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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Financial International Investments Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2014 (the “**Year**”) together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2014

	<i>Notes</i>	2014 HK\$’000	2013 <i>HK\$’000</i>
Revenue	5	29,813	7,204
Other income and gains	5	800	13
Net change in fair value of financial assets at fair value through profit or loss	6	(97,558)	5,609
Impairment loss of available-for-sale financial assets		(4,295)	(7,474)
Impairment loss of other receivables		(29,406)	–
Finance costs	7	(24,424)	(12,953)
Administrative expenses		(91,176)	(30,316)
Share of (loss)/profit of an associate		(32)	53
Loss before tax	8	(216,278)	(37,864)
Income tax credit/(expense)	9	3,398	(5,658)
Loss for the year		(212,880)	(43,522)

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value		(29,553)	18,155
Reclassification adjustment for loss included in profit or loss			
– Impairment loss		4,295	7,474
Income tax effect		2,190	(1,735)
		(23,068)	23,894
Exchange differences on translation of foreign operation		(810)	373
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(23,878)	24,267
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(23,878)	24,267
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(236,758)	(19,255)
Loss per share attributable to ordinary equity holders of the Company			
– Basic	<i>10(a)</i>	HK(4.568) cents	HK(0.942) cents
– Diluted	<i>10(b)</i>	HK(4.568) cents	HK(0.942) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<i>Note</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		206	1,511
Investment in an associate		429	461
Available-for-sale financial assets		335,770	400,872
Financial assets at fair value through profit or loss		621,143	639,310
Other receivable		–	40,606
		<hr/>	<hr/>
Total non-current assets		957,548	1,082,760
CURRENT ASSETS			
Financial assets at fair value through profit or loss		99,663	176,758
Prepayments, deposits and other receivables		107,385	27,659
Cash and cash equivalents		6,818	7,944
		<hr/>	<hr/>
Total current assets		213,866	212,361
CURRENT LIABILITIES			
Other payables and accruals		887	1,664
Due to a related company		–	7
Due to an associate		64	111
Tax payable		4,199	4,199
		<hr/>	<hr/>
Total current liabilities		5,150	5,981
NET CURRENT ASSETS		<hr/> 208,716 <hr/>	<hr/> 206,380 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,166,264 <hr/>	<hr/> 1,289,140 <hr/>
NON-CURRENT LIABILITIES			
Interest bearing loans		62,965	9,979
Convertible bond		276,301	273,707
Deferred tax liabilities		5,253	10,841
		<hr/>	<hr/>
		344,519	294,527
Net assets		<hr/> 821,745 <hr/>	<hr/> 994,613 <hr/>
EQUITY			
Issued capital		46,607	46,599
Reserves		775,138	948,014
		<hr/>	<hr/>
TOTAL EQUITY		<hr/> 821,745 <hr/>	<hr/> 994,613 <hr/>
Net asset value per share	<i>11</i>	<hr/> HK17.63 cents <hr/>	<hr/> HK21.3 cents <hr/>

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss (“FVTPL”), which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, HKAS 1 Amendments and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 July 2013.

HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Company's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits</i> – <i>Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2017

⁴ No mandatory effective date yet determined but available for adoption

The Directors of the Company are in the process of making an assessment of the impact of these new standards and amendments. So far, the Directors consider that except for the adoption of HKFRS 9, HKFRS 10 and HKFRS 12, these new standards and amendments are unlikely to have a significant impact on the Group's results and financial position.

In addition, the new Hong Kong Companies Ordinance (Cap.622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 30 June 2015. The Group is in the process of making an assessment of the impact of these changes.

