# 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)

2017

ANNUAL REPORT

# Contents

## BOARD OF DIRECTORS

**Executive Directors**

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

**Non-executive Director**

Mr. Ding Xiaobin

**Independent Non-executive Directors**

Dr. Cheung Wai Bun Charles, *J. P.*
Mr. Zeng Xianggao
Mr. Li Cailin

## EXECUTIVE COMMITTEE

Mr. Du Lin Dong *(Chairman)*
Mr. Pong Po Lam

## AUDIT COMMITTEE

Dr. Cheung Wai Bun Charles, *J. P. (Chairman)*
Mr. Zeng Xianggao
Mr. Li Cailin

## REMUNERATION COMMITTEE

Mr. Li Cailin *(Chairman)*
Mr. Du Lin Dong
Dr. Cheung Wai Bun Charles, *J. P.*

## NOMINATION COMMITTEE

Dr. Cheung Wai Bun Charles, *J. P. (Chairman)*
Mr. Zeng Xianggao
Mr. Li Cailin

## RISK MANAGEMENT COMMITTEE

Mr. Du Lin Dong *(Chairman)*
Dr. Cheung Wai Bun Charles, *J. P.*

## AUTHORISED REPRESENTATIVES

Mr. Pong Po Lam
Mr. Li Chi Chung

## COMPANY SECRETARY

Mr. Li Chi Chung

## AUDITOR

Ernst & Young
*Certified Public Accountants*

## INVESTMENT MANAGER

China Financial International Investments & Managements Limited

## CUSTODIAN

Bank of Communications Trustee Limited

## LEGAL ADVISER

*As to Bermuda law*
Conyers Dill & Pearman

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
HM 11
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6504, 65/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

## TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

## COMPANY WEBSITE

http://www.irasia.com/listco/hk/cfii

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Financial International Investments Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2017 (the "Year").

## KEY PERFORMANCE INDICATOR

The Group's net asset value is a key indicator of the financial performance and it decreased to HK$1,578,987,000 (2016: HK$1,785,088,000). During the year, the Group suffered from a loss of HK$184,981,000, mainly because of the loss on unlisted investments amounting to HK$183,960,000.

The net asset value per share was HK14.39 cents, which was calculated on the above net assets value and 10,971,634,000 ordinary shares of HK$0.01 each in issue as at 30 June 2017.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held at Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 15 December 2017 at 11:00 a.m.. Notice of AGM will be published and sent to shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

## CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 15 December 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Friday, 15 December 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 December 2017.

## ECONOMIC OUTLOOK

Overall, the global stock market and economic performance was satisfactory in the first half of 2017. Looking forward, with the stable growth of the United States economy, the United States Federal Reserve is expected to keep the market operating on its own and continue to raise interest rates in the next few years. However, given the lasting low inflation, it is expected that there will not be frequent and significant interest rates rises. In addition, in view of the economic stablisation tendency of the People's Republic of China (the "PRC"), reasonable valuation on the stock market and optimistic long-term prospects, coupled with the stable growth and recovery of the economy of major economies in the world and increasing corporate earnings, the Group keeps optimistic and prudent attitude towards the future growth of the PRC and global economy.

## PROSPECT

Looking forward, the Board will continue to evaluate the overall performance of the Group and carefully assess all potential investments which ensure that the investment risk is under manageable level and at the same time maximize the Group's returns and offer stable returns for the shareholders of the Company (the "Shareholders").

## APPRECIATION

I would like to take this opportunity to thank all of our business partners and Shareholders for their continuous support to our Group. I would also like to express my deepest gratitude to all of our staff and our Board of Directors for their effort and dedication to the Group.

