



**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  
**2019**

## BOARD OF DIRECTORS

### Executive Director

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

### Non-executive Directors

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

### 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

Moore Stephens CPA 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 2001, 20/F, Tower 1  
The Gateway  
Harbour City, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
4th Floor Cedar House  
41 Cedar Avenue  
Hamilton, HM 12  
Bermuda

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
Level 54, 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>



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

For the six months ended 31 December 2019

	Notes	Unaudited Six months ended 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	4	<b>19,199</b>	28,601
Other income	4	5,960	70,573
Fair value loss on financial assets at fair value through profit or loss ("FVTPL")		(88,255)	(33,127)
Impairment loss on debt instruments at fair value through other comprehensive income ("FVTOCI")		(17,015)	–
Administrative expenses		(14,478)	(19,185)
Share of profit from an associate		8	45
Finance costs	5	(1,676)	(1,588)
(Loss) profit before tax		(96,257)	45,319
Income tax expense	6	–	(29,424)
<b>(Loss) profit for the period</b>	7	<b>(96,257)</b>	15,895
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
– Fair value loss on equity instruments at FVTOCI		(34,755)	(36,156)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
<i>Debt instruments at FVTOCI</i>			
– Change in fair value of debt instruments at FVTOCI		(17,015)	(62,960)
– Adjustment for expected credit loss (reversal of expected credit loss) included in profit or loss		17,015	(4,626)
– Effective interest income from financial assets at FVTOCI		–	(58,900)
– Exchange difference arising on translation of foreign operations		–	(126,486)
		(1,054)	(347)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<b>(35,809)</b>	(162,989)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<b>(132,066)</b>	(147,094)
<b>(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic	9	HK(0.88) cents	HK0.14 cents
– Diluted	9	HK(0.88) cents	HK0.14 cents

# Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Notes</i>	<b>Unaudited 31 December 2019 HK\$'000</b>	Audited 30 June 2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	350	491
Right-of-use assets		2,554	–
Interest in an associate	11	1,161	1,153
Financial assets at FVTPL	12	551,851	313,408
Equity instruments at FVTOCT	13	61,703	96,458
Deposits	14	194	197
		<hr/>	<hr/>
Total non-current assets		<b>617,813</b>	411,707
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	14	60,254	201,364
Financial assets at FVTPL	12	154,189	214,763
Debt instruments at FVTOCI	15	161,019	302,234
Bank balances and cash		45,440	36,124
		<hr/>	<hr/>
Total current assets		<b>420,902</b>	754,485
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		10,022	3,518
Amount due to an associate		–	114
Tax payable		4,200	4,200
Borrowings	16	9,990	9,990
Lease liabilities		1,703	–
Financial guarantee contracts	17	6,287	10,679
		<hr/>	<hr/>
Total current liabilities		<b>32,202</b>	28,501
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>388,700</b>	725,984
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,006,513</b>	1,137,691
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		888	–
Borrowings	16	52,985	52,985
		<hr/>	<hr/>
Total non-current liabilities		<b>53,873</b>	52,985
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>952,640</b>	1,084,706
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Share capital		109,717	109,717
Reserves		842,923	974,989
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>952,640</b>	1,084,706
		<hr/> <hr/>	<hr/> <hr/>
Net asset value per share	23	<b>HK8.68 cents</b>	HK9.89 cents
		<hr/> <hr/>	<hr/> <hr/>

# Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2019 (audited)	109,717	2,067,672	278,979	2,766	(4,296)	(13,426)	(1,356,706)	1,084,706
Loss for the period	-	-	-	-	-	-	(96,257)	(96,257)
Other comprehensive loss for the period:								
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(34,755)	-	-	(34,755)
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,054)	-	(1,054)
Total comprehensive expense for the period	-	-	-	-	(34,755)	(1,054)	(96,257)	(132,066)
At 31 December 2019 (unaudited)	<u>109,717</u>	<u>2,067,672</u>	<u>278,979</u>	<u>2,766</u>	<u>(39,051)</u>	<u>(14,480)</u>	<u>(1,452,963)</u>	<u>952,640</u>
At 1 July 2018 (audited)	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>(272,327)</u>	<u>(8,527)</u>	<u>(869,464)</u>	<u>1,308,816</u>

# Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	Unaudited	
	Six months ended 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
(Loss) profit before tax	(96,257)	45,319
Adjustments for:		
Share of profit from an associate	(8)	(45)
Interest income	(18,508)	(28,332)
Effective interest income derived from debt instruments of financial assets at FVTOCI	–	(58,900)
Dividend income	(946)	(3,068)
Finance costs	1,676	1,588
Depreciation	988	144
Impairment of/(Reversal of impairment loss) on financial assets at FVTOCI	17,015	(4,626)
Exchange loss	–	3,811
Net gain on disposal of financial assets at fair value through profit or loss	–	(5,135)
Fair value change of financial assets at fair value through profit or loss	88,255	38,262
(Reversal of) impairment loss on deposits and other receivables	(1,313)	1,457
Reversal of provision for financial guarantee liabilities	(4,392)	(4,248)
	<hr/>	<hr/>
<b>Operating loss before working capital changes</b>	(13,490)	(13,773)
Decrease/(Increase) in prepayments, deposits and other receivables	134,846	(20,925)
Increase/(Decrease) in other payables and accruals	6,542	(287)
Increase in an amount due to a related company	–	10
Decrease in an amount due to an associate	(114)	(64)
Purchase of financial assets at fair value through profit or loss	(118,006)	(124,103)
Sales of financial assets at fair value through profit or loss	–	52,814
	<hr/>	<hr/>
<b>Cash generated from/(used in) operations</b>	9,778	(106,328)
Interest received	255	27,926
Dividend received	946	10,276
Overseas tax paid	–	(521)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	10,979	(68,647)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	–	(7)
	<hr/>	<hr/>



# Consolidated Statement of Cash Flows (Continued)

For the six months ended 31 December 2019

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash used in investing activities</b>	–	(7)
<b>Cash flows from financing activities</b>		
Interest paid	(1,676)	(1,588)
Repayment of lease liabilities	(811)	–
<b>Net cash used in financing activities</b>	(2,487)	(1,588)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,492</b>	<b>(70,242)</b>
Cash and cash equivalents at beginning of the period	<b>36,124</b>	153,935
Effect of foreign exchange rate changes	<b>824</b>	(3,392)
<b>Cash and cash equivalents at the end of period</b>	<b>45,440</b>	80,301
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>45,440</b>	80,301



# Notes to the Consolidated Financial Statements

For the six months ended 31 December 2019

## 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 2001, 20th Floor, Tower 1, The Gateway, Harbour City, Kowloon, 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 2019 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 FVTPL and financial assets at FVTOCI 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 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 2019, 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 2019. 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 2019, except for the adoption of the new or revised HKFRSs (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 30 June 2019.



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Application of new and amendments to HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17") and the related interpretations.