3. OPERATING SEGMENT INFORMATION

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

- a) micro-loan service
- b) real estates
- c) others (includes guarantee service, investment consultation service and other businesses)

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

Segment results

	Micro-loan service <i>HK\$'000</i>	Real estates <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Year ended 30 June 2014</i>				
Segment results	<u>(7,213)</u>	<u>(57,114)</u>	<u>(7,713)</u>	(72,040)
Share of loss of an associate				(32)
Unallocated income				800
Unallocated expenses				<u>(145,006)</u>
Loss before tax				(216,278)
Income tax credit				<u>3,398</u>
Loss for the year				<u>(212,880)</u>
<i>Year ended 30 June 2013</i>				
Segment results	<u>59,802</u>	<u>(38,852)</u>	<u>(15,611)</u>	5,339
Share of profit of an associate				53
Unallocated income				13
Unallocated expenses				<u>(43,269)</u>
Loss before tax				(37,864)
Income tax expense				<u>(5,658)</u>
Loss for the year				<u>(43,522)</u>

Segment results represent loss on disposal of listed investments, gain on disposal of unlisted investments, fair value (loss)/gain of financial assets at FVTPL, impairment loss of available-for-sale financial assets and the corresponding dividend income earned from unlisted investments without allocation of central administration expenses and fees to the investment managers.

Segment assets

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Micro-loan service	854,663	927,672
Real estates	88,531	145,694
Others	113,382	143,574
	<hr/>	<hr/>
Total segment assets	1,056,576	1,216,940
Unallocated assets	114,838	78,181
	<hr/>	<hr/>
	1,171,414	1,295,121
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than property, plant and equipment, investment in an associate, prepayments, deposits and other receivables and cash and cash equivalents.

All liabilities as at 30 June 2014 and 30 June 2013 were unallocated liabilities.

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

4. GAIN/(LOSS) ON INVESTMENTS

	Listed investments HK\$'000	Unlisted investments HK\$'000	Total HK\$'000
Year ended 30 June 2014			
<i>Included in profit or loss:</i>			
Realised (loss)/gain:			
Financial assets at FVTPL	(14,858)	4,914	(9,944)
Unrealised loss:			
Financial assets at FVTPL	(45,832)	(41,782)	(87,614)
Impairment loss:			
Available-for-sale financial assets	—	(4,295)	(4,295)
Total realised and unrealised loss included in profit or loss	(60,690)	(41,163)	(101,853)
<i>Included in other comprehensive income:</i>			
Unrealised loss:			
Available-for-sale financial assets	—	(29,553)	(29,553)
Total realised and unrealised loss for the year	<u>(60,690)</u>	<u>(70,716)</u>	<u>(131,406)</u>
Year ended 30 June 2013			
<i>Included in profit or loss:</i>			
Realised loss:			
Financial assets at FVTPL	(380)	—	(380)
Unrealised (loss)/gain:			
Financial assets at FVTPL	(50,733)	56,722	5,989
Impairment loss:			
Available-for-sale financial assets	—	(7,474)	(7,474)
Total realised and unrealised (loss)/gain included in profit or loss	(51,113)	49,248	(1,865)
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale financial assets	—	18,155	18,155
Total realised and unrealised (loss)/gain for the year	<u>(51,113)</u>	<u>67,403</u>	<u>16,290</u>

5. REVENUE, OTHER INCOME AND GAINS

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Dividend income from listed investments	–	1,811
Dividend income from unlisted investments, net of withholding tax	<u>29,813</u>	<u>5,393</u>
	<u>29,813</u>	<u>7,204</u>
Other income and gains		
Bank interest income	12	8
Exchange gain on dissolution of a subsidiary	786	–
Miscellaneous	<u>2</u>	<u>5</u>
	<u>800</u>	<u>13</u>

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK\$103,698,000 (2013: HK\$180,000) and dividend income of HK\$29,813,000 (2013: HK\$7,204,000) for the year.

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net realised loss on financial assets at FVTPL	(9,944)	(380)
Net unrealised (loss)/gain on financial assets at FVTPL	<u>(87,614)</u>	<u>5,989</u>
	<u>(97,558)</u>	<u>5,609</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on a convertible bond wholly repayable within five years	21,926	11,101
Interest on other loans	2,498	1,852
	<u>24,424</u>	<u>12,953</u>

8. LOSS BEFORE TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditors' remuneration		
– audit services	635	555
– non-audit services	229	131
Custodian fees	161	144
Depreciation	994	1,750
Investment management fees	987	1,246
Loss/(gain) on disposal of items of property, plant and equipment	493	(185)
Minimum operating lease payments in respect of properties	2,279	3,397
Equity-settled share option expenses to consultants	60,070	–
Staff costs, excluding directors' remuneration:		
Salaries and wages	5,973	10,711
Pension scheme contributions	60	59
Equity-settled share option credits	–	(243)
Foreign exchange differences, net	717	62

