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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

The board (the “**Board**”) of directors (the “**Directors**”) of China Financial International Investments Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2016 as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 31 December 2016

	<i>Notes</i>	Unaudited	
		Six months ended 31 December	
		2016	2015
		HK\$’000	HK\$’000
Revenue	5	12,312	429
Other income and gains	5	3,118	5,006
Net change in fair value of financial assets	6	(58,436)	(150,960)
Impairment loss on an available-for-sale financial asset		–	(721)
Finance costs	7	(1,597)	(4,471)
Administrative expenses		(27,910)	(9,182)
Share of profit/(loss) of an associate		111	(16)
		<hr/>	<hr/>
Loss before tax	8	(72,402)	(159,915)
Taxation	9	(949)	1,651
		<hr/>	<hr/>
Loss for the period		(73,351)	(158,264)
		<hr/> <hr/>	<hr/> <hr/>

	Unaudited	
	Six months ended 31 December	
	2016	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(45,392)	(73,130)
Reclassification adjustment for loss included in the profit or loss		
– Impairment loss	–	721
Income tax effect	<u>116</u>	<u>1,802</u>
	(45,276)	(70,607)
Exchange differences on translation of foreign operations	<u>(10,061)</u>	<u>(6,513)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(55,337)</u>	<u>(77,120)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(55,337)</u>	<u>(77,120)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(128,688)</u>	<u>(235,384)</u>
Loss per share attributable to ordinary equity holders of the parent		
– Basic	<i>11(a)</i> <u>HK(0.67) cents</u>	<u>HK(2.41) cents</u>
– Diluted	<i>11(b)</i> <u>HK(0.67) cents</u>	<u>HK(2.41) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Unaudited	Audited
	31 December	30 June
	2016	2016
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,479	1,864
Investment in an associate	464	353
Available-for-sale financial assets	278,223	323,615
Financial assets at fair value through profit or loss	849,742	276,418
Total non-current assets	<u>1,129,908</u>	<u>602,250</u>
CURRENT ASSETS		
Financial assets at fair value through profit or loss	263,483	180,831
Prepayments, deposits and other receivables	11,348	415,143
Cash and cash equivalents	322,580	657,542
Total current assets	<u>597,411</u>	<u>1,253,516</u>
CURRENT LIABILITIES		
Other payables and accruals	1,526	2,370
Due to a related company	342	–
Due to an associate	146	80
Tax payable	4,980	4,200
Total current liabilities	<u>6,994</u>	<u>6,650</u>
NET CURRENT ASSETS	<u>590,417</u>	<u>1,246,866</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,720,325</u>	<u>1,849,116</u>
NON-CURRENT LIABILITIES		
Interest bearing loans	62,987	62,974
Deferred tax liabilities	938	1,054
	<u>63,925</u>	<u>64,028</u>
Net assets	<u>1,656,400</u>	<u>1,785,088</u>
EQUITY		
Share capital	109,717	109,717
Reserves	1,546,683	1,675,371
TOTAL EQUITY	<u>1,656,400</u>	<u>1,785,088</u>
Net asset value per share	12 <u>HK15.10 cents</u>	<u>HK16.27 cents</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. BASIS OF PREPARATION

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

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

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1	<i>Disclosure Initiative</i>
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The adoption of the above revised standard has had no significant financial effect on these interim condensed consolidated financial statements.

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 this interim financial information. Among the new and revised HKFRSs, the following is expected to be relevant to the Company’s financial statements upon becoming effective:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
HKFRS 9	<i>Financial Instruments²</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

The Directors 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 15 and HKFRS 16, these new standards and amendments are unlikely to have a significant impact on the Group’s results and financial position.

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 businesses of the Group's investments and category on investments as follows:

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

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

Segment results

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

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

Segment assets

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

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

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

All liabilities as at 31 December 2016 and 30 June 2016 were unallocated liabilities.

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

4. (LOSS)/GAIN ON INVESTMENTS

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. LOSS BEFORE TAX

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

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

9. TAXATION

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

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

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

10. DIVIDEND

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

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

(a) Basic loss per share

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

(b) Diluted loss per share

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

12. NET ASSET VALUE PER SHARE

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

BUSINESS REVIEW

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

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

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

LISTED INVESTMENT REVIEW

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

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

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group’s effective interest	Market value at 31 December 2016 HK\$’000	Dividend received during the Period HK\$’000
Hidili Industry International Development Limited (“ Hidili Industry ”) (Note 1)	Coal mining and manufacture and sales of clean coal	12,369,000	0.60%	–	–
China City Infrastructure Group Limited	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	458,735,429	19.89%	208,724	–
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	42,271,000	0.56%	146,258	1,723
				<u>354,982</u>	<u>1,723</u>

Note:

- (1) As at 31 December 2016, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.60% of the issued share capital of Hidili Industry. The shares of Hidili Industry have been suspended for trading since 1 April 2016 due to delay in publication of annual results, which management considered as an indication for impairment. As a result, the fair value of Hidili Industry amounting to HK\$2,412,000 was fully impaired during the year ended 30 June 2016.

