000 ordinary shares).

23. RELATED PARTY TRANSACTIONS

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

		Unaudited Six months ended 31 December	
	Notes	2018 HK\$'000	2017 HK\$'000
Investment management fee paid/payable to CFIM	(i)	<u>798</u>	<u>1,368</u>
Legal advisory fees paid/payable to Michael Li & Co	(ii)	<u>89</u>	<u>–</u>

23. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (i) An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, CFIMM on 26 April 2017 to renew the appointment of CFIMM 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 Investment Management Agreement, CFIMM 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 CFIMM on the last business day of each calendar month.
- (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.

(b) Compensation of key management personnel of the Group

	Notes	Unaudited Six months ended 31 December	
		2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	(i)	3,127	5,516
Pension scheme contributions	(ii)	9	54
		<u>3,136</u>	<u>5,570</u>

24. COMMITMENTS

The Group leases its office premises under an operating lease arrangement with negotiated terms of two to three years. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Within one year	3,677	3,591
In the second to fifth years, inclusive	2,011	3,721
	<u>5,688</u>	<u>7,312</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value measurement

A number of assets and liabilities included in these unaudited interim condensed consolidated financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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

Financial assets measured at fair value

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>As at 31 December 2018 (unaudited)</i>				
Financial assets at FVTOCI:				
– Listed investments	74,670	–	–	74,670
– Unlisted investments	–	–	41,980	41,980
– Unlisted bond investments, secured	–	–	395,608	395,608
Financial assets at FVTPL				
– Listed securities	222,504	–	–	222,504
– Hybrid financial instrument	–	–	23,680	23,680
– Unlisted equity investments	–	–	537,344	537,344
	<u>297,174</u>	<u>–</u>	<u>998,612</u>	<u>1,295,786</u>
<i>As at 30 June 2018 (audited)</i>				
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
	<u>440,319</u>	<u>24,641</u>	<u>773,268</u>	<u>1,238,228</u>

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

Financial assets measured at fair value (Continued)

During the six months ended 31 December 2018, a non-derivative host contract and derivative financial instrument were assessed as a whole upon the adoption of HKFRS 9 (note 2(i)(c)). Therefore, there were transfers of the corresponding fair value measurements from Level 2 to Level 3 for financial assets while 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 liabilities.

During the year ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities.

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

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

The fair values of the interest bearing loans 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 at 31 December 2018 was assessed to be insignificant.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 30 June 2018:

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity investments classified as financial assets at FVTOCI/Available-for-sale financial assets				
<i>Micro-loan service</i>	Market comparable companies	Price to book ratio ("PB ratio")	31 December 2018: 0.2901 to 0.9533	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 31 December 2018, the Group's OCI would have increased by HK\$135,000 (30 June 2018: HK\$6,343,000). Had the lowest PB ratio among the comparables been used as at 31 December 2018, the Group's OCI would have decreased by HK\$98,000 (30 June 2018: HK\$5,406,000).
			30 June 2018: 0.4983 to 0.8912	
	Market comparable companies	Lack of marketability discount ("LOMD")	31 December 2018: 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 31 December 2018, the Group's OCI would have increased by HK\$14,000 (30 June 2018: HK\$1,396,000). Had the LOMD increased by 5% as at 31 December 2018, the Group's OCI would have decreased by HK\$14,000 (30 June 2018: HK\$1,396,000).
			30 June 2018: 25%	