9. INCOME TAX

Income tax in the financial statements represents:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax – Hong Kong		
– Provision for the year	–	–
Deferred tax (credit)/charge	<u>(3,398)</u>	<u>5,658</u>
Total tax (credit)/charge for the year	<u><u>(3,398)</u></u>	<u><u>5,658</u></u>

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years ended 30 June 2014 and 2013.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK\$212,880,000 (2013: HK\$43,522,000) and the weighted average number of 4,660,367,000 (2013: 4,617,839,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014 Number of shares <i>'000</i>	2013 Number of shares <i>'000</i>
Issued ordinary shares	4,659,834	4,417,834
Effect of exercise of share options	533	115
Effect of share placing	<u>–</u>	<u>199,890</u>
Weighted average number of ordinary shares	<u><u>4,660,367</u></u>	<u><u>4,617,839</u></u>

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2014 and 2013 in respect of a dilution as the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of the Group as at 30 June 2014 of HK\$821,745,000 (2013: HK\$994,613,000) and on 4,660,634,000 ordinary shares being in issue as at 30 June 2014 (2013: 4,659,834,000 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Year, a net loss for the Year attributable to ordinary equity shareholders of the Company (the “**Shareholders**”) amounted to HK\$212.88 million as compared to HK\$43.52 million in last year, representing a 389.15% increase in the net loss for the Year. The increase in loss was mainly due to (i) the realised and unrealised losses on listed investments at fair value through profit and loss; (ii) unrealised losses on unlisted investments at fair value through profit and loss; (iii) increase in the equity-settled share option expenses; (iv) increase in the interest payment arising from the interest-bearing loans and convertible bond issued by the Company; and (v) impairment loss of other receivables. The basic loss per share was HK4.568 cents (2013: HK0.942 cents).

During the Year, dividend income from investments increased by 314.03% to HK\$29.81 million as compared to HK\$7.20 million in last year. The other income which comprised interest income and miscellaneous gain was HK\$0.80 million, representing an increase of 7,900.00% as compared to HK\$0.01 million in last year. Administrative expenses increased by 200.73% from HK\$30.32 million in last year to HK\$91.18 million this year mainly due to the increase in the equity-settled share option expenses.

LISTED INVESTMENT REVIEW

The expected exit of the quantitative easing monetary policy in the United States and slow global economic growth have contributed to uncertainties in the securities markets. Under such adverse economic conditions, the market value of the Group’s listed securities portfolio had declined with total realised and unrealised losses on listed investments of HK\$60.69 million (2013: HK\$51.11 million). In addition, no dividend income from listed investments was received during the Year (2013: HK\$1.81 million).

As at 30 June 2014, the market value of the listed investments amounted to HK\$99.66 million (2013: HK\$173.31 million), all the listed investments 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	% of equity interest	Market value at 30 June 2014 HK\$'000	Dividend income HK\$'000
Hidili Industry International Development Limited	Coal mining and processing and sales of clean coal, coke, alloy pig iron and related by-products	12,369,000	0.60	11,132	–
China Water Property Group Limited	Property development and property investment businesses in the People's Republic of China (the "PRC")	196,735,429	10.58	88,531	–
				99,663	–

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2014, the loss on the Group's unlisted investment portfolio recorded as HK\$70.72 million (2013: gain of HK\$67.40 million). The loss was mainly attributable to the decrease in fair value of small loan companies, a project investment consultation service company and an investment holding company. During the Year, the dividend income from the unlisted investments in small loan companies recorded as HK\$29.81 million, representing a 453.06% increase as compared to HK\$5.39 million in last year.

As at 30 June 2014, the fair value of the Group's unlisted investments amounted to HK\$956.91 million as compared to HK\$1,043.63 million in last year, representing a 8.31% decrease.