**Du Lin Dong**
*Chairman and Chief Executive Officer*

Hong Kong, 29 September 2017

## BUSINESS REVIEW

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 ordinary equity Shareholders amounted to HK$184,981,000 as compared to a loss of HK$489,529,000 for the year ended 30 June 2016. The loss has been partly offset by a gain on disposal of listed securities of HK$9,669,000, dividend income from a listed investment of HK$4,381,000 and the interest income of HK$36,853,000 from the unlisted investments. The loss was mainly attributable to the following reasons:

(i) unrealised loss of approximately HK$146,192,000 on unlisted investments at fair value through profit or loss;

(ii) realised loss of approximately HK$10,049,000 on unlisted investments at fair value through profit or loss;

(iii) realised loss of approximately HK$4,091,000 on an available-for-sale financial asset of unlisted investment;

(iv) unrealised loss of approximately HK$819,000 on listed investments at fair value through profit or loss;

(v) impairment loss of approximately HK$23,628,000 on an available-for-sale financial asset; and

(vi) impairment loss of approximately HK$7,226,000 on dividend receivables.

During the Year, dividend income from investments decreased by 21.03% to HK$4,381,000 as compared to HK$5,548,000 in last year. Interest income from unlisted investments amounted to HK$36,853,000 (2016: Nil). The other income which comprised bank interest income and a gain on disposal of property, plant and equipment amounted to HK$6,161,000, representing an increase of 33.96% as compared to HK$4,599,000 in last year. Administrative expenses increased by 99.09% from HK$22,929,000 in last year to HK$45,650,000 this year mainly due to the increase of the consultant fee, staff costs and Directors' remuneration.

## LISTED INVESTMENT REVIEW

During the Year, the Group recorded the total loss of HK$1,630,000 on listed securities business as compared to a loss of HK$11,168,000 last year. Dividend income of HK$4,381,000 from listed investments was recorded for the Year (2016: Nil).

As at 30 June 2017, the total market value of held-for-trading listed securities and available-for-sale listed securities amounted to HK$445,857,000 (2016: HK$298,178,000), 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 2017 *HK$'000* | Dividend received/ receivable during the Year *HK$'000* | % to the Group's net assets as at 30 June 2017 |
|---|---|---|---|---|---|---|
| Hidili Industry International Development Limited | Coal mining and manufacture and sale of clean coal | 12,369,000 | 0.60% | 3,711 | – | 0.24% |
| China City Infrastructure Group Limited ("China City Infrastructure") | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC | 558,735,429 | 19.49% | 340,829 | – | 21.59% |
| Sino-Ocean Group Holding Limited | Investment holding, property development and property investment in the PRC | 26,592,500 | 0.35% | 101,317 | 4,381 | 6.42% |
| | | | | 445,857 | 4,381 | |

## UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2017, the total loss on the Group's unlisted investment portfolio recorded as HK$192,625,000 (2016: HK$422,001,000). 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, no dividend income from the unlisted investments was recorded (2016: HK$5,548,000).

As at 30 June 2017, the fair value of the Group's unlisted investments amounted to HK$752,208,000 as compared to HK$482,686,000 in last year, representing a 55.84% increase.

