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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 2019

The board (the “Board”) of directors (the “Director”) 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 2019 (the “Year”) together with the comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2019*

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	4	68,845	66,797
Other income	6	26,379	1,657
Fair value loss on financial assets at fair value through profit or loss		(209,271)	(59,768)
Impairment loss on available-for-sale (“AFS”) financial assets		–	(15,456)
Impairment loss on debt instruments at fair value through other comprehensive income (“FVTOCI”)		(161,824)	–
Impairment loss on other receivables		(16,037)	–
Administrative expenses		(31,850)	(63,111)
Share of profit of an associate		125	485
Finance costs	7	(3,150)	(3,151)
Loss before tax		(326,783)	(72,547)
Income tax expense	8	(780)	(295)
Loss for the year	9	(327,563)	(72,842)

	<i>NOTE</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at FVTOCI		<u>(44,969)</u>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
AFS financial assets:			
Fair value loss		—	(68,102)
Reclassification adjustment for loss included in profit or loss		<u>—</u>	<u>15,456</u>
		<u>—</u>	<u>(52,646)</u>
Debt instruments at FVTOCI:			
Fair value loss		<b>(156,334)</b>	—
Adjustment for expected credit loss included in profit or loss		<b>161,824</b>	—
		<u>5,490</u>	—
Exchange difference arising on translation of foreign operations			
		<u>(5,246)</u>	<u>6,584</u>
		<u>244</u>	<u>(46,062)</u>
Other comprehensive expense for the year		<u>(44,725)</u>	<u>(46,062)</u>
Total comprehensive expense for the year		<u><b>(372,288)</b></u>	<u><b>(118,904)</b></u>
Loss for the year attributable to owners of the Company		<u><b>(327,563)</b></u>	<u><b>(72,842)</b></u>
Total comprehensive expense for the year attributable to owners of the Company		<u><b>(372,288)</b></u>	<u><b>(118,904)</b></u>
LOSS PER SHARE	<i>10</i>		
Basic ( <i>HK cents</i> )		<u><b>(2.986)</b></u>	<u><b>(0.664)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	491	770
Interest in an associate	1,153	1,028
Financial assets at fair value through profit or loss	313,408	725,262
Equity instruments at fair value through other comprehensive income	96,458	–
Available-for-sale financial assets	–	174,407
Deposits	197	157,753
	<u>411,707</u>	<u>1,059,220</u>
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	201,364	34,461
Financial assets at fair value through profit or loss	214,763	338,559
Debt instruments at fair value through other comprehensive income	302,234	–
Bank balances and cash	36,124	153,935
	<u>754,485</u>	<u>526,955</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	3,518	24,458
Amount due to an associate	114	188
Tax payable	4,200	4,485
Borrowings	9,990	–
Financial guarantee contracts	10,679	33,986
	<u>28,501</u>	<u>63,117</u>
<b>NET CURRENT ASSETS</b>	<u>725,984</u>	<u>463,838</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,137,691</u>	<u>1,523,058</u>

	<i>NOTE</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITY</b>			
Borrowings		<u>52,985</u>	<u>62,975</u>
<b>NET ASSETS</b>		<u><b>1,084,706</b></u>	<u>1,460,083</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>109,717</b>	109,717
Reserves		<u>974,989</u>	<u>1,350,366</u>
<b>TOTAL EQUITY</b>		<u><b>1,084,706</b></u>	<u>1,460,083</u>
<b>NET ASSET VALUE PER SHARE</b>			
<i>(HK cents)</i>	<i>11</i>	<u><b>9.89</b></u>	<u>13.31</u>

## **NOTES:**

### **1. GENERAL**

China Financial International Investments Limited (the “Company”) was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company. With effect from 9 May 2006, the Company de-registered from the Cayman Islands and re-domiciled in Bermuda under the Companies Act 1981 of Bermuda as an exempted company. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (the “Group”) are principally engaged in investing in listed and unlisted companies established and/or doing businesses in Hong Kong and the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### **2. BASIS OF PREPARATION**

In the preparation of the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group by continuously monitoring forecast and actual cash flows. For the year ended 30 June 2019, the Group reported net cash used in operating activities of HK\$115,786,000 and loss for the year of HK\$327,563,000. At 30 June 2019, the Group had bank balances and cash of HK\$36,124,000 and net current assets of HK\$725,984,000. Cash from operating activities is dependent on realisation of the listed and unlisted investments. In order to continue funding future capital programs, the Company may need to obtain additional equity or debt financing, or assess other options. The ability to access the required capital to maintain current financial position and cash flows is dependent on a variety of external factors.