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Financial assets measured at fair value (Continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Others</i>	Market comparable companies	PB ratio	31 December 2018: 0.2901 to 0.9533 30 June 2018: 0.4389 to 0.8912	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 31 December 2018, the Group's OCI would have increased by HK\$14,711,000 (30 June 2018: HK\$7,551,000). Had the lowest PB ratio among the comparables been used as at 31 December 2018, the Group's OCI would have decreased by HK\$10,677,000 (30 June 2018: HK\$7,985,000).
	Market comparable companies	LOMD	31 December 2018: 30% 30 June 2018: 25%	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 31 December 2018, the Group's OCI would have increased by HK\$1,556,000 (30 June 2018: HK\$1,846,000). Had the LOMD increased by 5% as at 31 December 2018, the Group's OCI would have decreased by HK\$1,556,000 (30 June 2018: HK\$1,846,000).
Unlisted equity investments classified as financial assets at FVTPL				
<i>Micro-loan service</i>	Market comparable companies	PB ratio	31 December 2018: 0.2901 to 0.9533 30 June 2018: 0.4389 to 0.8912	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 31 December 2018, the Group's profit or loss would have increased by HK\$40,074,000 (30 June 2018: HK\$39,621,000). Had the lowest PB ratio among the comparables been used as at 31 December 2018, the Group's profit or loss would have decreased by HK\$29,083,000 (30 June 2018: HK\$44,661,000).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Financial assets measured at fair value (Continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Micro-loan service</i>	Market comparable companies	LOMD	31 December 2018: 30% 30 June 2018: 25%	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 31 December 2018, the Group's profit or loss would have increased by HK\$4,238,000 (30 June 2018: HK\$9,688,000). Had the LOMD increased by 5% as at 31 December 2018, the Group's profit or loss would have decreased by HK\$4,238,000 (30 June 2018: HK\$9,688,000).
<i>Others</i>	Market comparable companies	PB ratio	31 December 2018: 0.2901 to 0.9533 30 June 2018: 0.4389 to 0.8912	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 31 December 2018, the Group's profit or loss would have increased by HK\$7,193,000 (30 June 2018: HK\$4,012,000). Had the lowest PB ratio among the comparables been used as at 31 December 2018, the Group's profit or loss would have decreased by HK\$5,220,000 (30 June 2018: HK\$4,243,000).
	Market comparable companies	Ratio of enterprise value over earnings before interest, tax, depreciation and amortisation ("EV/EBITDA ratio")	31 December 2018: 0.7544 to 14.7497 30 June 2018: Nil	The fair values of companies are also determined with reference to multiples of comparable listed companies, using the average of the EV/EBITDA ratios of comparables. The fair value measurement is positively correlated to the EV/EBITDA ratios. Had the highest EV/EBITDA ratio among the comparables been used as at 31 December 2018, the Group's profit or loss would have increased by HK\$754,862,000 (30 June 2018: Nil). Had the lowest EV/EBITDA ratio among the comparables been used as at 31 December 2018, the Group's profit or loss would have decreased by HK\$732,740,000 (30 June 2018: Nil).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Others</i>	Market comparable companies	LOMD	31 December 2018: 30% 30 June 2018: 25%	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 31 December 2018, the Group's profit or loss would have increased by HK\$34,143,000 (30 June 2018: HK\$981,000). Had the LOMD increased by 5% as at 31 December 2018, the Group's profit or loss would have decreased by HK\$34,143,000 (30 June 2018: HK\$981,000).
<i>Hollys</i>	Hull-White-One-Factor interest rate model	Credit spread	31 December 2018: 13.80% 30 June 2018: 10.12%	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 31 December 2018, the Group's OCI would have increased by HK\$6,585,000 (30 June 2018: the Group's profit or loss would have increased by HK\$6,665,000). Had the credit spread increased by 5% as at 31 December 2018, the Group's OCI would have decreased by HK\$6,097,000 (30 June 2018: the Group's profit or loss would have decreased by HK\$10,114,000).
<i>Pure Unity & Talent Trend</i>	Monte Carlo simulation	Volatility	31 December 2018: 46.70% 30 June 2018: 43.99%	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 31 December 2018, the Group's OCI would have increased by HK\$2,484,000 (30 June 2018: the Group's profit or loss would have increased by HK\$7,820,000). Had the volatility increased by 5% as at 31 December 2018, the Group's OCI would have decreased by HK\$1,853,000 (30 June 2018: the Group's profit or loss would have decreased by HK\$5,459,000).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<i>Hybrid financial instruments</i>	Crank-Nicolson finite-difference method	Volatility	31 December 2018: 73.31%	The fair values of companies are determined with reference to Crank-Nicolson finite-difference method, using the volatility for valuation. The fair value measurement is positively correlated to the volatility. Had the volatility increased by 5% as at 31 December 2018, the Group's profit or loss would have increased by HK\$170,000 (30 June 2018: Nil). Had the volatility decreased by 5% as at 31 December 2018, the Group's profit or loss would have decreased by HK\$161,000 (30 June 2018: Nil).
			30 June 2018: Nil	
	Crank-Nicolson finite-difference method	Credit spread	31 December 2018: 11.26%	The fair values of companies are determined with reference to Crank-Nicolson finite-difference method, 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 31 December 2018, the Group's profit or loss would have increased by HK\$450,000 (30 June 2018: Nil). Had the credit spread increased by 5% as at 31 December 2018, the Group's profit or loss would have decreased by HK\$421,000 (30 June 2018: Nil).
30 June 2018: Nil				

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2018

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

Financial assets measured at fair value (Continued)

