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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 2019**

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 2019 as follows:

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

For the six months ended 31 December 2019

		Unaudited	
		Six months ended	
		31 December	
		2019	2018
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	5	19,199	28,601
Other income	5	5,960	70,573
Fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	6	(88,255)	(33,127)
Impairment loss on debt instruments at fair value through other comprehensive income (“FVTOCI”)		(17,015)	–
Administrative expenses		(14,478)	(19,185)
Share of profit from an associate		8	45
Finance costs	7	(1,676)	(1,588)

		Unaudited	
		Six months ended	
		31 December	
		2019	2018
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
(Loss) profit before tax	8	(96,257)	45,319
Income tax expense	9	—	(29,424)
(Loss) profit for the period		<u>(96,257)</u>	<u>15,895</u>
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified to profit or loss:</i>			
– Fair value loss on equity instruments at FVTOCI		<u>(34,755)</u>	<u>(36,156)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
<i>Debt instruments at FVTOCI</i>			
– Change in fair value of debt instruments at FVTOCI		(17,015)	(62,960)
– Adjustment for expected credit loss (reversal of expected credit loss) included in profit or loss		17,015	(4,626)
– Effective interest income from financial assets at FVTOCI		—	(58,900)
		—	(126,486)
– Exchange difference arising on translation of foreign operations		<u>(1,054)</u>	<u>(347)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(35,809)</u>	<u>(162,989)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u><u>(132,066)</u></u>	<u><u>(147,094)</u></u>
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic	<i>11(a)</i>	<u><u>HK(0.88) cents</u></u>	<u><u>HK0.14 cents</u></u>
– Diluted	<i>11(b)</i>	<u><u>HK(0.88) cents</u></u>	<u><u>HK0.14 cents</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

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

Notes:

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

China Financial International Investments Limited (the “Company”) was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Companies Act 1981 of Bermuda as an exempted company. The Company’s registered office address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and the Company’s principal place of business is Suite 2001, 20th Floor, Tower 1, The Gateway, Harbour City, Kowloon, Hong Kong.

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

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 30 June 2019. The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 30 June 2019, except for the adoption of the new or revised HKFRSs (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

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

Application of new and amendments to HKFRSs

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

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

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

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

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

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

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

Definition of a lease

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

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

As a lessee

Short-term leases

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

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

Lease modifications

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

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

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

Taxation

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

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

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

	At 1 July 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	6,308
Lease liabilities discounted at relevant incremental borrowings rates	4,782
Less: Recognition exemption – short-term leases	<u>(1,318)</u>
Lease liabilities as at 1 July 2019	<u><u>3,464</u></u>
Analysed as	
Current	761
Non-current	<u>2,703</u>
	<u><u>3,464</u></u>

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u><u>3,464</u></u>
By class:	
Land and buildings	<u><u>3,464</u></u>

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

	Micro-loan service <i>HK\$'000</i>	Real estate and natural gas <i>HK\$'000</i>	Investment in fixed Income Financial Assets <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended					
31 December 2019					
Segment results	<u>(10,014)</u>	<u>(54,651)</u>	<u>1,236</u>	<u>(22,642)</u>	(86,071)
Share of profit of an associate					8
Unallocated other income					5,960
Finance costs					(1,676)
Central administrative expenses					<u>(14,478)</u>
Loss before tax					<u>(96,257)</u>
Six months ended					
31 December 2018					
Segment results	<u>(85,989)</u>	<u>62,140</u>	<u>87,897</u>	<u>(5,637)</u>	58,411
Share of profit of an associate					45
Unallocated other income					7,047
Finance costs					(1,588)
Central administrative expenses					<u>(18,596)</u>
Profit before tax					<u>45,319</u>

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

Segment assets

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

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

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

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

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Current – PRC		
– Provision for the period	–	–
– Overprovision in respect of prior year	–	(98)
	–	(98)
Deferred tax – PRC		
– Provision for the period	–	29,522
	<u>–</u>	<u>29,424</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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

7. (LOSS) PROFIT FOR THE PERIOD

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

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

8. DIVIDEND

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

9. (LOSS) EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(96,257)</u>	<u>15,895</u>
Number of shares		
	2019	2018
	'000	'000
Weight average number of ordinary shares for the purpose of basic loss per share	<u>10,971,634</u>	<u>10,971,634</u>

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

10. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2019 of HK\$8.68 cents (30 June 2019: HK\$9.89 cents) and 10,971,634,030 ordinary shares in issue as at 31 December 2019 (30 June 2019: 10,971,634,030 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

LISTED INVESTMENT REVIEW

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

As at 31 December 2019, the market value of the listed securities amounted to HK\$192,965,000 (30 June 2019: HK\$285,503,000). All the listed securities were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Listed Securities Portfolio

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

UNLISTED INVESTMENT REVIEW

For the Period, the total loss on the Group's unlisted investment portfolio recorded as HK\$47,487,000 (31 December 2018: HK\$41,913,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investments in fixed income financial assets. No dividend income was recorded for the six months ended 31 December 2018 and 2017, the interest income of HK\$18,253,000 from the unlisted investments was recorded (31 December 2018: HK\$25,533,000).

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

Unlisted Equity Investments Investment

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

Since 2018, the Group focusing on clean energy industry and made several investments. Bioenergy is a carbon neutral and renewable energy source that reducing greenhouse gas emissions. Biofuels such as ethanol and biodiesel, are less toxic and are biodegradable. Using biomass can help build resilience in agricultural, timber and food-processing industries. Bioenergy provides a use for their waste streams, can help them reduce their energy costs.