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

###### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Application of new and amendments to HKFRSs (Continued)*

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

##### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

###### As a lessee (Continued)

###### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

###### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

###### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Application of new and amendments to HKFRSs (Continued)*

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

##### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

###### *As a lessee (Continued)*

###### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- variable lease payments that depend on an index or a rate; the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

###### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Application of new and amendments to HKFRSs (Continued)*

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

##### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

###### *As a lessee (Continued)*

###### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

##### *2.1.2 Transition and summary of effects arising from initial application of HKFRS 16*

###### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

###### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts at transition:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Application of new and amendments to HKFRSs (Continued)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

###### As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$3,464,000 and right-of-use assets of HK\$3,464,000 at 1 June 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 5.75% per annum.

	At 1 July 2019 HK\$'000
Operating lease commitments disclosed as at 30 June 2019	6,308
Lease liabilities discounted at relevant incremental borrowings rates	4,782
Less: Recognition exemption – short-term leases	(1,318)
Lease liabilities as at 1 July 2019	<u>3,464</u>
Analysed as	
Current	761
Non-current	2,703
	<u>3,464</u>
The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:	
	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>3,464</u>
By class:	
Land and buildings	<u>3,464</u>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Application of new and amendments to HKFRSs (Continued)****2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)****2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)****As a lessee (Continued)**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 <i>HK'000</i>	Adjustments <i>HK'000</i>	Carrying amounts under HKFRS 16 at 1 July 2019 <i>HK'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	3,464	3,464
<b>Current liabilities</b>			
Lease liabilities	–	(761)	(761)
<b>Non-current liabilities</b>			
Lease liabilities	–	(2,703)	(2,703)

**3. OPERATING SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the type and underlying business of the Group's investments.

Specifically, the Group's reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Micro-loan service – equity investments in investees engaged in micro-loan services
2. Real estate and natural gas – equity investments in investees engaged in real estate and natural gas business
3. Investment in fixed income financial assets – debt investments
4. Other – equity investments in investees engaged in clean energy industry, guarantee service, investment and management consultation services and other businesses

No operating segments have been aggregated in arriving at the reportable segments of the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 3. OPERATING SEGMENT INFORMATION (Continued)

	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>
<b><i>Six months ended 31 December 2019</i></b>					
Segment results	<u>(10,014)</u>	<u>(54,651)</u>	<u>1,236</u>	<u>(22,642)</u>	(86,071)
Share of profit of an associate					8
Unallocated other income					5,960
Finance costs					(1,676)
Central administrative expenses					<u>(14,478)</u>
Loss before tax					<u>(96,257)</u>
<b><i>Six months ended 31 December 2018</i></b>					
Segment results	<u>(85,989)</u>	<u>62,140</u>	<u>87,897</u>	<u>(5,637)</u>	58,411
Share of profit of an associate					45
Unallocated other income					7,047
Finance costs					(1,588)
Central administrative expenses					<u>(18,596)</u>
Profit before tax					<u>45,319</u>

Segment (loss) profit represent the (loss from)/profit earned by each segment without allocation of share of profit of an associate, other income, finance costs and central administrative expenses.



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Segment assets

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

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Micro-loan service	53,717	63,832
Real estate and natural gas	128,528	215,143
Investment in fixed income financial assets	161,019	302,234
Others	585,498	345,654
	<hr/>	<hr/>
Total segment assets	928,762	926,863
Unallocated assets	109,953	239,329
	<hr/>	<hr/>
Consolidated assets	<b>1,038,715</b>	<b>1,166,192</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than property, plant and equipment, interest in an associate, prepayments, deposits and other receivables and bank balances and cash; and
- no liabilities are allocated to reportable segments.

### 4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Unaudited Six months ended 31 December 2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		
Dividend income from listed investments	946	3,068
Interest income from unlisted investments	18,253	25,533
	<hr/>	<hr/>
	<b>19,199</b>	<b>28,601</b>
	<hr/>	<hr/>
<b>Other income</b>		
Bank interest income	255	2,799
Effective interest income derived from debt investments at FVTOCI	–	58,900
Reversal of impairment loss on other receivables	1,313	–
Reversal of loss allowance for debt investments at FVTOCI	–	4,626
Reversal of provision for financial guarantee liabilities	4,392	4,248
	<hr/>	<hr/>
	<b>5,960</b>	<b>70,573</b>
	<hr/>	<hr/>

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 5. FINANCE COSTS

Interest on borrowings  
Interest on lease liabilities

Unaudited Six months ended 31 December	
2019 HK\$'000	2018 HK\$'000
1,588	1,588
88	–
<u>1,676</u>	<u>1,588</u>

## 6. INCOME TAX EXPENSE

### Current – PRC

- Provision for the period
- Overprovision in respect of prior year

### Deferred tax – PRC

- Provision for the period

Unaudited Six months ended 31 December	
2019 HK\$'000	2018 HK\$'000
–	–
–	(98)
–	(98)
–	29,522
–	29,424

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. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits for the year (31 December 2018: assessable profit of the Group is wholly absorbed by tax losses brought forward for the period).

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 7. (LOSS) PROFIT FOR THE PERIOD

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

	Unaudited Six months ended 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Custodian fee	81	97
Depreciation of property, plant and equipment	141	144
Depreciation of right-of-use assets	847	–
Investment management fees	560	798
(Reversal of) loss allowance for deposits and other receivable	(1,313)	1,457
Reversal of provision for financial guarantee liabilities	(4,392)	(4,248)
Staff costs, including directors' remuneration:		
– Salaries and wages	5,374	6,246
– Pension scheme contributions	74	93
– Staff quarters expenses	–	100
	<u>          </u>	<u>          </u>

## 8. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 December 2019 (31 December 2018: Nil).

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Unaudited Six months ended 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(96,257)</u>	<u>15,895</u>

### Number of shares

	2019 <i>'000</i>	2018 <i>'000</i>
Weight average number of ordinary shares for the purpose of basic loss per share	<u>10,971,634</u>	<u>10,971,634</u>

No diluted (loss) earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 10. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Opening net book value	491	2,847
Additions	–	7
Depreciation provided during the period/year	(141)	(2,363)
Closing net book value	<u>350</u>	<u>491</u>

## 11. INTEREST IN AN ASSOCIATE

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Cost of investment in an associate	290	290
Share of post-acquisition losses and other comprehensive income	871	863
Closing net book value	<u>1,161</u>	<u>1,153</u>

Name of associate	Place of incorporation	Principal place of business	Paid up issued capital	Proportion of ownership interest and voting rights held by the Group		Principal activity
				31 December 2019	30 June 2019	
China Financial International Investments & Managements Limited ("CFIIM")	Hong Kong	Hong Kong	HK\$1,000,000	29%	29%	Provision of asset management services

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 12. FINANCIAL ASSETS AT FVTPL

	<i>Notes</i>	<b>Unaudited 31 December 2019 HK\$'000</b>	Audited 30 June 2019 HK\$'000
Financial assets mandatorily measured at FVTPL:			
Listed securities held for trading			
– Equity securities listed in Hong Kong	(i)	<b>154,189</b>	214,763
Financial assets classified/designated at FVTPL:			
– Unlisted equity investments	(ii)	<b>551,851</b>	313,408
<b>Total</b>		<b>706,040</b>	528,171
Analysed for reporting purposes as:			
Current assets		<b>154,189</b>	214,763
Non-current assets		<b>551,851</b>	313,408
		<b>706,040</b>	528,171

### 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 period.

Particular of the major components of the investment portfolio as at 31 December 2019, in terms of the carrying value of the respective individual investment, are as follows:

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

As at 31 December 2019 and 30 June 2019, the Group held 436,079,429 shares in China City Infrastructure, representing approximately 13.94% of the issued share capital of China City Infrastructure. As at 31 December 2019, the market value of the investment in the shares of China City Infrastructure was HK\$64,540,000 (30 June 2019: HK\$117,741,000).