Unlisted Investment Portfolio

Name of company	Location	Business nature	Cost	Fair value	Dividend	
			HK\$'000	at 30 June 2014 HK\$'000	income HK\$'000	
Micro-loan service						
1	Jingdezhen CFI Guosen Microfinance Co., Ltd.	Jingdezhen, Jiangxi Province	Provision of small loan and financial consultation services	188,690	188,786	–
2	TianJin XEDA Microfinance Co., Ltd.	Tianjin	Provision of small loan and financial consultation services	72,450	83,096	9,805
3	Tianjin Rongshun Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	36,606	39,054	6,367
4	TIIC RongShun Micro-Loan Company Limited	Tianjin	Provision of small loan and financial consultation services	12,189	14,358	675
5	Harbin Zhongjinguoxin Microfinance Co., Ltd.	Harbin, Heilongjiang Province	Provision of small loan and financial consultation services	36,693	43,639	–
6	Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	Donghu District, Nanchang, Jiangxi Province	Provision of small loan and financial consultation services	36,901	37,846	4,237
7	Tianjin Binlian Microfinance Limited	Tianjin	Provision of small loan and financial consultation services	12,271	13,364	–
8	Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	36,870	32,522	–

Name of company	Location	Business nature	Cost	Fair value	Dividend	
			HK\$'000	at 30 June 2014 HK\$'000	income HK\$'000	
9	Ezhou Zhongjinguotou Microfinance Limited	Ezhou, Hubei Province	Provision of small loan and financial consultation services	185,000	188,199	–
10	Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	Provision of small loan and financial consultation services	73,730	78,030	5,840
11	Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	Provision of small loan and financial consultation services	36,673	38,522	–
12	Tianjin Rongyang Micro-Loan Limited	Tianjin	Provision of small loan and financial consultation services	36,741	38,560	1,465
13	Zhenjiang CFI Guosen Technology Microfinance Corporation Limited	Zhenjiang, Jiangsu Province	Provision of small loan and financial consultation services	56,874	58,687	–
			Sub-total:	<u>821,688</u>	<u>854,663</u>	<u>28,389</u>
Guarantee service						
14	Jiangxi Huazhang Hanchen Guarantee Group Limited (formerly known as “Jiangxi Zhongjin Hanchen Guarantee Company Limited ”)	Nanchang, Jiangxi Province	Provision of financing guarantees to small and medium enterprises (the “SMEs”)	43,150	57,308	–
			Sub-total:	<u>43,150</u>	<u>57,308</u>	<u>–</u>

Name of company	Location	Business nature	Cost HK\$'000	Fair value at 30 June 2014 HK\$'000	Dividend income HK\$'000	
Investment and management consultation service						
15	Shenzhen Zhongtouxin Asset Management Company Limited	Shenzhen, Guangdong Province	Provision of consultation services on project investments	18,350	6,581	–
16	Xi'an Kairong Investment Management Limited	Xi'an, Shaanxi Province	Provision of financing management services	18,724	19,327	1,424
17	Zhenjiang Financial Industry Development Limited	Zhenjiang, Jiangsu Province	Provision of financing management services	18,591	19,034	–
				55,665	44,942	1,424
		Sub-total:		55,665	44,942	1,424
Information system service and mining						
18	Globe Capital Resources Investment Limited	British Virgin Islands	Investment holding	–	–	–
				920,503	956,913	29,813
		Total:		920,503	956,913	29,813

A brief description of the business of the unlisted investments is as follows:

Micro-loan service

Our investments in small loan companies have covered various provinces and cities in the PRC in last four years, and the Group is one of the major investors in small loan investment chains in the PRC.

- (1) The Company holds a 30% equity interest of Jingdezhen CFI Guosen Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan and credits to SMEs, rural sector (farmers, villages and agricultural industry) and individually-owned businesses and also in the provision of the management and financial consultation services for the development of local enterprises in Jingdezhen, Jiangxi Province, the PRC.
- (2) The Company holds a 30% equity interest of TianJin XEDA Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (3) The Company holds a 30% equity interest of Tianjin Rongshun Microfinance Limited. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (4) The Company holds a 10% equity interest of TIIC RongShun Micro-Loan Company Limited. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (5) The Company holds a 30% equity interest of Harbin Zhongjinguoxin Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan service in Harbin, Heilongjiang Province, the PRC.
- (6) The Company holds a 30% equity interest of Nanchang Donghu Zhongjincaixin Microfinance Co., Limited. It is principally engaged in the provision of rapid and nimble small loans, and enterprise development, management and financial consultation services to SMEs, rural sector (farmers, villages and agricultural industry) and individually-owned businesses in Donghu District, Nanchang, Jiangxi Province, the PRC.
- (7) The Company holds a 3.3% equity interest of Tianjin Binlian Microfinance Limited. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.