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

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

Unlisted equity investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2019 HK\$'000	% to the Group's net assets as at 31 December 2019
Micro-loan service							
1	(1)	Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	417	0.04%
2		Tianjin	30%	Provision of small loan and financial consultation services	36,606	2,618	0.27%
3		Tianjin	10%	Provision of small loan and financial consultation services	12,189	3,478	0.37%
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	1,103	0.12%
6	(3)	Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	17,824	1.87%
7		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	126	0.01%
8		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	8,704	0.91%
9		Tianjin	30%	Provision of small loan and financial consultation services	36,741	6,287	0.66%
10		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	13,160	1.38%
				Sub-total:	<u>675,467</u>	<u>53,717</u>	
Guarantee Service							
11	(4)	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	22,510	2.36%
Investment and management consultation service							
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	5,486	0.58%
14		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	3,689	0.39%
				Sub-total:	<u>56,104</u>	<u>9,175</u>	

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

Notes:

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

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

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

- (2) On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK\$2,500,000 has been received which was included in receipt in advance under current liabilities as at 30 June 2019 and 2018. As at the date of this announcement, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (3) On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

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

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

- (4) On 13 April 2011, the Group acquired a 30% equity interest of Jiangxi Huazhang, a joint venture established in the PRC. The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and reduced to 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.
- (5) On 11 May 2018, the Company entered into the joint venture agreement with the joint venture partners in relation to the formation of the Henan Tianguan in Henan province, the PRC. Pursuant to the joint venture agreement, the Company owned 30% of the registered capital of the Henan Tianguan. On 31 July 2018, Henan Tianguan increased the registered capital from RMB300,000,000 to RMB660,000,000 hence Keyi (Shanghai) Investments Limited ("Keyi") and Joy State Holdings Limited, wholly-owned subsidiaries of the Company, further injected RMB30,000,000 and RMB78,000,000 respectively.
- (6) In January 2019, Keyi entered into an agreement with South China New Energy to inject capital contribution of RMB45,000,000 into South China New Energy for acquiring 30% of South China New Energy's equity interest. On 23 January 2019, the legal title of 30% equity interest in South China New Energy has been successfully transferred to Keyi.
- (7) On 17 October 2019, the Group entered into an agreement with Hollys (China) Limited ("Hollys") to get the repayment of outstanding principle and interests of the bond issued by Hollys in return for the 30% equity interest of Mengzhou Houyuan.
- (8) In August 2019, Keyi (Shanghai) entered into an agreement with 3 partners in relation to the formation of Keyi Huirui. The registered capital of Keyi Huirui is RMB350,000,000. Keyi (Shanghai) injected RMB105,000,000 for acquiring 30% of Keyi Huirui's equity interest. Keyi Huirui is engaged in Biotechnology energy technology development, transfer and consultation, and the research and development, manufacturing and sales of biotechnology energy and chemical equipment. On 5 September 2019, Keyi Huirui was officially set up.
- (9) In October 2019, the Group invested in a 5% equity interest of Tianguan New Energy, a joint venture established in the PRC. Tianguan New Energy is principally engaged in ethanol products transportation, development trading and consultation service in Huizhou, Guangdong Province, the PRC.

Unlisted Bond Investments

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

Unlisted bond portfolio

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

Notes:

- (1) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Nanchang) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Pure Unity as issuer and Mr. Zhu Mingliang as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. As at 31 December 2019, Mr. Feng Xin is the sole shareholder and the sole director of Pure Unity. Pure Unity has redeemed HK\$10,000,000 during the year ended 30 June 2017. The bond is secured by 760,000,000 shares of the Company held by Pure Unity as irrevocable guarantee.

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

- (2) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Henan) Limited as subscriber, entered into a subscription agreement dated 21 November 2016 as subscriber with Talent Trend as issuer and Mr. Huang Xianli as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$160,000,000. As at 31 December 2019, Mr. Feng Xu is the sole shareholder and the sole director of Talent Trend. The bond is secured by unlisted equity interests and by 640,000,000 shares of the Company held by Talent Trend as irrevocable guarantee.

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

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

PROSPECT

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

China plans to mandatorily promote the use of ethanol in gasoline (E10 gasoline) nationally. Based on the expected motor gasoline consumption, the annual supply of bioethanol is approximately 13 million metric tons in 1 to 5 years, which is far beyond current domestic production capacity.

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

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

MAJOR ACQUISITIONS AND DISPOSALS

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2019, the Group had cash and cash equivalents of HK\$45,440,000 (30 June 2019: HK\$36,124,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2019 was approximately 13.07 times (30 June 2019: 26.47 times), gearing ratio (total liabilities to total assets) of the Group as at 31 December 2019 was approximately 8.29% (30 June 2019: 6.99%).

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

INTERIM DIVIDEND

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

CHARGES ON THE GROUP'S ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL STRUCTURE

As at 31 December 2019, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$962,640,000 (30 June 2019: HK\$1,084,706,000) and approximately 10,971,634,030 (30 June 2019: 10,971,634,030), respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 13 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$5,448,000 (2018: HK\$6,439,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises three independent non-executive Directors namely, Mr. Zhang Jing (chairman of audit committee), Mr. Zeng Xianggao and Mr. Li Cailin.

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

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES

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

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

Hong Kong, 28 February 2020

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.