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

As at 31 December 2019 and 30 June 2019, the Group held 8,055,000 shares in Sino-Ocean Group, representing approximately 0.11% of the issued share capital of Sino-Ocean Group. Sino-Ocean Group is principally engaged in investment holding, property development and property investment in the PRC. As at 31 December 2019, the market value of the investment in the shares of Sino-Ocean Group was HK\$25,212,000 (30 June 2019: HK\$26,662,000).

#### Hidili Industry International Development Limited ("Hidili Industry")

As at 31 December 2019 and 30 June 2019, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.6% of the issued share capital of Hidili Industry. Hidili Industry is principally engaged in coal mining and manufacture and sale of clean coal. As at 31 December 2019, the market value of the investment in the shares of Hidili Industry was HK\$3,649,000 (30 June 2019: HK\$3,340,000).

#### China Communications Construction Co Ltd ("China Communications")

As at 31 December 2019 and 30 June 2019, the Group held 9,588,000 shares in China Communications, representing approximately 0.22% of the issued share capital of China Communications. China Communications is principally engaged in infrastructure construction, infrastructure design and dredging businesses. As at 31 December 2019, the market value of the investment in the shares of China Communications was HK\$60,788,000 (30 June 2019: HK\$67,020,000).

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 12. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

(ii) At the end of the reporting period, 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
			Unaudited 31 December 2019	Audited 30 June 2019		31 December 2019	31 December 2019	30 June 2019	30 June 2019
						Fair value HK\$'000	Cost HK\$'000	Fair value HK\$'000	Cost HK\$'000
<i>Micro-loan service:</i>									
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	The People Republic of China (The "PRC")	30%	30%	Provision of small loan and financial consultation services	2,618	36,606	1,799	36,606
TiIC RongShun Micro-Loan Company Limited ("TiIC Rongshun")	(b)	The PRC	10%	10%	Provision of small loan and financial consultation services	3,478	12,189	4,344	12,189
Tianjin Binlian Microfinance Limited	(c)	The PRC	3.3%	3.3%	Provision of small loan and financial consultation services	1,103	12,271	1,193	12,271
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(d)	The PRC	50%	50%	Provision of small loan and financial consultation services	17,824	185,000	20,439	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd ("Ziyang Yanjiang")	(e)	The PRC	30%	30%	Provision of small loan and financial consultation services	126	73,730	141	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd ("Nanjing Jiangning")	(f)	The PRC	30%	30%	Provision of small loan and financial consultation service	8,704	36,673	11,041	36,673
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(g)	The PRC	30%	30%	Provision of small loan and financial consultation services	6,287	36,741	10,679	36,741
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(h)	The PRC	30%	30%	Provision of small loan and financial consultation service	13,160	56,874	13,680	56,874

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 12. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

(ii) At the end of the reporting period, 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 2019	Audited 30 June 2019		31 December 2019	31 December 2019	30 June 2019	30 June 2019
						Fair value HK\$'000	Cost HK\$'000	Fair value HK\$'000	Cost HK\$'000
<i>Others:</i>									
Xi'an Kairong Financial Service Limited	(i)	The PRC	30%	30%	Provision of financial management services	5,486	18,724	7,251	18,724
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	(j)	The PRC	30%	30%	Provision of financial management services	3,689	19,030	4,117	19,030
Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(k)	The PRC	30%	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastics and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	170,968	230,763	187,524	230,763
Hunan South China New Energy Limited ("Hunan South China")	(l)	The PRC	30%	30%	New energy technology development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemicals and precursor chemicals)	50,336	51,200	51,200	51,200
Henan Keyi Huirui Energy and Biotechnology Company Limited ("Keyi Huirui")	(m)	The PRC	30%	–	Biotechnology energy technology development, transfer and consultation, research and development, manufacturing and sales of biotechnology energy and chemical equipment	117,450	117,450	–	–
Tianguan New Energy Limited ("Tianguan New Energy")	(n)	The PRC	5%	–	Ethanol products transportation, development, trading and consultation service	557	557	–	–
Mengzhou Houyuan Biotechnology Limited ("Mengzhou Houyuan")	(o)	The PRC	30%	–	Biotechnology and Ethanol biochemical product development and production of ethanol chemical products	150,065	148,118	–	–
						<b>551,851</b>	<b>313,408</b>		



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 12. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

- (ii) At the end of the reporting period, the Group had the following unlisted equity investments (Continued)
- (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 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.
  - (d) 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 relinquish 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%.

**12. FINANCIAL ASSETS AT FVTPL (Continued)***Notes: (Continued)*

- (ii) At the end of the reporting period, the Group had the following unlisted equity investments (Continued)
- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) In January 2019, Keyi (Shanghai) Investments Limited ("Keyi (Shanghai)"), a wholly-owned subsidiary of the Company, entered into an agreement with Hunan South China to inject capital contribution of RMB45,000,000 into Hunan South China for acquiring 30% of Hunan South China's equity interest. Hunan South China 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 Hunan South China has been successfully transferred to Keyi (Shanghai).
- (m) In August 2019, Keyi (Shanghai) entered into an agreement with 3 partners in relation to the formation of Keyi Huirui. The registered capital of Keyi Huirui is RMB350,000,000. Keyi (Shanghai) injected RMB105,000,000 for acquiring 30% of Keyi Huirui's equity interest. Keyi Huirui is engaged in Biotechnology energy technology development transfer and consultation research and development, manufacturing and sales of biotechnology energy and chemical equipment. On 5 September 2019, Keyi Huirui was officially set up.
- (n) In October 2019, the Group invested in a 5% equity interest of Tianguan New Energy, a joint venture established in the PRC. Tianguan New Energy is principally engaged in ethanol products transportation, development trading and consultation service in Huizhou, Guangdong Province, the PRC.
- (o) On 17 October 2019, the Group entered into an agreement with Hollys (China) Limited ("Hollys") to get the repayment of outstanding principle and interests of the bond issued by Hollys in return of the 30% equity interest of Mengzhou Houyuan.

Mengzhou Houyuan is principally engaged in biotechnology and ethanol bio-chemical product development and production of ethanol chemical products in Henan Province, the PRC.



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 12. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

- (ii) At the end of the reporting period, the Group had the following unlisted equity investments (Continued)  
The fair values of all the above investments were determined by the directors of the Company with reference to the professional valuation carried out by Asset Appraisal Limited, an independent valuer.

At the end of the period, the Group held more than 20% of the effective shareholding interest in the above investee companies. The investments in these companies are not accounted for as associates as the Group had no significant influence over these companies. In accordance with the relevant agreement signed between the Group and these investee companies as well as the other shareholders of the investee companies, the Group does not have the right to participate in its policy-making processes, to appoint directors nor management and to interchange of managerial personnel. Hence, all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the period/year ended 31 December 2019 and 30 June 2019.