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

	Unaudited 31 December 2018 HK\$'000	Audited 30 June 2018 HK\$'000
Available-for-sale financial assets:		
Opening balance	48,006	63,232
Total losses recognised in profit or loss	–	(15,456)
Reclassification from OCI to profit or loss	–	15,456
Total losses recognised in OCI	–	(15,226)
Initial recognition of HKFRS 9 – reclassify to financial assets at FVTOCI	(48,006)	–
	<u>–</u>	<u>–</u>
Closing balance	<u>–</u>	<u>48,006</u>
Financial assets at FVTOCI:		
Opening balance	–	–
Initial recognition of HKFRS 9		
– reclassified from available-for-sale financial assets	48,006	–
– reclassified from financial assets at FVTPL	458,568	–
Total losses recognised in OCI	(68,986)	–
	<u>437,588</u>	<u>–</u>
Financial assets at FVTPL (unlisted investments):		
Opening balance	725,262	654,802
Initial recognition of HKFRS 9 – reclassify to financial assets at FVTOCI	(458,568)	–
Total gains/(losses) recognised in profit or loss	28,034	(56,200)
Transfer from level 2 financial assets	23,680	–
Purchases	242,616	126,660
	<u>561,024</u>	<u>725,262</u>

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

Financial assets measured at fair value (Continued)

The fair values of listed equity investments are determined based on quoted market prices. The fair values of unlisted bond investments and unlisted equity investments classified as at financial assets at FVTPL or financial assets at FVTOCI 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 or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

26. EVENTS AFTER THE REPORTING PERIOD

In January 2019, Keyi (Shanghai), a wholly-owned subsidiary of the Company, has entered into an agreement with Hunan South China New Energy Limited (“湖南華南新能源有限公司”) (“South China New Energy”) to inject capital contribution of RMB45,000,000 into South China New Energy for acquiring 30% of South China New Energy’s equity interest. South China New Energy is engaged in new energy technologies development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemicals and precursor chemicals). On 23 January 2019, the legal title of the 30% equity interest in South China New Energy has been successfully transferred to Keyi (Shanghai).

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 February 2019.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the investments in the listed and unlisted companies established and/or doing business in Hong Kong and the People's Republic of China (the "PRC" or, "China").

The Group recorded a profit of HK\$15,895,000 for the six months ended 31 December 2018 (the "Period"), as compared to a profit of HK\$31,407,000 for the same period last year. The profit was mainly attributable to the following reasons:

- (i) the interest income of HK\$25,533,000 from the unlisted investments; and
- (ii) effective interest income derived from debt instruments at fair value through other comprehensive income of HK\$58,900,000.

The profit is partly offset by change in fair value of listed and unlisted securities of HK\$38,262,000 and administrative expenses of HK\$19,185,000.

LISTED INVESTMENT REVIEW

During the Period, the Group recorded the total loss of HK\$90,330,000 on listed securities business as compared to a loss of HK\$13,337,000 for the same period last year. Dividend income of HK\$3,068,000 from listed investments was recorded for the Period (31 December 2017: HK\$6,565,000).

As at 31 December 2018, the market value of the listed securities amounted to HK\$297,174,000 (30 June 2018: HK\$440,319,000). All the listed securities were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 31 December 2018 <i>HK\$'000</i>	Dividend received during the Period <i>HK\$'000</i>	% to the Group's net assets as at 31 December 2018
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	3,154	–	0.24%
China City Infrastructure Group Limited ("China City Infrastructure")	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	557,735,429	18.13%	159,240	–	12.17%
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	18,555,000	0.24%	63,829	2,948	4.88%
China Communications Construction Co. Ltd.	Infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	70,951	120	5.42%
				297,174	3,068	

UNLISTED INVESTMENT REVIEW

For the Period, the total loss on the Group's unlisted investment portfolio recorded as HK\$41,913,000 (31 December 2017: HK\$21,198,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investments in fixed income financial assets. No dividend income was recorded for the six months ended 31 December 2018 and 2017, the interest income of HK\$25,533,000 from the unlisted investments was recorded (31 December 2017: HK\$25,519,000).

The fair value of the Group's unlisted investments increased by 25.15% to HK\$998,612,000 (30 June 2018: HK\$797,909,000).