UNLISTED INVESTMENT REVIEW

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

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

Unlisted Equity Investments and Unlisted Convertible Bond Investment

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

Unlisted equity investment and unlisted convertible bond investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2016 HK\$'000
Micro-loan service						
1	Jingdezhen CFI Guosen Microfinance Co., Ltd.	(1) Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	539
2	TianJin XEDA Microfinance Co., Ltd.	Tianjin	30%	Provision of small loan and financial consultation services	72,450	46,180
3	Tianjin Rongshun Microfinance Limited	Tianjin	30%	Provision of small loan and financial consultation services	36,606	14,757
4	TIIC RongShun Micro-Loan Company Limited	Tianjin	10%	Provision of small loan and financial consultation services	12,189	7,720
5	Harbin Zhongjinguoxin Microfinance Co., Ltd.	(2) Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	–
6	Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd.	(3) Donghu District, Nanchang, Jiangxi Province	30%	Provision of small loan and financial consultation services	36,901	10,587
7	Tianjin Binlian Microfinance Limited	Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	4,581
8	Ezhou Zhongjinguotou Microfinance Limited	(4) Ezhou, Hubei Province	30%	Provision of small loan and financial consultation services	185,000	124,169
9	Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	40,589
10	Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	14,206
11	Tianjin Rongyang Micro-Loan Limited	Tianjin	30%	Provision of small loan and financial consultation services	36,741	17,101
12	Zhenjiang CFI Guosen Technology Microfinance Corporation Limited	Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	34,206
				Sub-total:	<u>784,818</u>	<u>314,635</u>
13	Jiangxi Huazhang Hanchen Guarantee Group Limited	(5) Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	52,526
14	Shenzhen Zhongtounxin Asset Management Company Limited	Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–
15	Xi'an Kairong Financial Service Limited	Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	13,316
16	Hubei Zhongjin Tech Financial Services Co., Ltd.	Wuhan, Hubei Province	30%	Provision of financial management services	19,030	8,723
				Sub-total:	<u>56,104</u>	<u>22,039</u>
Real estate and natural gas						
17	China City Infrastructure	Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	73,000	87,479
					<u>957,072</u>	<u>476,679</u>

Notes:

- (1) On 1 June 2016, the Group's equity interest of Jingdezhen CFI Guosen Microfinance Co., Ltd. changed from 30% to 40% due to share accretion. The Group's voting right in Jingdezhen CFI Guosen Microfinance Co., Ltd. remains at 30% as approved by the shareholders' resolution of Jingdezhen CFI Guosen Microfinance Co., Ltd..
- (2) On 22 December 2016, the Company entered into a disposal agreement to dispose of its equity interest in Harbin Zhongjinguoxin Microfinance Co., Ltd. to an independent third party for a cash consideration of RMB25,000,000. As at the date of this announcement, a deposit of HK\$2,500,000 has been received and this disposal transaction has not been completed. The directors of the Company (the "Directors") expect this disposal transaction will be completed within one year.
- (3) On 20 April 2016, the Company entered into a disposal agreement to dispose of its equity interest in Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. to an independent third party for a cash consideration of RMB23,325,000. As at the date of this announcement, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (4) On 18 December 2016, a share accretion was approved by the shareholders' resolution of Ezhou Zhongjinguotou Microfinance Limited, by which the Group's equity interest of Ezhou Zhongjinguotou Microfinance Limited will be changed from 30% to 50%, while the Group's voting right in Ezhou Zhongjinguotou Microfinance Limited will remain at 30%. As at the date of this announcement, the share accretion has not been completed. The Directors expect the share accretion will be completed within six months.
- (5) On 19 August 2016, the Group's equity interest of Jiangxi Huazhang Hanchen Guarantee Group Limited changed from 7.2% to 2.98% as enlarged by the new registered capital subscribed by its other shareholders.

Unlisted Bond Investments

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

- (a) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited, entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys (China) Limited as issuer and Mr. Xiao Yan as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Xiao Yan is the sole shareholder and the sole director of Hollys (China) Limited. The transaction was completed during the Period.

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

PROSPECT

Looking ahead, the global economic and operating environment is full of challenges and uncertainty. The Group will focus on the investments of the insurance and financial services industry and the leisure sports vacation industry cautiously; and will seek potential investment opportunities to diversify its business portfolio with an aim to maximise value for the shareholders of the Company (the “**Shareholders**”).

The Group adopts (i) the “outside to inside” approach, understanding the market condition then formulating the Company’s investment strategy accordingly; (ii) the “open synergy” approach, inviting experts then collaborating their skills with the Company’s investment approach; and (iii) the “value-added” approach, determining the value of potential investments then integrating resources to materialise the investments, to increase the value of the Group.

MAJOR ACQUISITIONS AND DISPOSALS

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

The Group did not have any bank borrowing as at 31 December 2016 (30 June 2016: Nil).

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 17 employees (including Directors). The total staff cost (including Directors’ remuneration) of the Group for the Period was HK\$11,335,000 (2015: HK\$4,573,000). The remuneration package of the employees is determined by various factors including the employees’ experience and performance, the market condition, industry practice and applicable employment law.

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 six months ended 31 December 2016, the Company complied with the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) except for the following deviations:

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

- (b) The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagement at the relevant time, Mr. Li Cailin was unable to attend the annual general meeting of the Company held on 2 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

REVIEW OF ACCOUNTS

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

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES

The Group’s interim results will be included in the Company’s interim report for the six months period ended 31 December 2016 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.

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

Hong Kong, 24 February 2017

As at the date of this announcement, the executive Directors are Mr. Du Lin Dong and Mr. Pong Po Lam, the non-executive Director is Mr. Ding Xiaobin and the independent non-executive Directors are Dr. Cheung Wai Bun Charles, J.P., Mr. Zeng Xianggao and Mr. Li Cailin.