The consolidated financial statements have been prepared on a going concern basis as, in the opinion of the directors of the Company, the Group has the ability to obtain debt or equity financing, or other sources of funding for future capital programs should the need arise.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### *New and amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

#### **HKFRS 9 “Financial Instruments”**

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

In addition, the Group has applied a practical expedient set out in HKFRS 9 on transition to HKFRS 9, which is to treat the fair value of the Group’s debt investments of HK\$458,568,000 as at the date of the initial application of HKFRS 9 as the carrying amount of the Group’s debt investments classified as FVTOCI upon the application of HKFRS 9 because, in the opinion of the directors of the Company, it is impracticable for the Group to apply retrospectively the effective interest method (including quantifying the amount of ECL).

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

*Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Notes	Available- for-sale ("AFS") financial assets HK\$'000	Financial assets designated at fair value through profit or loss ("FVTPL") HK\$'000	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 HK\$'000	Equity instruments at fair value through other comprehensive income ("FVTOCI") HK\$'000	Debt instruments at FVTOCI HK\$'000	Financial assets at amortised cost (previously classified as loans and receivables) HK\$'000	AFS financial assets revaluation reserve HK\$'000	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000
Closing balance at 30 June 2018 – HKAS 39		174,407	725,262	338,559	-	-	345,786	(21,920)	-	(968,951)
Effect arising from initial application of HKFRS 9:										
Reclassification										
From AFS	(a)	(174,407)	-	21,601	152,806	-	-	21,920	(25,888)	3,968
From designated at FVTPL	(b)	-	(725,262)	266,694	-	458,568	-	-	-	-
Remeasurement										
Impairment under ECL model	(c)	-	-	-	-	-	(3,089)	-	-	(3,089)
Opening balance at 1 July 2018		-	-	626,854	152,806	458,568	342,697	-	(25,888)	(968,072)

(a) AFS investments

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as AFS. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$152,806,000 were reclassified from AFS financial assets to equity instruments at FVTOCI. The fair value losses of HK\$25,888,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's unlisted investments of HK\$21,601,000 were reclassified from AFS financial assets to financial assets at FVTPL. The fair value losses of HK\$3,968,000 relating to those investments previously carried at fair value were transferred from AFS financial assets revaluation reserve to accumulated losses.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, these investments of HK\$266,694,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group's unlisted bonds with a fair value of HK\$458,568,000 as at 1 July 2018 were reclassified from financial assets at FVTPL to debt instruments at FVTOCI, as the directors of the Company, after assessing the business model as at the date of the initial application, concluded that such investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

The Group has reassessed its investments in equity securities and derivative financial instrument classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK\$338,559,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

ECL for financial assets at amortised cost, including other receivables and bank balances, are assessed on 12m ECL basis as, in the opinion of the directors of the Company, there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are unlisted bonds previously carried at fair value. Based on assessment of the directors of the Company, certain of these investments were credit-impaired as at 1 July 2018.



As at 1 July 2018, additional credit loss allowance of HK\$3,089,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective financial asset at amortised cost.

The loss allowance as at 30 June 2018 reconciled to the opening loss allowance as at 1 July 2018 is as follows:

	<b>Financial assets at amortised cost HK\$'000</b>
At 30 June 2018 - HKAS 39	–
Amounts remeasured through opening accumulated losses	3,089
	<hr/>
At 1 July 2018	3,089
	<hr/> <hr/>

#### 4. REVENUE

	<b>2019 HK\$'000</b>	2018 HK\$'000
Dividend income from:		
Financial assets at FVTPL	<b>28,230</b>	15,172
AFS financial assets	–	461
	<hr/>	<hr/>
	<b>28,230</b>	15,633
	<hr/>	<hr/>
Interest income from:		
Financial assets at FVTPL	<b>1,144</b>	–
Debt instruments at FVTOCI	<b>39,471</b>	–
AFS financial assets	–	51,164
	<hr/>	<hr/>
	<b>40,615</b>	51,164
	<hr/>	<hr/>
	<b>68,845</b>	66,797
	<hr/> <hr/>	<hr/> <hr/>

#### 5. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes 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. Others - equity investments in investees engaged in clean energy industry, guarantee service, investment and management consultation service and other businesses

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

**Segment revenue and results**

The following is an analysis of the Group's results by reportable segments:

	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>	Consolidated <i>HK\$'000</i>
<b>Year ended 30 June 2019</b>					
Segment revenue	<u>-</u>	<u>3,536</u>	<u>39,471</u>	<u>25,838</u>	<u>68,845</u>
Segment loss	<u>(82,002)</u>	<u>(71,710)</u>	<u>(122,353)</u>	<u>(26,185)</u>	<u>(302,250)</u>
Share of profit of an associate					125
Other income					26,379
Impairment loss on other receivables					(16,037)
Finance costs					(3,150)
Central administrative expenses					<u>(31,850)</u>
Loss before tax					<u>(326,783)</u>
<b>Year ended 30 June 2018</b>					
Segment revenue	<u>461</u>	<u>12,004</u>	<u>50,014</u>	<u>4,318</u>	<u>66,797</u>
Segment (loss) profit	<u>(42,623)</u>	<u>(33,681)</u>	<u>41,090</u>	<u>26,787</u>	<u>(8,427)</u>
Share of profit of an associate					485
Other income					1,657
Finance costs					(3,151)
Central administrative expenses					<u>(63,111)</u>
Loss before tax					<u>(72,547)</u>

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

### ***Segment assets and liabilities***

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

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Micro-loan service	<b>63,832</b>	165,630
Real estate and natural gas	<b>215,143</b>	389,163
Investment in fixed income financial assets	<b>302,234</b>	438,569
Others	<b>345,654</b>	244,866
	<hr/>	<hr/>
Total segment assets	<b>926,863</b>	1,238,228
Unallocated assets	<b>239,329</b>	347,947
	<hr/>	<hr/>
Consolidated assets	<b>1,166,192</b>	1,586,175
	<hr/> <hr/>	<hr/> <hr/>

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.

### **6. OTHER INCOME**

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Bank interest income	<b>2,964</b>	1,657
Reversal of provision for financial guarantee contracts	<b>23,307</b>	–
Sundry income	<b>108</b>	–
	<hr/>	<hr/>
	<b>26,379</b>	1,657
	<hr/> <hr/>	<hr/> <hr/>

### **7. FINANCE COSTS**

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on borrowings	<b>3,150</b>	3,151
	<hr/> <hr/>	<hr/> <hr/>

## 8. INCOME TAX EXPENSE

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
PRC Enterprise Income Tax:		
Current year	–	295
Overprovision in prior year	<b>(99)</b>	–
Withholding tax ( <i>Note</i> )	<b>879</b>	–
	<hr/>	<hr/>
	<b>780</b>	295
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Withholding tax represents withholding tax of 10% in dividend income from the PRC.

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

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

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 years.

## 9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Directors' emoluments	<b>6,875</b>	4,625
Other staff:		
Salaries and other benefits	<b>6,506</b>	11,360
Contributions to retirement benefits scheme	<b>115</b>	133
	<hr/>	<hr/>
Total employee benefits expense	<b>13,496</b>	16,118
	<hr/>	<hr/>
Auditor's remuneration		
– audit services	<b>638</b>	680
– non-audit services	<b>210</b>	200
Custodian fee	<b>172</b>	267
Depreciation of property, plant and equipment	<b>286</b>	285
Investment management fees	<b>1,518</b>	2,833
(Reversal of) provision for financial guarantee liabilities	<b>(23,307)</b>	33,986
	<hr/> <hr/>	<hr/> <hr/>

## 10. LOSS PER SHARE

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u><u>(327,563)</u></u>	<u><u>(72,842)</u></u>

### *Number of shares*

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

No diluted loss per share for both years were presented as there were no potential ordinary shares in issue for both years.

## 11. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of HK\$1,084,706,000 (2018: HK\$1,460,083,000) and 10,971,634,000 (2018: 10,971,634,000) issued and fully paid ordinary shares as at 30 June 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

During the Year, a net loss attributable to owners of the Company amounted to HK\$327,563,000 as compared to a loss of HK\$72,842,000 for the year ended 30 June 2018. The loss has been partly offset by dividend income from listed investments and an unlisted investment of HK\$28,230,000 and the interest income of HK\$40,615,000 from the unlisted bond investments and an unlisted convertible bond investment. The loss was mainly attributable to the following reasons:

- (i) fair value loss of approximately HK\$130,230,000 on unlisted investments at FVTPL;
- (ii) fair value loss of approximately HK\$79,041,000 on listed investments at FVTPL; and
- (iii) impairment loss on debt instruments at FVTOCI of approximately HK\$161,824,000.

During the Year, dividend income from investments increased by 80.58% to HK\$28,230,000 as compared to HK\$15,633,000 in last year. Interest income from unlisted investments amounted to HK\$40,615,000 (2018: HK\$51,164,000). The other income which comprised bank interest income, reversal of provision for financial guarantees and sundry income amounted to HK\$26,379,000, representing a increase of 1,491.97% as compared to HK\$1,657,000 in last year. Administrative and other expenses decreased by 49.53% from HK\$63,111,000 in last year to HK\$31,850,000 this year mainly due to the decrease of the provision for financial guarantees, staff costs and professional fees.