- (8) The Company holds a 30% equity interest of Nanjing NingGangRongTong Technology Microfinance Co., Ltd. (“**NingGangRongTong**”). It is principally engaged in the provision of (i) rapid and nimble small loans and enterprise development, management and financial consultation services; (ii) financing guarantee to technology enterprises, SMEs and sole proprietors; and (iii) investing in equity interest of (up to 30% of the total amount of registered capital of NingGangRongTong) small and medium technology enterprises in Jiangning district (mainly focusing on Nanjing Jiangning Economic Technical Development Zone (南京江寧經濟技術開發區)), Nanjing, Jiangsu Province, the PRC, which is state-level economic development zone.
- (9) The Company holds a 30% equity interest of 鄂州市中金國投小額貸款有限責任公司 (transliterated as Ezhou Zhongjinguotou Microfinance Limited). It is principally engaged in the provision of rapid and nimble small loan services to SMEs, rural sector (farmers, villages and agricultural industry) and privately or individually-owned businesses in Ezhou, Hubei Province, the PRC.
- (10) The Company holds a 30% equity interest of Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan, and related consultation services to SMEs, sole proprietors and rural sectors (farmers, villages and agricultural industry) in Ziyang, Sichuan Province, the PRC.
- (11) The Company holds a 30% equity interest of Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.. It is principally engaged in the provision of rapid and nimble small loan and credits, and financing guarantee services to rural sectors (farmers, villages and agricultural industry) in Jiangning district, Nanjing, Jiangsu Province, the PRC.
- (12) The Company holds a 30% equity interest of Tianjin Rongyang Micro-Loan Limited. It is principally engaged in the provision of rapid and nimble small loan, discount of bills, assignment of loans, consultation services on small loan and settlement services on loans in Tianjin, the PRC.
- (13) The Company invested in a 30% equity interest of Zhenjiang CFI Guosen Technology Microfinance Corporation Limited. It is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC.

Guarantee service

- (14) The Company holds 7.2% equity interest of 江西華章漢辰擔保集團股份有限公司 (transliterated as Jiangxi Huazhang Hanchen Guarantee Group Limited). It is principally engaged in the provision of financing guarantees to SMEs and assists such enterprises in obtaining loans from financial institutions in Jiangxi Province, the PRC.

Investment and management consultation service

- (15) The Company holds a 30% equity interest of 深圳市中投金信資產管理有限公司 (transliterated as Shenzhen Zhongtoujinxin Asset Management Company Limited). It is principally engaged in the consultation services on project investments, enterprise management and economic information and corporate image planning.
- (16) The Company holds a 30% equity interest of 西安開融投資管理有限公司 (transliterated as Xi'an Kairong Investment Management Limited). It is principally engaged in financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC.
- (17) The Company holds a 30% equity interest of Zhenjiang Financial Industry Development Limited. It is principally engaged in the provision of financial management services to SMEs in Zhenjiang, Jiangsu Province, the PRC.

Information system service and mining

- (18) The Company holds a 30% equity interest in Globe Capital Resources Investment Limited. It is principally engaged in investment holding which had two investments with a 29% equity interest in 江西九三三科技發展有限責任公司 (transliterated as Jiangxi 933 Technology Development Company Limited, “**Jiangxi 933**”) and a 25% equity interest in 贛縣長鑫礦業有限責任公司 (transliterated as Gan County Changxin Mining Company Limited, “**Changxin Mining**”). Jiangxi 933 is principally engaged in the provision of information system services while Changxin Mining is principally engaged in the exploitation of metal mines.