### Unlisted Equity Investments and Unlisted Convertible Bond Investment

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

*Unlisted equity investment and unlisted convertible bond investment portfolio*

| | Name of company | *Notes* | Location | Group's effective interest | Business nature | Cost *HK$'000* | Fair value at 30 June 2017 *HK$'000* | % to the Group's net assets as at 30 June 2017 |
|---|---|---|---|---|---|---|---|---|
| **Micro-loan service** | | | | | | | | |
| 1 | Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen") | *(1)* | Jingdezhen, Jiangxi Province | 40% | Provision of small loan and financial consultation services | 188,690 | 412 | 0.03% |
| 2 | TianJin XEDA Microfinance Co., Ltd. | | Tianjin | 30% | Provision of small loan and financial consultation services | 72,450 | 20,000 | 1.27% |
| 3 | Tianjin Rongshun Microfinance Limited | | Tianjin | 30% | Provision of small loan and financial consultation services | 36,606 | 3,776 | 0.24% |
| 4 | TIIC RongShun Micro-Loan Company Limited | | Tianjin | 10% | Provision of small loan and financial consultation services | 12,189 | 2,974 | 0.19% |
| 5 | Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin") | *(2)* | Harbin, Heilongjiang Province | 30% | Provision of small loan and financial consultation services | 36,693 | – | 0% |
| 6 | Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu") | *(3)* | Donghu District, Nanchang, Jiangxi Province | 30% | Provision of small loan and financial consultation services | N/A | N/A | N/A |
| 7 | Tianjin Binlian Microfinance Limited | | Tianjin | 3.3% | Provision of small loan and financial consultation services | 12,271 | 4,564 | 0.29% |
| 8 | Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou") | *(4)* | Ezhou, Hubei Province | 30% | Provision of small loan and financial consultation services | 185,000 | 123,549 | 7.82% |
| 9 | Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. | | Ziyang, Sichuan Province | 30% | Provision of small loan and financial consultation services | 73,730 | 245 | 0.02% |
| 10 | Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. | | Nanjing, Jiangsu Province | 30% | Provision of small loan and financial consultation service | 36,673 | 12,926 | 0.82% |
| 11 | Tianjin Rongyang Micro-Loan Limited | | Tianjin | 30% | Provision of small loan and financial consultation services | 36,741 | 6,700 | 0.42% |
| 12 | Zhenjiang CFI Guosen Technology Microfinance Corporation Limited | | Zhenjiang, Jiangsu Province | 30% | Provision of small loan and financial consultation service | 56,874 | 33,669 | 2.13% |
| | | | | | Sub-total: | 747,917 | 208,815 | |
| **Guarantee Service** | | | | | | | | |
| 13 | Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang") | *(5)* | Nanchang, Jiangxi Province | 2.98% | Provision of financing guarantees to small and medium enterprises | 43,150 | 42,820 | 2.71% |
| **Investment and management consultation service** | | | | | | | | |
| 14 | Shenzhen Zhongtoujinxin Asset Management Company Limited | | Shenzhen, Guangdong Province | 30% | Provision of consultation services on project investments | 18,350 | – | 0% |
| 15 | Xi'an Kairong Financial Service Limited | | Xi'an, Shaanxi Province | 30% | Provision of financial management services | 18,724 | 11,156 | 0.71% |
| 16 | Hubei Zhongjin Tech Financial Services Co., Ltd. | | Wuhan, Hubei Province | 30% | Provision of financial management services | 19,030 | 7,751 | 0.49% |
| | | | | | Sub-total: | 56,104 | 18,907 | |
| **Real estate and natural gas** | | | | | | | | |
| 17 | China City Infrastructure | *(6)* | Cayman Islands | N/A | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC | 23,000 | 34,174 | 2.16% |
| | | | | | Total: | 870,171 | 304,716 | |

*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 capital reduction, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company voluntarily relinquished the voting rights beyond 30%.

Given that the capital reduction in 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. As at the date of this annual report, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.

(3) On 20 April 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Nanchang Donghu to an independent third party for a cash consideration of RMB23,325,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 11 October 2016.

On the same day, the Company entered into a new disposal agreement to dispose of all of its equity interest in Nanchang Donghu to another independent third party for a cash consideration of RMB23,325,000. The disposal transaction was completed during the year.

(4) 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 capital reduction, 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%. As at the date of this annual report, the capital reduction has not been completed. The Directors expect the capital reduction will be completed within six months.

Given that the capital reduction in 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%.

(5) The Group's equity interest of Jiangxi Huazhang became 7.2% on 15 July 2013 and then 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.

(6) On 30 June 2017, the Company converted an aggregate principal amount of HK$50,000,000 into 100,000,000 shares in China City Infrastructure at the conversion price of HK$0.50 each, when the closing market price of shares of China City Infrastructure was HK$0.61 per share on this conversion and a loss on this conversion of approximately HK$4,091,000, which has been included in net change in fair value of financial assets in profit or loss for the year ended 30 June 2017.