### **LISTED INVESTMENT REVIEW**

During the Year, the Group recorded the total loss of HK\$113,101,000 on listed securities business as compared to a loss of HK\$46,910,000 last year. Dividend income of HK\$5,918,000 from listed investments was recorded for the Year (2018: HK\$15,172,000).

As at 30 June 2019, the market value of the listed securities amounted to HK\$285,503,000 (2018: HK\$440,319,000), all the listed investments were listed on the Stock Exchange.

## Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 30 June 2019 <i>HK\$'000</i>	Dividend received/ receivable during the Year <i>HK\$'000</i>	% to the Group's net assets as at 30 June 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%	3,340	-	0.31%	-	-	-
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%	188,482	-	17.38%	-	-	-
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	8,055,000	0.11%	26,661	3,536	2.46%	87,923	92,240	4,317
China Communications Construction Co. Ltd.	infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	67,020	2,382	6.18%	-	-	-
				285,503	5,918				4,317

## UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2019, the total loss on the Group's unlisted investment portfolio recorded as HK\$297,473,000 (2018: HK\$80,960,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investments in fixed income financial assets. During the Year, dividend income of HK\$22,312,000 from a unlisted investment, Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan"), was recorded (2018: HK\$461,000).

As at 30 June 2019, the fair value of the Group's unlisted investments amounted to HK\$641,360,000 as compared to HK\$797,909,000 in last year, representing a 19.62% decrease.



## **UNLISTED EQUITY INVESTMENTS AND UNLISTED CONVERTIBLE BOND 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 and unlisted convertible bond investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2019 HK\$'000	% to the Group's net assets as at 30 June 2019
<b>Micro-loan services</b>							
1		(1) Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	516	0.05%
2		Tianjin	30%	Provision of small loan and financial consultation services	36,606	1,799	0.17%
3		Tianjin	10%	Provision of small loan and financial consultation services	12,189	4,344	0.40%
4		(2) Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	–	–
5		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	1,193	0.11%
6		(3) Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	20,439	1.88%
7		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	141	0.01%
8		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	11,041	1.02%
9		Tianjin	30%	Provision of small loan and financial consultation services	36,741	10,679	0.98%
10		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	13,680	1.26%
				Sub-total:	675,467	63,832	
<b>Guarantee Service</b>							
11		(4) Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises ("SME")	43,150	25,202	2.32%
<b>Investment and management consultation service</b>							
12		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	–
13		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	7,251	0.67%
14		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	4,117	0.38%
				Sub-total:	56,104	11,368	

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2019 HK\$'000	% to the Group's net assets as at 30 June 2019		
<b>Clean energy</b>									
15		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	187,524	17.29%
16		Hunan South China New Energy Limited ("South China New Energy")	(6)	Hunan Province		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	51,200	4.72%
Sub-total:						281,963	238,724		
Total:						1,056,684	339,126		

*Notes:*

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

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

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

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

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

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

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

- (4) On 13 April 2011, the Group acquired a 30% equity interest of Jiangxi Huazhang, a joint venture establish in the PRC. The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and reduce to 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.
- (5) On 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.

## UNLISTED BOND INVESTMENTS

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

Name of company	Notes	Business nature	Cost HK\$'000	Fair value at 30 June 2019 HK\$'000	% to the Group's net assets as at 30 June 2019
Hollys (China) Limited ("Hollys")	(1)	Engaged in coffee shop franchise in the PRC	200,000	124,200	11.45%
Pure Unity Investments Limited ("Pure Unity")	(2)	Investment company which investing equity securities, convertible notes, preference shares, options, warrants or debt securities issued by both listed and unlisted companies	190,000	84,584	7.80%
Talent Trend Global Limited ("Talent Trend")	(3)	Investment company which investing equity securities, convertible notes, preference shares, options, warrants or debt securities issued by both listed and unlisted companies	160,000	74,425	6.86%
Xing Yue Investments Limited ("Xing Yue")	(4)	Investment company which investing equity securities issued by listed companies in Hong Kong	20,000	19,025	1.75%
			570,000	302,234	

### Notes:

- (1) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited ("Joy State"), entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys as issuer and Mr. Xiao Yan as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interest in Hollys pledged to the Group by Mr. Xiao Yan.