Unlisted Equity Investments and Unlisted Convertible Bond Investment

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

Beside small loan industry, the Group made several investments to clean energy industry during the period. 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	Fair value at		% to the Group's net assets as at 31 December 2018
					Cost HK\$'000	31 December 2018 HK\$'000	
Micro-loan service							
1 Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(1)	Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	200	0.02%
2 TianJin XEDA Microfinance Co., Ltd.		Tianjin	30%	Provision of small loan and financial consultation services	72,450	20,000	1.53%
3 Tianjin Rongshun Microfinance Limited		Tianjin	30%	Provision of small loan and financial consultation services	36,606	1,662	0.13%
4 TIIC RongShun Micro-Loan Company Limited		Tianjin	10%	Provision of small loan and financial consultation services	12,189	4,121	0.31%
5 Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(2)	Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	-
6 Tianjin Binlian Microfinance Limited		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	769	0.06%
7 Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(3)	Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	19,684	1.50%

UNLISTED INVESTMENT REVIEW (Continued)
Unlisted Equity Investments and Unlisted Convertible Bond Investment (Continued)

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

Name of company	Notes	Location	Group's effective interest	Business nature	Fair value at		% to the Group's net assets as at
					31 December 2018	31 December 2018	
					Cost HK\$'000	HK\$'000	
8 Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	–	–
9 Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	10,395	0.79%
10 Tianjin Rongyang Micro-Loan Limited		Tianjin	30%	Provision of small loan and financial consultation services	36,741	9,738	0.74%
11 Zhenjiang CFI Guosen Technology Microfinance Corporation Limited		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	12,959	0.99%
				Sub-total:	<u>747,917</u>	<u>79,528</u>	
Guarantee Service							
12 Jiangxi Huazhang Hanchen Guarantee Group Limited	(4)	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	21,780	1.66%
Investment and management consultation service							
13 Shenzhen Zhongtounjinxin 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	6,729	0.51%
15 Hubei Zhongjin Tech Financial Services Co., Ltd.		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	3,921	0.30%
				Sub-total:	<u>56,104</u>	<u>10,650</u>	
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	23,680	1.81%

UNLISTED INVESTMENT REVIEW (Continued)
Unlisted Equity Investments and Unlisted Convertible Bond Investment (Continued)

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

Name of company	Notes	Location	Group's effective interest	Business nature	Fair value at		% to the Group's net assets as at	
					31 December 2018	31 December 2018		
					Cost			
					HK\$'000	HK\$'000		
Clean energy								
17	Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(6)	Henan Province	36%	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	225,513	232,202	17.74%
18	Liaoyuan Jufeng Biochemistry Science and Technology Co., Limited ("Liaoyuan Jufeng")	(7)	Jilin Province	25%	Manufacturing and selling of ethanol, ethyl acetate, pentane, denatured fuel ethanol, edible alcohol and related chemical products	116,852	235,164	17.97%
					342,365	467,360		
				Total:	1,212,536	603,004		

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%.

- (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.

UNLISTED INVESTMENT REVIEW (Continued)

Unlisted Equity Investments and Unlisted Convertible Bond Investment (Continued)

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

- (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. On 31 July 2018, Henan Tianguan increased the registered capital from RMB300,000,000 to RMB660,000,000 hence Keyi (Shanghai) Investments Limited ("Keyi") and Joy State Holdings Limited, wholly-owned subsidiaries of the Company, further injected RMB30,000,000 and RMB78,000,000 respectively. Since the Group also invested in a 25% equity interest of Liaoyuan Jufeng (note (7)) which has 24% equity interest in Henan Tianguan, the effective interest held by the Group in Henan Tianguan was approximately 36%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30% in Henan Tianguan.
- (7) On 28 June 2018, Keyi entered into the investment agreement in relation to acquire 25% of the enlarged registered capital of Liaoyuan Jufeng. The related legal title transferred to the Keyi on 26 October 2018 hence the 25% equity interest of Liaoyuan Jufeng is recorded as investment for the period ended 31 December 2018.

UNLISTED BOND INVESTMENTS

The Group invested three 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:

Unlisted bond portfolio

Name of company	Notes	Business nature	Cost HK\$'000	Fair value at 31 December 2018 HK\$'000	% to the Group's net assets as at 31 December 2018
Hollys (China) Limited ("Hollys")	(1)	Engaged in coffee shop franchise in the PRC	200,000	191,205	14.61%
Pure Unity Investments Limited ("Pure Unity")	(2)	Investment holding	190,000	98,898	7.56%
Talent Trend Global Limited ("Talent Trend")	(3)	Investment holding	160,000	85,505	6.53%
Xing Yue Investments Limited ("Xing Yue")	(4)	Investment holding	20,000	20,000	1.53%
			570,000	395,608	

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 31 December 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 as subscriber, 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 31 December 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 as subscriber entered into a subscription agreement dated 8 March 2018 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. The bond was already overdue as at 30 June 2018 and the management is 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.

PROSPECT

The Company is expected to continue to focus on China's bioethanol sector with the aim to maximize value for the shareholders of the company.