### Unlisted Bond Investments

The Group invested three 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 | Fair value at 30 June 2017 | % to the Group's net assets as at 30 June 2017 |
|---|---|---|---|---|---|
| | | | *HK$'000* | *HK$'000* | |
| Hollys (China) Limited ("Hollys") | *(1)* | Engaged in coffee shop franchise in the PRC | 200,000 | 195,745 | 12.40% |
| Pure Unity Investments Limited ("Pure Unity") | *(2)* | Investment holding | 190,000 | 150,965 | 9.56% |
| Talent Trend Global Limited ("Talent Trend") | *(3)* | Investment holding | 160,000 | 100,782 | 6.38% |
| | | | 550,000 | 447,492 | |

*Notes:*

(1) On 8 September 2016, Joy State Holdings Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Hollys. The nominal value of the bond is HK$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interests in Hollys pledged to the Group by Mr. Xiao Yan.

(2) On 21 November 2016, China Financial International Investments (Nanchang) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Pure Unity. The nominal value of the bond is HK$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears. Pure Unity redeemed HK$10,000,000 during the year, as at 30 June 2017, the nominal value of the bond is HK$190,000,000.

Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity. As at 30 June 2017, the bond is secured by (1) 100% unlisted equity interests in Pure Unity pledged to the Group by Mr. Zhu Mingliang; (2) 500,000,000 shares of the Company, with a market value of HK$150,000,000, held by Rightfirst Holdings Limited ("Rightfirst"), which is beneficially owned by Mr. Du Lin Dong, the executive director of the Company; and (3) a property in the PRC with market value of HK$67,200,000.

(3) On 21 November 2016, China Financial International Investments (Henan) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Talent Trend. The nominal value of the bond is HK$160,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend. As at 30 June 2017, the bond is secured by (1) 100% unlisted equity interests in Talent Trend pledged to the Group by Mr. Huang Xianli; and (2) 620,000,000 shares of the Company, with a market value of HK$186,000,000, held by Ruixin Taifu Investment Group Co., Limited.

## MAJOR ACQUISITIONS AND DISPOSALS

The major acquisition and disposal of subsidiary or associate during the Year are set out in note 1 to the financial statements.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2017, the Group had cash and cash equivalents of HK$416,047,000 (2016: HK$657,542,000). 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 2017 was approximately 25.65 times (2016: 188.50 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2017 was approximately 5.57% (2016: 3.81%).

The Group did not have any bank borrowing as at 30 June 2017 (2016: Nil). The capital commitments of the Group are set out in note 30 to the financial statements.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2016: Nil).

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, there were no charges on the Group's assets.

## CONTINGENT LIABILITIES

Contingent liabilities of the Group is set out in note 34 to the financial statements.

## CAPITAL STRUCTURE

As at 30 June 2017, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$1,578,987,000 (2016: HK$1,785,088,000) and approximately 10,971,634,000 (2016: 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 2017, the Group had 16 (2016: 15) employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK$25,431,000 (2016: HK$11,435,000). 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.

## EXECUTIVE DIRECTORS

**Mr. Du Lin Dong**, aged 49, currently as the chairman and chief executive officer of the Company. He was also the chief executive officer of China Water Affairs Group Limited (Stock code: 855), a company listed on the main board of the Stock Exchange. Mr. Du has about 27 years' experience in investment and finance sector in the PRC and he had held senior management positions in various unlisted investment companies incorporated in the PRC. Mr. Du is also the director of various subsidiaries of the Company.

**Mr. Pong Po Lam**, aged 60, is the authorised representative of the Company and the managing director of Pegasus Fund Managers Limited. He has been working in the fund management industry for over 30 years. He is also chairman of Shenzhen Qianhai Prudence Investment Fund Management Company Limited and advisor for asset management of Mass Mutual Asia Ltd. He is non-official member of Human Capital Committee of Financial Services Development Council, member of Advisory Committee of Hang Seng Indexes Co. Ltd., chairman & Founder of Institute of Financial Technologists of Asia Ltd, member of Construction Industry Council – Investment Task Force, Co-Convener of Financial Section of Hong Kong Professionals & Senior Executives Association. He is also chairman of the Institute of Financial Planners of Hong Kong, vice president of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd., vice president of HK Shanxi Chamber of Commerce, a chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, a member of Court of City University of HK, a member of Business Studies Advisory Board of HKU SPACE and a guest speaker for senior management training courses in several multi-national financial/insurance companies and universities.