## 13. EQUITY INSTRUMENTS AT FVTOCI

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong (Note i)	38,776	70,740
Unlisted investments:		
– Equity securities (Note ii)	22,927	25,718
Total	<b>61,703</b>	<b>96,458</b>

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 2019, 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 2019 and 30 June 2019, the 262,000,000 shares representing approximately 8.4% 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 30 June 2019, the fair value of the Group's interest in China City Infrastructure was HK\$38,776,000 (30 June 2018: HK\$70,740,000).

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 13. EQUITY INSTRUMENTS AT FVTOCI

Notes: (Continued)

### (ii) Unlisted equity investments

As at 31 December 2019, 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 2019	Audited 30 June 2019		31 December 2019	31 December 2019	30 June 2019	30 June 2019
						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	417	188,690	516	188,690
<i>Others:</i>									
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(b)	The PRC	2.98%	2.98%	Provision of financing guarantees to small and medium enterprises ("SMEs")	22,510	43,150	25,202	43,150
Shenzhen Zhongtounxin Asset Management Company Limited ("Zhongtounxin")	(c)	The PRC	30%	30%	Provision of consultation services on project investments	-	18,350	-	18,350
						22,927	18,350	25,718	18,350

- (a) On 26 May 2011 and 28 November 2012, the Group invested in 23.33% and 6.67% equity interests of Jingdezhen CFI Guosen, respectively, a joint venture established in the PRC. Jingdezhen CFI Guosen is principally engaged in the provision of small loan and financial consultation services in Jingdezhen, the PRC.

On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to previous shareholders of Jingdezhen CFI Guosen withdrew their capital commitment in the sum of RMB125,000,000 in Jingdezhen CFI Guosen and the registered capital of Jingdezhen CFI Guosen was reduced from RMB500,000,000 to RMB375,000,000. Due to the reduction in registered capital, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company voluntarily relinquished the voting rights beyond 30%.

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 13. EQUITY INSTRUMENTS AT FVTOCI (Continued)

Notes: (Continued)

### (ii) Unlisted equity investments (Continued)

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

The fair values of all of 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.

As the end of the reporting period, the Group held more than 20% of the effective shareholding interest in these above investee companies. The investments in these companies are not accounted for as associates as the Group had no significant influence over these companies. In accordance with the relevant agreement signed between the Group and these investee companies as well as the other shareholders of the investee companies, the Group does not have the right to participate in its policy-making processes, to appoint directors nor management and to interchange of managerial personnel. Hence, all of these investments are not regarded as associates of the Group and are accounted for as equity instruments at FVTOCI for the period/year ended 31 December 2019 and 30 June 2019.

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Deposits paid for potential investments	(i)	30,000	38,475
Rental and utilities deposits		976	827
Dividends receivable	(ii)	1,144	10,691
Consideration receivable for disposal of an investment	(iii)	–	113,792
Other receivables	(iv)	46,389	56,482
		<b>78,509</b>	220,267
Less: loss allowance		<b>(18,424)</b>	(19,069)
		<b>60,085</b>	201,198
Prepayments		363	363
		<b>60,448</b>	201,561
Analysed for reporting purposes as:			
Current assets		60,254	201,364
Non-current assets		194	197
		<b>60,448</b>	201,561

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

- (i) Deposits paid for potential investments

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Shenzhen Xinyu Tianfan Mining Development Company Limited (Note (a))	–	18,475
Mr. Peng Kexi (“Mr. Peng”) (Note (b))	20,000	20,000
Mr. Zhang Gui Qing	10,000	–
	<hr/>	<hr/>
	30,000	38,475
Less: loss allowance	(1,780)	(3,013)
	<hr/>	<hr/>
	28,220	35,462
	<hr/> <hr/>	<hr/> <hr/>

- (a) During the year ended 30 June 2018, Keyi (Shanghai) entered into an agreement (“Agreement 1”) with an independent third party, Shenzhen Xinyu Tianfan Mining Development Company Limited (深圳市新宇天帆礦業開發有限公司) (“Xinyu Tianfan”). Pursuant to 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 HK\$18,475,000 as at 30 June 2019), the deposit will be refunded after the period expired and is interest free.

During the year ended 30 June 2019, the provisional for ECL in respect of the deposit paid to Xinyu Tianfan was HK\$1,233,000. At 31 December 2019, the deposit has been fully recovered and refunded to the Group. The provisional for ECL was reversed.

- (b) During the year ended 30 June 2018, the Company entered into an agreement (“Agreement 2”) with an independent third party, Mr. Peng. Pursuant to 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 2019 and 30 June 2019, the deposit remained unutilised.

At 31 December 2019 and 30 June 2019, the provisional for ECL in respect of the deposit paid to Mr. Peng was HK\$1,780,000.

- (ii) Dividends receivable represents dividends declared from the financial assets at FVTPL which are scheduled for payment after the end of the reporting period. As at the date of approval of these consolidated financial statements, all such dividends have been received by the Group.
- (iii) As at 30 June 2018, deposits paid of RMB100,000,000 of deposit paid for the potential investment of 25% equity interest in Liaoyuan Jufeng Biochemistry Science and Technology Co., Limited (“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.

In April 2019, due to management's further diversifying the Group's investments and to comply with Rules 21.04(3)(a) of the Listing Rules, the 25% equity interest in Liaoyuan Jufeng was disposed to a third party at cash consideration equivalent to the investment cost of RMB100,000,000. No gain or loss was resulted from the disposal.

The cash consideration of RMB100,000,000 had been received in full by the Group during the period ended 31 December 2019.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (iv) At the end of the period ended 31 December 2019, other receivables mainly comprise interest receivables on debt instruments at FVTOCI of HK\$18,308,000 (net of loss allowance of HK\$16,644,000) (30 June 2019: interest receivables on financial assets at FVTPL of HK\$24,511,000) and sundry receivables.

At 30 June 2019 and 31 December 2019, provisional for ECL in respect of the other receivables amounted to HK\$16,056,000 and HK\$16,644,000 respectively.

## 15. DEBT INSTRUMENTS AT FVTOCI

	<b>Unaudited 31 December 2019 HK\$'000</b>	Audited 30 June 2019 HK\$'000
Unlisted investments, at fair value	<b>161,019</b>	<b>302,234</b>

At the end of the reporting period, the Group held the following secured unlisted bond investments:

Name of company	Notes	Business nature	Unaudited 31 December 2019 Fair value HK\$'000	Unaudited 31 December 2019 Cost HK\$'000	Audited 30 June 2019 Fair value HK\$'000	Audited 30 June 2019 Cost HK\$'000
Hollys (China) Limited ("Hollys")	(a)	Engaged in coffee shop franchise in the PRC	–	–	124,200	200,000
Pure Unity Investments Limited ("Pure Unity")	(b)	Investment holding	77,238	190,000	84,584	190,000
Talent Trend Global Limited ("Talent Trend")	(c)	Investment holding	64,947	160,000	74,425	160,000
Xing Yue Investments Limited ("Xing Yue")	(d)	Investment holding	18,834	20,000	19,025	20,000
			<b>161,019</b>	<b>370,000</b>	<b>302,234</b>	<b>570,000</b>

Notes:

- (a) On 18 October 2016, Joy State Holdings Limited ("Joy State"), a wholly-owned subsidiary of the Company, subscribed a three-year bond with nominal value of HK\$200,000,000 issued by Hollys. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

During the period ended 31 December 2019, the Group entered into an agreement with Hollys to get the repayment of the outstanding principle and interests of the bond in return of the 30% equity interest of Mengzhou Houyuan (Note 12 (o)).