PROSPECT

上海外聯發實業發展有限公司 (transliterated as Shanghai Wailianfa Industrial Development Limited) (“**Wailianfa**”) and Regal Prosper International Limited (“**Regal Prosper**”) have to date committed investing in the Company by subscribing new shares of the Company, all the net proceeds of the subscriptions are approximately HK\$2,464 million, which represent a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position for the Company’s future development and expansion and introduce strategic investors to the Company, going forward it will require diligent scrutiny of the operating performance, growth potential and prioritise the allocation of resources to optimise potential returns on Shareholder investments and strengthen the financial position of the Group. At the same time, the Group will continue to seek possible business and investment opportunities to diversify its business portfolio, in order as to maximise Shareholders’ value.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2014, the Group had cash and cash equivalents of HK\$6.82 million (2013: HK\$7.94 million). Majority of the cash and bank balances denominated in Hong Kong dollar and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2014 was approximately 41.53 times (2013: 35.51 times), gearing ratio (calculated as the percentage of long term debts to the total Shareholders' equity) of the Group as at 30 June 2014 was approximately 41.29% (2013: 28.52%).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2013: Nil).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (2013: Nil).

CAPITAL STRUCTURE

The Company has issued 800,000 ordinary shares with par value of HK\$0.01 each upon the exercise of the share options at an exercise price of HK\$0.05 per share during the Year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 18 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$16.35 million (2013: HK\$16.10 million). 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.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Company is principally responsible for reviewing and supervising the Group’s financial reporting process and internal control system and providing advice and recommendations to the Board. The Audit Committee comprises three independent non-executive Directors (the “**INEDs**”). The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement and financial statements of the Group for the year ended 30 June 2014.

CORPORATE GOVERNANCE CODE

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

During the Year, the Company has applied the principles and complied with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), saved for the deviation discussed below:

Under the code provision A.6.7 of the CG Code, (i) Mr. Wan Hongchun, an INED, was unable to attend the Company’s annual general meeting held on 22 November 2013; (ii) Mr. Wang Dehe, Mr. Sha Naiping and Mr. Ding Xiaobin, non-executive Directors and Mr. Wan Hongchun, an INED, were unable to attend the Company’s special general meeting held on 16 May 2014; and (iii) Mr. Wang Dehe and Mr. Sha Naiping, non-executive Directors, Mr. Wan Hongchun and Mr. Zeng Xianggao, INEDs, were unable to attend the Company’s special general meeting held on 27 June 2014 due to their own other important business engagement.

DIRECTORS’ SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Year.

EVENTS AFTER REPORTING PERIOD

On 4 September 2014, the Company entered into two subscription agreements (“**Subscription Agreements**”) with two independent subscribers, Wailianfa and Regal Prosper, in relation to the subscription for 11,500,000,000 and 840,000,000 new shares (“**Subscription Shares**”) of the Company at HK\$0.2 per share, respectively. The shares subscribed by Wailianfa will be allotted and issued to United Talents Holdings Limited (the “**Nominee Subscriber**”), being a nominee of Wailianfa, at the direction of Wailianfa and the relevant share certificates will be delivered to the Nominee Subscriber. The aggregate net proceeds of the subscriptions of approximately HK\$2,464 million will be applied for potential investments and general working capital of the Group. Wailianfa has irrevocably undertaken to the Company that from the date of the completion of the subscription, and until the second anniversary thereof, it shall or shall procure the Nominee Subscriber not to dispose of any of the 11,500,000,000 subscription shares in the secondary market or create any encumbrances over such shares.