## NON-EXECUTIVE DIRECTOR

**Mr. Ding Xiaobin**, aged 47, graduated with a master of business administration degree from Huazhong University of Science and Technology, and has been honored the academic title of economist. He has worked for different business enterprises in various fields, including banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Holdings Limited, he acts as the investment consultant for projects in relation to clothes sales, harbour operation, agricultural, chemical synthesis and so on, with close cooperative relationship with the commercial banks, insurance corporation and fund corporation. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Cheung Wai Bun Charles**, *JP*, aged 81, who possesses the appropriate financial management expertise as required by the Listing Rules, including experience in internal controls reviewing and analysing audited financial statements. Dr. Cheung is presently the director and vice chairman of executive committee of the Metropolitan Bank (China) Ltd. and a former independent non-executive director and the director general of audit committee of China Resources Bank of Zhuhai Co. Ltd.. He is also an independent non-executive director and chairman of the audit committee of Pioneer Global Group Limited (Stock code: 224), an independent non-executive director, member of audit committee and nomination committee and the chairman of remuneration committee of Universal Technologies Holdings Limited (Stock code: 1026), a non-executive director of Galaxy Entertainment Group Limited (Stock code: 0027), an independent non-executive director, chairman of remuneration committee and members of audit committee and nomination committee of Jiayuan International Group Limited (Stock code: 2768), and an independent non-executive director, chairman of audit committee and members of remuneration committee and nomination committee of Modern Dental Group Limited (Stock code: 3600), he is an independent non-executive director of China Taifeng Beddings Holdings Limited (Stock code: 873), all of which are companies listed on the main board of the Stock Exchange. He is also an independent non-executive director and chairman of nomination committee of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (Stock code: 8260), a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange. He was an independent non-executive director of Grand TG Gold Holdings Limited (Stock Code: 8299) from July 2009 to 23 March 2016 and the chairman and subsequently co-chairman of the board of the directors. On 2 June 2017, Dr. Cheung was appointed as chairman of the board and executive director of Roma Group Limited listed on GEM of the Stock Exchange (Stock code: 8072). Dr. Cheung is a council member of the Hong Kong Institute of Directors.

He was formerly a visiting professor of school of business of Nanjing University in the PRC and he is currently special advisor to the president of University of Victoria, BC Canada. Dr. Cheung is a member of Hospital Governing Committee of both Kowloon Hospital Hong Kong and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a former director and advisor of the Tung Wah Group. He has held senior management positions in various companies of different industries and possessed extensive experiences. Dr. Cheung holds an honorary doctor degree from John Dewey University of USA, a master degree in business administration and a bachelor of science degree in accounts and finance from New York University of USA. He was awarded Listed Company Non-Executive Director Award by the Hong Kong Directors of the Years Awards 2002. In December 2010, Dr. Cheung received 3 awards namely (1) Outstanding Management Award of The Chartered Management Association; (2) Outstanding Director Award of The Chartered Association of Directors; and (3) Outstanding CEO Award of The Asia Pacific CEO Association.

**Mr. Zeng Xianggao**, aged 58, is the proprietor of Kangyuan Zeng & Co. (certified public accountant firm). Mr. Zeng is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants (practicing). Mr. Zeng was previously an accounting lecturer of Sun Yat-Sen University at Guangzhou, and an audit and tax consultant in two international accounting firms. He has extensive experience in accounting, taxation and auditing practice in Hong Kong as well as in the PRC. Mr. Zeng graduated from the Renmin University of China (Beijing) with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004. Mr. Zeng was the independent non-executive director of Capinfo Company Limited from 18 January 2011 to 19 June 2015, a joint stock limited company incorporated in the PRC and the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 1075).