**15. DEBT INSTRUMENTS AT FVTOCI (Continued)**

Notes: (Continued)

- (b) On 21 November 2016, China Financial International Investments (Nanchang) Limited ("CFII (Nanchang)"), 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.

The principal and interest of the bond had been past due for the repayment for the period ended 31 December 2019. The bond is considered as credit-impaired.

At the period ended 31 December 2019, Mr. Feng Xin is the sole shareholder and the sole director of Pure Unity, and also a substantial shareholder of the Company. 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\$84,360,000 (30 June 2019: HK\$99,560,000) held by Pure Unity. The bond was already overdue since 21 November 2019 and the management is under negotiation with Pure Unity since Pure Unity is seeking for postponement of repayment and/or renewal of the bond. Up to the date when the unaudited interim financial statements of the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

- (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.

The principal and interest of the bond had been past due for the repayment for the period ended 31 December 2019. The bond is considered as credit-impaired.

At the period ended 31 December 2019, Mr. Feng Xu is the sole shareholder and the sole director of Talent Trend, and also a substantial shareholder of the Company. 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\$71,040,000 (2018: HK\$83,840,000) held by Talent Trend. The bond was already overdue since 21 November 2019 and the management is under negotiation with Talent Trend since Talent Trend is seeking for postponement of repayment and/or renewal of the bond. Up to the date when the unaudited interim financial statements of the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

- (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.

The principal and interest of the bond had been past due for repayment as at 30 June 2019.

The bond was considered as credit-impaired.

As at 31 December 2019, 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\$22,200,000 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 and a shareholder of the Company. The bond was already overdue since 8 June 2018 and the management is under negotiation with Xing Yue since Xing Yue is seeking for postponement of repayment and/or renewal of the bond. Up to the date when the unaudited interim financial statements of the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

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.



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 16. BORROWINGS

Bonds (unsecured)

The carrying amount of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):

Within one year

Within a period of more than one year but not exceeding two years

Within a period of more than two years but not exceeding five years

Analysed for reporting purposes as:

Current liabilities

Non-current liabilities

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
Bonds (unsecured)	<u>62,975</u>	<u>62,975</u>
The carrying amount of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	9,990	9,990
Within a period of more than one year but not exceeding two years	52,985	52,985
Within a period of more than two years but not exceeding five years	–	–
	<u>62,975</u>	<u>62,975</u>
Analysed for reporting purposes as:		
Current liabilities	9,990	9,990
Non-current liabilities	52,985	52,985
	<u>62,975</u>	<u>62,975</u>

As at 31 December 2019 and 30 June 2019, 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 seven years' maturity from the date of issue.

## 17. FINANCIAL GUARANTEE CONTRACTS

The movement of provision for financial guarantee contracts during the current and prior periods are as follows:

	Unaudited 31 December 2019 HK\$'000	Audited 30 June 2019 HK\$'000
At beginning of the year	10,679	33,986
Decrease in fair value of financial guarantee contract	(4,392)	(3,307)
Release of financial guarantee contract	–	(20,000)
At end of the period/year end	<u>6,287</u>	<u>10,679</u>

In 2012, the Company provided irrevocable guarantee to Tianjin XEDA and Tianjin Rongyang to secure the loans granted to certain customers (the "Customers") of Tianjin XEDA and Tianjin Rongyang referred by Nanjing Xinning Guangdian Zidonghua Limited (南京新寧光電自動化有限公司) ("Xinning Guangdian"), an independent third party, using the Company's entire equity interests in Tianjin XEDA and Tianjin Rongyang.

The maximum exposure of the Group associated to such financial guarantees is limited to the fair value of the collaterals offered by the Group, i.e. the Group's entire equity in Tianjin XEDA and Tianjin Rongyang.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 17. FINANCIAL GUARANTEE CONTRACTS (Continued)

The Group holds 30% equity interest in each of TianJin XEDA and Tianjin Rongyang as of 30 June 2018. During the year ended 30 June 2019, the Group disposed of its entire interest in TianJin XEDA and the related guarantee was released.

At the end of 31 December 2019 and 30 June 2019, the loans granted to the Customers of Tianjin Rongyang under such guarantees were approximately RMB25,000,000.

## 18. SHARE CAPITAL OF THE COMPANY

	Unaudited 31 December 2019		Audited 30 June 2019	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
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>

## 19. SHARE-BASED PAYMENT TRANSACTIONS

Under the share option scheme adopted by the Company on 15 January 2008 (the "Scheme"), options were granted to certain directors and consultants entitling them to subscribe for shares of the Company under the Scheme. The Scheme was approved and adopted by shareholders of the Company on 15 January 2008 (the "Date of Adoption"), whereby the directors of the Company are authorised, at their discretion, to invite full time employees of the Group, (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers of the Group, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the Date of Adoption.

On 15 December 2017, the Scheme was terminated and the new share option scheme (the "New Scheme") was approved by the Shareholders of the Company at the annual general meeting to replace the Scheme. The New Scheme shall be valid and effective for a period of 10 years ending on 14 December 2027. The exercise price of the options under the New Scheme is determinable by the board of directors, but will be at least the highest of:

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

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



# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

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

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

No share options were granted under the New Scheme for both period/year.

## 20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Unaudited Six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Investment management fee paid/payable to CFIIIM (Note i)	560	798
Legal advisory fees paid/payable to Michael Li & Co (Note ii)	30	89

### Notes:

- (i) An investment management agreement (the "Investment Management Agreement") was entered into between the Company and CFIIIM on 25 April 2014 to renew the appointment of CFIIIM as the investment manager of the Company for a further period of three years effective from 29 April 2014 to 28 April 2017. Pursuant to the Investment Management Agreement, CFIIIM 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 CFIIIM on the last business day of each calendar month.