During the year ended 30 June 2019, Hollys did not pay to the Group 9% contractual interest which was due on 31 December 2018 and 30 June 2019. Up to the date when the consolidated financial statements for the year ended 30 June 2019 were authorised for issue, the outstanding interest receivable has not yet been settled. An event of default is therefore considered to have occurred and the bond is considered as credit-impaired.

- (2) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Nanchang) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Pure Unity as issuer and Mr. Zhu Mingliang as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. As at 30 June 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.

During the year ended 30 June 2019, Pure Unity did not pay to the Group 9% contractual interest which was due on 31 December 2018 and 30 June 2019. Up to the date when the consolidated financial statements for the year ended 30 June 2019 were authorised for issue, the outstanding interest receivable has not yet been settled. An event of default is therefore considered to have occurred and the bond is considered as credit-impaired.

- (3) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Henan) Limited as subscriber, entered into a subscription agreement dated 21 November 2016 as subscriber with Talent Trend as issuer and Mr. Huang Xianli as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$160,000,000. As at 30 June 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.

During the year ended 30 June 2019, Talent Trend did not pay to the Group 9% contractual interest which was due on 31 December 2018 and 30 June 2019. Up to the date when the consolidated financial statements for the year ended 30 June 2019 were authorised for issue, the outstanding interest receivable has not yet been settled. An event of default is therefore considered to have occurred and the bond is considered as credit-impaired.

- (4) The Company entered into a subscription agreement dated 8 March 2018 as subscriber with Xing Yue as issuer and Ms. Dong Lili as guarantor, in relation to the subscription of the 9% secured three months bond with the principal amount of HK\$20,000,000. Ms. Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by unlisted equity interests and by 200,000,000 shares of the Company which 100,000,000 held by Xing Yue and 100,000,000 held by Rightfirst Holdings Limited (“Rightfirst”) as irrevocable guarantee, respectively. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive Director of the Company. The bond was already overdue as at 30 June 2019 and the management is under negotiation with Xing Yue for settlement of the bond.

## **PROSPECT**

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

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

In this year, 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 Hunan South China New Energy Limited to build an ethanol biofuel mixing facility in Hunan province, which will give us a strategic asset that can cover future delivery of key regions across central China. Moreover, the Company is also planning to start ethanol business in more areas in China such as Guangdong Province, Hebei Province and Hubei Province.

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.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As at 30 June 2019, the Group had cash and cash equivalents of HK\$36,124,000 (2018: HK\$153,935,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2019 was approximately 26.47 times (2017: 8.35 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2019 was approximately 6.99% (2018: 7.95%).

The Group did not have any bank borrowing as at 30 June 2019 (2018: Nil).

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the Year (2018: Nil).

## **CAPITAL STRUCTURE**

As at 30 June 2019, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,084,706,000 (2018: HK\$1,460,083,000) and approximately 10,971,634,000 (2018: 10,971,634,000), respectively.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2019, the Group had 14 (2018: 11) employees (including Directors). The total staff costs (including Directors' remuneration) of the Group for the Year was HK\$13,496,000 (2018: HK\$16,118,000). 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 Year.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") 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 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 and financial reporting matters including the review of this announcement and financial statements of the Group for the Year.

## **CORPORATE GOVERNANCE**

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 Listing Rules, save for the disclosure below:

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

## **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 THE REPORTING PERIOD**

On 22 August 2019, Keyi (Shanghai), a wholly-owned subsidiary of the Company, has entered into an agreement with 3 partners in relation to the formation of Henan Keyi Hui Rui Bioenergy Technology Co., Ltd (“Keyi Hui Rui”). The registered capital of Keyi Hui Rui will be RMB350,000,000. Pursuant to the agreement, Keyi (Shanghai), Partner A, Partner B and Partner C will subscribe for 30%, 25%, 25% and 20% of equity interests of Keyi Hui Rui for a cash consideration of RMB105,000,000, RMB87,500,000, RMB87,500,000 and RMB70,000,000 respectively.

## **CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company is scheduled to be held on Friday, 6 December 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 2 December 2019.

## **REVIEW OF FINANCIAL STATEMENTS**

The consolidated financial statements of the Group for the Year including the accounting principles and practices adopted by the Group have been reviewed by the Audit Committee of the Company and audited by the auditor of the Group, Moore Stephens CPA Limited.

## **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](http://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**  
*Chairman and Chief Executive Officer*

Hong Kong, 27 September 2019

*As at the date of this announcement, the executive Director is Mr. Du Lin Dong, the non-executive Directors are Mr. Ding Xiaobin, Mr. Zhang Huayu, Ms. Li Jie and Ms. Chen Xi and the independent non-executive Directors are Mr. Zhang Jing, Mr. Zeng Xianggao and Mr. Li Cailin.*