**Mr. Li Cailin**, aged 63, is a senior engineer. He holds a Bachelor Degree in International Finance at the Wuhan University, and a research graduate in Investment Management at the Dongbei University of Finance and Economics. Mr. Li has held senior positions in China Construction Bank and acted as the directors of Postal Savings Bank of China and China UnionPay. He is currently the director of Cinda Financial Leasing Co., Ltd. Mr. Li has been working in the banking services field for 46 years with over 30 years of experience in management of commercial banks. He won the First Class Progress Prize in Scientific and Collective Technology (Provincial) in the PRC. Mr. Li is a senior banker in the PRC.

## COMPANY SECRETARY

**Mr. Li Chi Chung**, aged 49, is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is the company secretary of Kingbo Strike Limited (Stock Code: 1421), Huscoke Resources Holdings Limited (Stock Code: 704) and Upbest Group Limited (Stock Code: 0335), all of which are companies listed on the main board of the Stock Exchange. He is also the company secretary of Singasia Holdings Limited (Stock Code: 8293), a company listed on GEM of the Stock Exchange.

From 8 January 2014 to 7 April 2014, Mr. Li was the company secretary of Z-Obee Holdings Limited (Stock Code: 948); from 21 May 2014 to 16 January 2015, Mr. Li was the company secretary of China Zenith Chemical Group Limited (Stock Code: 0362); from 15 July 2013 to 1 May 2015, he was the company secretary of Evershine Group Holdings Limited (formerly known as TLT Lottotainment Group Limited) (Stock Code: 8022); from 23 September 2009 to 1 June 2015, Mr. Li was the company secretary of AVIC Joy Holdings (HK) Limited (formerly known as China Environmental Investment Holdings Limited) (Stock Code: 0260); from 12 December 2007 to 1 June 2015, he was the company secretary of China Nonferrous Metals Company Limited (Stock Code: 8306); from 15 June 2015 to 20 September 2016, he was the company secretary of KPM Holding Limited (Stock Code: 8027); from 9 June 2000 to 17 January 2017 and from 17 January 2017 to 4 July 2017, he was the independent non-executive director and non-executive director of PINE Technology Holdings Limited (Stock Code: 1079) respectively; from 13 December 2016 to 6 September 2017, he was the company secretary of China City Infrastructure Group Limited (Stock Code: 2349); and from 23 March 2005 to 12 September 2017, he was the independent non-executive director of Kenford Group Holdings Limited (Stock Code: 464).

The Directors of the Company present their report and the audited financial statements for the year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are investment holding and investing in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

## OPERATING SEGMENT INFORMATION

Operating segment information of the Group is set out in note 4 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

The Board does not recommend the payment of any dividend for the year ended 30 June 2017 (2016: Nil).

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group's immediate and long-term goals. Although there were no major customers and suppliers during the Year, as disclosed in the section headed "Major Customers and Suppliers" on page 13 of this annual report, the Company has created a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group pays attention to legal and regulatory requirements in designing its policies and practices. Legal and compliance advisers will be engaged when necessary to ensure the Group operates in accordance with applicable laws and regulations.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 94. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in notes 25 and 26 to the financial statements, respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## 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.

## RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity on page 36 respectively.

## DISTRIBUTABLE RESERVES

At 30 June 2017, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK$1,442,736,000 (2016: HK$1,569,386,000) calculated in accordance with the Companies Act 1981 of Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

A substantial portion of the Group's income is derived from the Group's investments and bank deposits and thus the disclosure of information regarding customers would not be meaningful. The Group has no major suppliers of which disclosure is required.

## DIRECTORS

The Directors during the Year and up to the date of this report were:

**Executive Directors:**
Mr. Du Lin Dong
Mr. Pong Po Lam

**Non-executive Director:**
Mr. Ding Xiaobin

**Independent non-executive Directors:**
Dr. Cheung Wai Bun Charles
Mr. Zeng Xianggao
Mr. Li Cailin

In accordance with Bye-laws 88(1) and 88(2), Mr. Pong Po Lam and Mr. Li Cailin shall retire from office by rotation at the AGM. Being eligible, each of Mr. Pong Po Lam and Mr. Li Cailin will offer himself for re-election as executive/independent non-executive Director (the "INED") at the forthcoming AGM. Also, an INED, namely Mr. Zeng Xianggao, who has been serving more than 9 years after February 2017, will offer himself for re-election at the forthcoming AGM in accordance with the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules.