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 20. RELATED PARTY TRANSACTIONS (Continued)

### Compensation of key management personnel

	Unaudited Six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	3,762	3,127
Pension scheme contribution	9	9

## 21. FINANCIAL INSTRUMENTS

### Fair value measurements of financial instruments

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:

### Fair value hierarchy at 31 December 2019 (unaudited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
– Listed equity securities	38,776	–	–	38,776
– Unlisted investments	–	–	22,927	22,927
Debt Instruments at FVTOCI:				
– Unlisted bond investments	–	–	161,019	161,019
Financial assets at FVTPL				
– Listed equity securities	154,189	–	–	154,189
– Unlisted equity investments	–	–	551,851	551,851
	192,965	–	735,797	928,762

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 21. FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy at 30 June 2019 (audited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity Instruments at FVTOCI:				
– Listed equity securities	70,740	–	–	70,740
– Unlisted investments	–	–	25,718	25,718
Debt Instruments at FVTOCI:				
– Unlisted bond investments	–	–	302,234	302,234
Financial assets at FVTPL				
– Listed equity securities	214,763	–	–	214,763
– Unlisted equity investments	–	–	313,408	313,408
	<u>285,503</u>	<u>–</u>	<u>641,360</u>	<u>926,863</u>

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 2018:

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<b>Unlisted security classified as equity instrument as FVTOCI</b>				
<i>Micro-loan service</i>	Market comparable companies	Price to book ratio ("PB ratio")	31 December 2019: 0.2462 to 1.0127 30 June 2019: 0.3247 to 0.9161	The fair value is positively correlated to the PB ratio. Had the highest PB ratio among the comparables been used as at 31 December 2019, the Group's OCI would have increased by HK\$339,000 (30 June 2019: HK\$226,000). Had the lowest PB ratio among the comparables been used as at 31 December 2019, the Group's OCI would have decreased by HK\$233,000 (30 June 2019: HK\$238,000).
		Lack of marketability discount ("LOMD")	31 December 2019: 31% 30 June 2019: 30%	The fair value is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 31 December 2019, the Group's OCI would have increased by HK\$30,000 (30 June 2019: HK\$37,000). Had the LOMD increased by 5% as at 31 December 2019, the Group's OCI would have decreased by HK\$30,000 (30 June 2019: HK\$37,000).

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 21. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (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 2019: 0.2462 to 1.0127  30 June 2019: 0.3247 to 0.9161	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 2019, the Group's OCI would have increased by HK\$18,312,000 (30 June 2019: HK\$12,982,000). Had the lowest PB ratio among the comparables been used as at 30 June 2019, the Group's OCI would have decreased by HK\$12,587,000 (30 June 2019: HK\$11,667,000).
		LOMD	31 December 2019: 31%  30 June 2019: 30%	The fair value is negatively correlated to LOMD. Had the LOMD decreased by 5% as at 31 December 2019, the Group's OCI would have increased by HK\$1,631,000 (30 June 2019: HK\$1,800,000). Had the LOMD increased by 5% as at 31 December 2019, the Group's OCI would have decreased by HK\$1,631,000 (30 June 2019: HK\$1,800,000).
<b>Unlisted equity investments classified as financial assets at FVTPL</b>				
<i>Micro-loan service</i>	Market comparable companies	PB ratio	31 December 2019: 0.2462 to 1.0127  30 June 2019: 0.3247 to 0.9161	The fair value is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 31 December 2019, the Group's profit or loss would have increased by HK\$43,356,000 (30 June 2019: HK\$38,471,000). Had the lowest PB ratio among the comparables been used as at 31 December 2019, the Group's profit or loss would have decreased by HK\$29,301,000 (30 June 2019: HK\$34,575,000).
		LOMD	31 December 2019: 31%  30 June 2019: 30%	The fair value is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 31 December 2019, the Group's profit or loss would have increased by HK\$3,863,000 (30 June 2019: HK\$5,335,000). Had the LOMD increased by 5% as at 30 June 2019, the Group's profit or loss would have decreased by HK\$3,863,000 (30 June 2019: HK\$5,335,000).





# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 21. FINANCIAL INSTRUMENTS (Continued)

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

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
<b>Unlisted equity investments classified as financial assets at FVTPL</b>				
<i>Others</i>	Market comparable companies	Ratio of enterprise value over earnings before interest, tax depreciation and amortization ("EV/EBITD ratio")	31 December 2019: 5.86 to 13.06 30 June 2019: 1.10 to 11.60	The fair value is positively correlated to the EV/EBITDA ratios. Had the highest EV/EBITDA ratio amount the comparables been used as at 31 December 2019, the Group's profit or loss would have increased by HK\$131,995,000 (30 June 2019: HK\$63,362,000). Had the lowest EV/EBITDA ratio among the comparables been used as at 30 December 2019, the Group's profit or loss would have decreased by HK\$106,328,000 (30 June 2019: HK\$114,682,000)
		LOMD	31 December 2019: 30% 30 June 2019: 30%	The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 31 December 2019, the Group's profit or loss would have increased by HK\$22,936,000 (30 June 2019: HK\$13,395,000). Had the LOMD increased by 5% as at 31 December 2019, the Group's profit or loss would have decreased by HK\$22,936,000 (30 June 2019: HK\$13,395,000).
<b>Unlisted bond investments classified as debt instruments at FVTOCI/ financial assets at FVTPL</b>				
<i>Hollys</i>	Hull-White-One-Factor interest rate model	Credit spread	31 December 2019: N/A 30 June 2019: 13.86%	The fair value measurement is negatively correlated to the credit spread. Had the credit spread decreased by 5% as at 30 June 2019, the Group's profit or loss would have increased HK\$2,491,000. Had the credit spread increased by 5% as at 30 June 2019, the Group's profit or loss would have decreased by HK\$2,352,000.
<i>Pure Unity &amp; Talent Trend</i>	Monte Carlo simulation	Volatility	31 December 2019: 33.95% 30 June 2019: 47.90%	The fair value is negatively correlated to the volatility. Had the volatility decreased by 5% as at 31 December 2019, the Group's profit or loss would have increased by HK\$6,237,000 (30 June 2019: HK\$8,366,000). Had the volatility increased by 5% as at 31 December 2019, the Group's profit or loss would have decreased by HK\$3,145,000 (30 June 2019: HK\$4,941,000).

There were no transfers between Level 1 and 2 during both period/year.

# Notes to the Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

## 21. FINANCIAL INSTRUMENTS (Continued)

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

#### Reconciliation of Level 3 fair value measurements

##### 31 December 2019 (Unaudited)

	Financial assets at FVTPL (unlisted) securities) HK\$'000	Equity instruments at FVTOCI HK\$'000	Debt Instruments at FVTOCI HK\$'000	Total HK\$'000
Opening balance	313,408	25,718	302,234	641,360
Total losses:				
– in profit or loss	(27,681)	–	(17,015)	(44,696)
– in OCI	–	(2,791)	–	(2,791)
Purchases	266,124	–	–	266,124
Disposals	–	–	(124,200)	(124,200)
Closing balance	<u>551,851</u>	<u>22,927</u>	<u>161,019</u>	<u>735,797</u>

##### 30 June 2019 (Audited)

	Financial assets at FVTPL (unlisted) securities) HK\$'000	Equity instruments at FVTOCI HK\$'000	Debt instruments at FVTOCI HK\$'000	Total HK\$'000
Opening balance	266,694	48,006	458,568	773,268
Total losses:				
– in profit or loss	(128,589)	–	(161,824)	(290,413)
– in OCI	–	(10,909)	(156,334)	(167,243)
– reclassified from OCI to profit or loss	–	–	161,824	161,824
Purchases	175,303	–	–	175,303
Disposals	–	(11,379)	–	(11,379)
Closing balance	<u>313,408</u>	<u>25,718</u>	<u>302,234</u>	<u>641,360</u>

## 22. 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 2020.

## 23. 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 2019 of HK\$8.68 cents (30 June 2019: HK\$9.89 cents) and 10,971,634,030 ordinary shares in issue as at 31 December 2019 (30 June 2019: 10,971,634,030 ordinary shares).