As stated in the published announcement dated 4 September 2014 by the Company, Wailianfa is a company established in the PRC. On 4 September 2014, Wailianfa is owned as to (i) 89.76% by 上海聖金投資有限公司 (transliterated as Shanghai Shengjin Investment Company Limited) which is wholly owned by 上海河苗投資有限公司 (transliterated as Shanghai Hemiao Investment Company Limited) which in turn is owned as to 58.33% by 陳越 (transliterated as Chen Yue) and 41.67% by 陳輝 (transliterated as Chen Hui); and (ii) 10.24% by 上海泰利特經濟發展有限公司 (transliterated as Shanghai Tailite Economic Development Company Limited) which in turn is owned as to 55% by 典國華 (transliterated as Dian Guohua), 35% by 朱澤民 (transliterated as Zhu Zemin) and 10% by 胡德華 (transliterated as Hu Dehua). As one of the conditions precedent of the subscription agreement entered with Wailianfa (the “**First Subscription Agreement**”), the shareholdings of Wailianfa will change and upon completion of the reorganisation (the “**Reorganisation**”), it will be owned as to (i) 46.51% by 山東信能新材料有限公司 (transliterated as Shandong Xinneng New Materials Limited) which in turn is owned as to 70% by 張剛 (transliterated as Zhang Gang), 10% by 孫培蓮 (transliterated as Sun Peilian), 10% by 周輝放 (transliterated as Zhou Huifang), 5.5% by 翟璐 (transliterated as Zhai Lu) and 4.5% by 袁志剛 (transliterated as Yuan Zhigang); (ii) 23.26% by 中企聯控股集團有限公司 (transliterated as Zhongqilian Holding Group Limited) which in turn is wholly owned by 馬鈞 (transliterated as Ma Jun); (iii) 13.95% by 上海智富科創投資有限公司 (transliterated as Shanghai Zhifu Kechuang Investment Limited) which in turn is owned as to 49% by 嚴悅文 (transliterated as Yan Yuewen) and 51% by 智富企業發展(集團)有限公司 (transliterated as Zhifu Enterprise Development (Group) Limited) which in turn is owned as to 80% by 丁勤富 (transliterated as Ding Qinfu) and 20% by 嚴悅文 (transliterated as Yan Yuewen); (iv) 9.30% by 上海光通神洲網路通信發展有限公司 (transliterated as Shanghai Guangtong Shenzhou Network Communication Development Limited) which in turn is wholly owned by 袁峰 (transliterated as Yuan Feng); (v) 4.65% by 陝西安澤投資有限公司 (transliterated as Shanxi Anze Investment Limited) which in turn is owned as to 51% by 王文軍 (transliterated as Wang Wenjun) and 49% by 陳紅 (transliterated as Chen Hong); (vi) 2.09% by Shanghai Shengjin Investment Company Limited whose ultimate shareholders and their shareholdings will remain the same; and (vii) 0.24% by Shanghai Tailite Economic Development Company Limited whose ultimate shareholders and their shareholdings will remain the same.

Upon the completion of the Subscription Agreements, Wailianfa and Regal Prosper hold approximately 67.64% and 4.94% of the entire issued share capital of the Company as enlarged by the issue of Subscription Shares, respectively, and the Company shall procure the change in the constitution of the Board in compliance with the Listing Rules so that the new Board will comprise 9 members of which 3 are executive directors, 3 are non-executive directors and 3 are independent non-executive directors. Wailianfa shall have the right to nominate a majority of the executive directors and the non-executive directors. The appointment of the directors nominated by Wailianfa shall be carried out in accordance with the normal procedures of the Company for appointment of directors.

The enforcement of the Subscription Agreements is subject to Shareholders and related authorities' approval and certain major conditions described below:

For the First Subscription Agreement

- (1) the Company and/or the guarantors, Mr. Du Lin Dong (the “**First Guarantor**”) and Mr. Wang Dehe (collectively referred to as the “**Guarantors**”), not having breached any of the undertakings and warranties given by the Company and the Guarantors in the First Subscription Agreement and such undertakings and warranties remaining true and accurate in all respects and not misleading;
- (2) the Company is in compliance with all its undertakings given in favour of Wailianfa;
- (3) the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the executive director granting the whitewash waiver to the Nominee Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the whitewash waiver granted;
- (4) if applicable, the disposals (the “**Disposals**”) as described below having been approved by the Stock Exchange;
 - a. to dispose unlisted company investments of the Company, including Jingdezhen CFI Guosen Microfinance Co., Ltd., Ezhou Zhongjinguotou Microfinance Limited, Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd., Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd., Jiangxi Huazhang Hanchen Guarantee Group Limited, Zhengzhou Economic Technological Development Mingyang Micro-loan Limited and Tianjin Zhongjinxinke Microfinance Limited for a total cash consideration of not less than HK\$589,000,000 by 30 November 2014.