China plans to mandatorily promote the use of ethanol in gasoline (E10 gasoline) nationally by the end of 2020. Based on the expected motor gasoline consumption, the annual supply of bioethanol is approximately 13 million metric tons in 2020.

So far, the Company has jointly established Henan Tianguan Energy and Biotechnology Company Limited in May 2018, and also invested Liaoyuan Jufeng Biochemistry Science and Technology Co., Ltd in October 2018.

Moreover, the Company signed an agreement with Hunan South China Petroleum & Chemical Limited to acquire 30% equity interest of Hunan South China New Energy Limited. The purpose is to build an ethanol biofuel mixing facility in Hunan province, which will give us a strategic asset that can cover future delivery of key regions across central China.

As the Group's business is moving forward towards its strategic goals, the Board will carefully assess and minimize potential risks and strive to generate more returns to all shareholders.

MAJOR ACQUISITIONS AND DISPOSALS

In December 2018, the Group entered into an agreement to dispose of its 100% investment in South South Asia-Pacific Bioenergy Limited, a directly wholly-owned subsidiary of the Group, to independent third parties at consideration of USD10,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2018, the Group had cash and cash equivalents of HK\$80,301,000 (30 June 2018: HK\$153,935,000). 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 31 December 2018 was approximately 12.93 times (30 June 2018: 8.35 times), gearing ratio (total liabilities to total assets) of the Group as at 31 December 2018 was approximately 10.31% (30 June 2018: 7.95%).

The Group did not have any bank borrowing as at 31 December 2018 (30 June 2018: Nil). The Group did not have any capital commitments as at 31 December 2018 (30 June 2018: Nil).

INTERIM DIVIDEND

The Board of the Directors does not recommend any payment of interim dividend for the Period (2017: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, there were no charges on the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018.

CAPITAL STRUCTURE

As at 31 December 2018, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,308,816,000 (30 June 2018: HK\$1,460,083,000) and approximately 10,971,634,030 (30 June 2018: 10,971,634,030), 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 Period, 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 31 December 2018, the Group had 16 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$6,439,000 (2017: HK\$7,311,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the ordinary shares, share options, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held				Approximate percentage of shareholding in the Company
		Personal interests	Interests of spouse	Corporate interests	Total interests	
Du Lin Dong (<i>note</i>)	Beneficial owner, interests of spouse and interests of controlled corporation	185,914,830	34,400,000	500,000,000	720,314,830	6.57%
Ding Xiaobin	Beneficial owner	1,300,000	–	–	1,300,000	0.01%
Zeng Xianggao	Beneficial owner	1,000,000	–	–	1,000,000	0.01%

Note: Mr. Du Lin Dong is personally holding 185,914,830 ordinary shares. The 34,400,000 ordinary shares were held by Ms. Liu Zan, who is the spouse of Mr. Du Lin Dong, and the 500,000,000 ordinary shares were held by Rightfirst, 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 31 December 2018, none of the Directors nor the chief executive of the Company and their respective associates had or was deemed to have any interests and short positions in the ordinary shares, share options, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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 Shiyang	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	5.28%
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%

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

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

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 31 December 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.

SHARE OPTION SCHEME

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme on 15 January 2008. At the annual general meeting of the Company on 15 December 2017, the shareholders approved to terminate the existing share option scheme adopted on 15 January 2008 and to adopt the new share option scheme of the Company (the "Scheme"). Under the Scheme, the Directors may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. As at 31 December 2018, no any share options were granted, exercised, lapsed, forfeited or outstanding.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

The Board will continue to monitor and review the Company’s corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) which comprises three independent non-executive Directors namely, Mr. Zhang Jing (chairman of the audit committee), Mr. Zeng Xianggao and Mr. Li Cailin. The Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management system, internal control systems and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements for the Period before recommending them to the Board for approval. The Audit Committee is established with specific terms of references which deal clearly with the committee’s authority and duties and is available on the website of the Stock Exchange and the Company.

EVENTS AFTER THE REPORTING PERIOD

In January 2019, Keyi (Shanghai), a wholly-owned subsidiary of the Company, has entered into an agreement with Hunan South China New Energy Limited (“湖南華南新能源有限公司”)(“South China New Energy”) to inject capital contribution of RMB45,000,000 into South China New Energy for acquiring 30% of South China New Energy’s equity interest. South China New Energy is engaged in new energy technologies development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemicals and precursor chemicals). On 23 January 2019, the legal title of 30% equity interest in South China New Energy has been successfully transferred to Keyi (Shanghai).

REVIEW OF ACCOUNTS

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

Other Information

APPRECIATION

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

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

Hong Kong, 28 February 2019