# 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 loss of HK\$96,257,000 for the six months ended 31 December 2019 (the "Period"), as compared to a profit of HK\$15,895,000 for the same period last year. The loss was mainly attributable to the fair value loss of approximately HK\$60,575,000 on listed investments at FVTPL and the fair value loss of approximately HK\$29,630,000 on unlisted investments at FVTPL.

## LISTED INVESTMENT REVIEW

During the Period, the Group recorded the total loss of HK\$92,539,000 on listed securities business as compared to a loss of HK\$90,330,000 for the same period last year. Dividend income of HK\$946,000 from listed investments was recorded for the Period (31 December 2018: HK\$3,068,000).

As at 31 December 2019, the market value of the listed securities amounted to HK\$192,965,000 (30 June 2019: HK\$285,503,000). 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 2019 <i>HK\$'000</i>	Dividend received/receivable during the Period <i>HK\$'000</i>	% to the Group's net assets as at 31 December 2019	Investment cost <i>HK\$'000</i>	Disposal consideration <i>HK\$'000</i>	Realized gain/(loss) <i>HK\$'000</i>
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.6%	3,649	-	0.38%	-	-	-
China City Infrastructure Group Limited ("China City Infrastructure")	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	698,079,429	22.32%	103,316	-	10.85%	-	-	-
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	8,055,000	0.11%	25,212	-	2.65%	-	-	-
China Communications Construction Co. Ltd.	Infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	60,788	946	6.38%	-	-	-
				192,965	946				

## UNLISTED INVESTMENT REVIEW

For the Period, the total loss on the Group's unlisted investment portfolio recorded as HK\$47,487,000 (31 December 2018: HK\$41,913,000). 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\$18,253,000 from the unlisted investments was recorded (31 December 2018: HK\$25,533,000).

The fair value of the Group's unlisted investments increased by 14.72% to HK\$735,797,000 (30 June 2019: HK\$641,360,000).

### Unlisted Equity Investments Investment

The Company's unlisted equity investments are mainly concentrated on small loan companies and clean energy industry in the PRC.

Since 2018, the Group focusing on clean energy industry and made several investments. Bioenergy is a carbon neutral 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.

Meanwhile, small loan industry in the PRC is still facing worries of the decreasing interest rate of private lending and the increase of operation risks, resulting in certain small loan companies continue to generate overdue loans and incur losses. In view of the slipping performance of the small loan industry, the company has plan to exit the investments in small loan industry.

In the foreseeable future, the company will continuously focus its investment on the bioenergy sector and gradually exit the past investment in the small loan industry which aim to maximize value of the shareholders of the company.

#### Unlisted equity investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2019 HK\$'000	% to the Group's net assets as at 31 December 2019
<b>Micro-loan service</b>							
1	Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(1) Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	417	0.04%
2	Tianjin Rongshun Microfinance Limited	Tianjin	30%	Provision of small loan and financial consultation services	36,606	2,618	0.27%
3	TIIC RongShun Micro-Loan Company Limited	Tianjin	10%	Provision of small loan and financial consultation services	12,189	3,478	0.37%
4	Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(2) Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	-
5	Tianjin Binlian Microfinance Limited	Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	1,103	0.12%
6	Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(3) Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	17,824	1.87%

**UNLISTED INVESTMENT REVIEW (Continued)**
**Unlisted Equity Investments Investment (Continued)**
*Unlisted equity investment portfolio (Continued)*

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2019 HK\$'000	% to the Group's net assets as at 31 December 2019
7 Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	126	0.01%
8 Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	8,704	0.91%
9 Tianjin Rongyang Micro-Loan Limited		Tianjin	30%	Provision of small loan and financial consultation services	36,741	6,287	0.66%
10 Zhenjiang CFI Guosen Technology Microfinance Corporation Limited		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	13,160	1.38%
				Sub-total:	<u>675,467</u>	<u>53,717</u>	
<b>Guarantee Service</b>							
11 Jiangxi Huazhang Hanchen Guarantee Group Limited	(4)	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	22,510	2.36%
<b>Investment and management consultation service</b>							
12 Shenzhen Zhongtouxin Asset Management Company Limited		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	-	-
13 Xi'an Kairong Financial Service Limited		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	5,486	0.58%
14 Hubei Zhongjin Tech Financial Services Co., Ltd.		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	3,689	0.39%
				Sub-total:	<u>56,104</u>	<u>9,175</u>	

**UNLISTED INVESTMENT REVIEW (Continued)**
**Unlisted Equity Investments Investment (Continued)**
*Unlisted equity investment portfolio (Continued)*

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2019 HK\$'000	% to the Group's net assets as at 31 December 2019	
<b>Clean energy</b>								
15	Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(5)	Henan Province	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastics and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	230,763	170,968	17.95%
16	Hunan South China New Energy Limited ("South China New Energy")	(6)	Hunan Province	30%	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)	51,200	50,336	5.28%
17	Mengzhou Houyuan Biotechnology Company Limited ("Mengzhou Houyuan")	(7)	Henan Province	30%	R & D of biotechnology, chemical raw materials and products, production and sales of distillers dried grains with soluble, anhydrous ethanol, carbon dioxide, ethanol solution and aerated concrete blocks	148,118	150,065	15.75%
18	Henan Keyi Huirui Bioenergy Technology Company Limited ("Keyi Huirui")	(8)	Henan Province	30%	Technology development, technical consulting, and technical services in the field of bioenergy and biochemical technology; sales of bioenergy and biochemical equipment; sales of instruments and meters, electromechanical equipment, mechanical equipment, environmental protection equipment and electrical equipment; import and export of goods and technology	117,450	117,450	12.33%
19	Tianguan New Energy Limited ("Tianguan New Energy")	(9)	Guangdong Province	5%	Transportation, R & D of fuel ethanol and oil products, and import of raw materials; trading and information services of ethanol and additional products; research, development and technical services of fuel ethanol and denatured fuel products; investment and operation of fuel ethanol related projects; sales, production and storage of fuel ethanol, industrial ethanol, edible alcohol, feed, refined and semi-refined corn oil, bio-organic fertilizers, ethyl acetate and by-products	557	557	0.06%
					548,088	489,376		
Total:					1,322,809	574,778		

## UNLISTED INVESTMENT REVIEW (Continued)

### Unlisted Equity Investments Investment (Continued)

#### *Unlisted equity investment portfolio (Continued)*

*Notes:*

- (1) On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to previous shareholders of Jingdezhen CFI Guosen withdrew their capital commitment in the sum of RMB125,000,000 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 2019 and 2018. As at the date of this announcement, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.

- (3) On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

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

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



## UNLISTED INVESTMENT REVIEW (Continued)

### Unlisted Equity Investments Investment (Continued)

#### *Unlisted equity investment portfolio (Continued)*

- (4) 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 reduced 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 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.
- (6) In January 2019, Keyi entered into an agreement with 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. On 23 January 2019, the legal title of 30% equity interest in South China New Energy has been successfully transferred to Keyi.
- (7) On 17 October 2019, the Group entered into an agreement with Hollys (China) Limited ("Hollys") to get the repayment of outstanding principle and interests of the bond issued by Hollys in return the 30% equity interest of Mengzhou Houyuan.
- (8) In August 2019, Keyi (Shanghai) entered into an agreement with 3 partners in relation to the formation of Keyi Huirui. The registered capital of Keyi Huirui is RMB350,000,000. Keyi (Shanghai) injected RMB105,000,000 for acquiring 30% of Keyi Huirui's equity interest. Keyi Huirui is engaged in Biotechnology energy technology development, transfer and consultation, and the research and development, manufacturing and sales of biotechnology energy and chemical equipment. On 5 September 2019, Keyi Huirui was officially set up.
- (9) In October 2019, the Group invested in a 5% equity interest of Tianguan New Energy, a joint venture established in the PRC. Tianguan New Energy is principally engaged in ethanol products transportation, development trading and consultation service in Huizhou, Guangdong Province, the PRC.