- b. to dispose all listed company investments of the Company for a total cash consideration of not less than HK\$138,000,000 before the date of the special general meeting (“SGM”) of the Company to be held to approve the First Subscription Agreement.
 - c. to terminate the 23 joint venture agreements and/or acquisition agreement previously entered into by the Group in respect of its investment in small loan companies in the PRC and have not yet completed as at the date of the First Subscription Agreement within 10 days from the date of First Subscription Agreement.
 - d. to collect and receive each of the account receivable of the Company which is more than HK\$1,000,000 and arising from the loan advancement made by the Company and/or the dividend receivable from its investment for a total sum of not less than HK\$49,581,000 within 15 days from the date of First Subscription Agreement.
- (5) the obtaining of all necessary consent and approval by the Company, including but not limited to passing by the Board and the independent Shareholders at the SGM, among other things, the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the specific mandate in respect of the subscription shares to be issued under the First Subscription Agreement (the “**First Subscription Shares**”) and the whitewash waiver);
 - (6) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion);
 - (7) the Bermuda Monetary Authority granting consent to (if required) the issue of the First Subscription Shares (and such consent not being subsequently revoked prior to the completion);
 - (8) the obtaining of a Bermuda legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the First Subscription Agreement and the transaction contemplated thereunder, at the cost and expense of the Company;
 - (9) the obtaining of a PRC legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the Disposals and the business of the Company in the PRC, at the cost and expense of the Company;

- (10) all parties to the First Subscription Agreement having signed all relevant documents in connection with the subscription;
- (11) fulfillment of all the terms and conditions and there is no breach of the First Subscription Agreement;
- (12) the establishment of the Nominee Subscriber by Wailianfa and obtaining of all necessary consent and approval (including but not limited to the foreign-exchange approval) by the Nominee Subscriber;
- (13) Wailianfa has legally transferred all the necessary funding in respect of the subscription to the designated bank account of the Nominee Subscriber which can be freely applied;
- (14) the obtaining of all necessary consent and approval by Wailianfa, including but not limited to passing by the board of Wailianfa and the shareholders of Wailianfa the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder;
- (15) the obtaining of all necessary consent and approval by Wailianfa from the relevant PRC competent authorities (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the foreign exchange department and/or other relevant local authorities in the PRC);
- (16) the completion of the Disposals in accordance with applicable laws, regulations, government policies, the Listing Rules and the terms of the First Subscription Agreement;
- (17) the First Guarantor having created a share charge to charge all the 685,914,830 Shares, representing approximately 14.72% of entire issued share capital of the Company as at the date of the First Subscription Agreement, directly and indirectly owned by him in favour of Wailianfa one day before the despatch of the circular to guarantee the performance of obligations of the Company and the Guarantors under the First Subscription Agreement and has delivered to Wailianfa the relevant share certificates, instruments of transfer and sold notes signed in blank; and
- (18) completion of the Reorganisation.

Wailianfa has the right to waive the conditions numbered (1), (2), (8), (9), (10), (11), (16) and/or (17) above, save as the aforesaid, none of the above conditions can be waived by any parties to the First Subscription Agreement.

For the subscription agreement entered with Regal Prosper (the “Second Subscription Agreement”)

- (1) the passing by the shareholders at the SGM, among other things, an ordinary resolution to approve the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the specific mandate in respect of the subscription shares to be issued under the Second Subscription Agreement (the “Second Subscription Shares”));
- (2) the Stock Exchange granting an approval for the listing of and permission to deal in the Second Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion of the subscription);
- (3) the warranties given by Regal Prosper in the Second Subscription Agreement remaining true, accurate and not misleading in all respects; and
- (4) the Bermuda Monetary Authority granting consent to (if required) the issue of the Second Subscription Shares.

None of the conditions in the Second Subscription Agreement can be waived.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES

This results announcement is published on the websites of the Company (<http://www.irasia.com/listco/hk/cfii>) and the Stock Exchange (www.hkex.com.hk). The annual report will be dispatched to the Shareholders and made available on the above websites as soon as practicable.

By order of the Board
China Financial International Investments Limited
Du Lin Dong
Chief Executive Officer

Hong Kong, 12 September 2014

As at the date of this announcement, the executive Directors are Mr. Du Lin Dong and Mr. Pong Po Lam, the non-executive Directors are Mr. Wang Dehe, Mr. Sha Naiping and Mr. Ding Xiaobin and the independent non-executive Directors are Dr. Cheung Wai Bun Charles, Mr. Wan Hongchun and Mr. Zeng Xianggao.