## UNLISTED INVESTMENT REVIEW (Continued)

### 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 2019 HK\$'000	% to the Group's net assets as at 31 December 2019
Pure Unity Investments Limited ("Pure Unity")	(1)	Investment holding	190,000	77,238	8.11%
Talent Trend Global Limited ("Talent Trend")	(2)	Investment holding	160,000	64,947	6.82%
Xing Yue Investments Limited ("Xing Yue")	(3)	Investment holding	20,000	18,834	1.98%
			370,000	161,019	

#### Notes:

- (1) 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 2019, 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.

The bond was already overdue since 21 November 2019 and the management is under negotiation with Pure Unity for settlement of the bond. Up to the date when the interim result announcement for the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

- (2) 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 2019, 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.

The bond was already overdue since 21 November 2019 and management is under negotiation with Talent Trend since Talent Trend is seeking for postponement of repayment and/or renewal of the bond. Up to the date when the interim result announcement for the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

## UNLISTED INVESTMENT REVIEW (Continued)

### Unlisted Bond Investments (Continued)

#### *Unlisted bond portfolio (Continued)*

- (3) The Company entered into a subscription agreement dated 8 March 2018 as subscriber with Xing Yue as issuer and Ms. Dong Lili as guarantor, in relation to the subscription of the 9% secured three months bond with the principal amount of HK\$20,000,000. Ms. Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by unlisted equity interests and by 200,000,000 shares of the Company which 100,000,000 held by Xing Yue and 100,000,000 held by Rightfirst Holdings Limited ("Rightfirst") as irrevocable guarantee, respectively. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive Director of the Company. The bond was already overdue as at 31 December 2019 and the management is under negotiation with Xing Yue since Xing Yue is seeking for postponement of repayment and/or renewal of the bond. Up to the date when the unaudited interim financial statements of the period ended 31 December 2019 were authorised for issue, no renewed subscription agreement of the bond was entered into nor the outstanding balances have been settled.

## 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. Based on the expected motor gasoline consumption, the annual supply of bioethanol is approximately 13 million metric tons in 1 to 5 years, which is far beyond current domestic production capacity.

During the period, the Company has continuously invested in bioethanol sector in mainland China as well as some strategic adjustments in Company's investment portfolio. The Company acquired 30% equity interest of Mengzhou Houyuan Biotechnology Co., Ltd., the purpose of the investment is to increase ethanol production capacity in order to satisfy the demands of Sinopec. The company also invested in sales company named Henan Keyi Huirui Bioenergy Technology Co., Ltd, the purpose is to expand the sales channel for the upcoming capacity. Moreover, the Company completed the first phase of investment in Huizhou, Guangdong Province together with several partners to build a storage base.

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

The Group had no major acquisitions and disposals of subsidiary or associate during the Period.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2019, the Group had cash and cash equivalents of HK\$45,440,000 (30 June 2019: HK\$36,124,000). 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 2019 was approximately 13.07 times (30 June 2019: 26.47 times), gearing ratio (total liabilities to total assets) of the Group as at 31 December 2019 was approximately 8.29% (30 June 2019: 6.99%).

The Group did not have any bank borrowing as at 31 December 2019 (30 June 2019: Nil). The Group did not have any capital commitments as at 31 December 2019 (30 June 2019: Nil).

## **INTERIM DIVIDEND**

The Board of the Directors does not recommend any payment of interim dividend for the Period (2018: Nil).

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2019, there were no charges on the Group's assets.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2019.

## **CAPITAL STRUCTURE**

As at 31 December 2019, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$962,640,000 (30 June 2019: HK\$1,084,706,000) and approximately 10,971,634,030 (30 June 2019: 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 2019, the Group had 13 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$5,448,000 (2018: HK\$6,439,000). 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 2019, 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	Corporate interests	Total interests	
Du Lin Dong	Beneficial owner and interests of controlled corporation	185,914,830	500,000,000	685,914,830	6.25%
Ding Xiaobin		1,300,000	–	1,300,000	0.01%
Zeng Zianggao		1,000,000	–	1,000,000	0.01%

*Note:* Mr. Du Lin Dong is personally holding 185,914,830 ordinary shares. 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 Rightfirst is interested.

Save as disclosed above, as at 31 December 2019, 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 2019, 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:

Name of Shareholder	Capacity	Notes	Number of issued ordinary shares held			Approximate percentage of shareholding in the Company
			Personal interests	Corporate interests	Total interests	
Du Lin Dong	Beneficial owner and interests of controlled corporation	(1)	185,914,830	500,000,000	685,914,830	6.25%
Rightfirst	Beneficial owner	(1)	500,000,000	–	500,000,000	4.56%
Century Golden Resources Investments Co., Ltd	Beneficial owner	(2)	1,000,000,000	–	1,000,000,000	9.11%
Huang Shiyong	Interests of controlled corporation	(2)	–	1,000,000,000	1,000,000,000	9.11%
Huang Tao	Interests of controlled corporation	(2)	–	1,000,000,000	1,000,000,000	9.11%
Pure Unity Investments Limited	Beneficial owner	(3)	760,000,000	–	760,000,000	6.93%
Feng Xin	Interests of controlled corporation	(3)	–	760,000,000	760,000,000	6.93%
Talent Trend Global Limited	Beneficial owner	(4)	640,000,000	–	640,000,000	5.83%
Feng Xu	Interests of controlled corporation	(4)	–	640,000,000	640,000,000	5.83%
Li Li Hong	Beneficial owner		579,830,000	–	579,830,000	5.87%
Hong Rui Holdings Limited	Beneficial owner	(5)	1,100,000,000	–	1,100,000,000	10.03%
Lan Heng	Interests of controlled corporation	(5)	–	1,100,000,000	1,100,000,000	10.03%
Gan Xiaoqing	Beneficial owner		658,880,000	–	658,880,000	6.00%

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) 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.

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

- (3) 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.
- (4) 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.
- (5) 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 2019, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the ordinary shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

## **SHARE OPTION SCHEME**

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme (the "Scheme") on 15 December 2017. 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 2019, 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 Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls. The audit committee currently comprises three independent non-executive Directors namely, Mr. Zhang Jing (chairman of audit committee), Mr. Zeng Xianggao and Mr. Li Cailin.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 December 2019 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

## PUBLICATION OF INTERIM RESULTS ON THE WEBSITES

The Group’s interim results will be included in the Company’s interim report for the Period which will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) as well as the website of the Company (<http://www.irasia.com/listco/hk/cfii>) as soon as possible.

**China Financial International Investments Limited**  
**Du Lin Dong**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 February 2020