The Directors, including the INEDs, are subject to retirement by rotation and re-election in accordance with the provisions of the Bye-laws.

Biographical details of the Directors are set out on pages 10 to 11 of this annual report.

## DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in details of Directors' information for the Year are set out below:

| Name | Details of Changes |
|---|---|
| Dr. Cheung Wai Bun Charles | appointed as an independent non-executive director of China Taifeng Beddings Holdings Limited (stock code: 0873) with effect from 20 April 2017 |
| | appointed as an executive Director and chairman of the Board of Roma Group Limited (stock code: 8072) with effect from 2 June 2017 |

## DIRECTORS' SERVICE CONTRACTS

Mr. Du Lin Dong entered into a service agreement with the Company on 23 June 2010, pursuant to which Mr. Du Lin Dong was appointed to act as executive Director and the chairman of the Board for a period of 3 years from the date of the agreement at an annual remuneration of HK$3,000,000, a housing allowance of not more than HK$50,000 per month and an annual fee of HK$120,000 for his office as executive Director. Under the service agreement, either party needs to give not less than 3 months' written notice to the other party in case of early termination of the appointment. The service agreement was amended on 8 October 2013, 8 June 2015, 1 July 2016 and 1 July 2017, pursuant to which Mr. Du Lin Dong resigned as the chairman of the Board and was appointed as the chief executive officer of the Company on 8 October 2013, and appointed as the chairman of the Board on 8 June 2015, his annual remuneration was increased to HK$5,000,000 with effect from 1 July 2016 and decreased to HK$3,000,000 with effect from 1 July 2017, respectively. The other terms of the service agreement remain unchanged.

Save as disclosed above, no Directors have entered into service contracts with the Company which are not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions of the Directors and the chief executive in the shares, share options, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

**Long positions in ordinary shares of the Company**

| | | Number of issued ordinary shares held | | | | Approximate percentage of shareholding |
|---|---|---|---|---|---|---|
| **Name of Director** | **Capacity** | **Personal interests** | **Interests of spouse** | **Corporate interests** | **Total interests** | **in the Company** |
| Du Lin Dong *(note)* | Beneficial owner, interests of spouse and interests of controlled corporation | 185,914,830 | 34,400,000 | 500,000,000 | 720,314,830 | 6.57% |
| Ding Xiaobin | Beneficial owner | 1,300,000 | – | – | 1,300,000 | 0.01% |
| Zeng Xianggao | Beneficial owner | 1,000,000 | – | – | 1,000,000 | 0.01% |

*Note:* Mr. Du Lin Dong is personally holding 185,914,830 ordinary shares. The 34,400,000 ordinary shares were held by Ms. Liu Zan, who is the spouse of Mr. Du Lin Dong, and the 500,000,000 ordinary shares were held by Rightfirst, a company wholly owned by Mr. Du Lin Dong. Under the SFO, Mr. Du Lin Dong is deemed to be interested in the ordinary shares in which Ms. Liu Zan and Rightfirst are interested.

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executive had or was deemed to have any interests and short positions in the shares, share options, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2017, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's ordinary shares and underlying shares:

### Long positions in the ordinary shares of the Company

| | | | Number of issued ordinary shares held | | | | Approximately percentage |
|---|---|---|---|---|---|---|---|
| Name of Shareholder | Capacity | *Notes* | Personal interests | Interests of spouse | Corporate interests | Total interests | of shareholding in the Company |
| Du Lin Dong | Beneficial owner, interests of spouse and interests of controlled corporation | *(1) & (2)* | 185,914,830 | 34,400,000 | 500,000,000 | 720,314,830 | 6.57% |
| Rightfirst | Beneficial owner | *(1)* | 500,000,000 | – | – | 500,000,000 | 4.56% |
| Liu Zan | Beneficial owner and interests of spouse | *(1) & (2)* | 34,400,000 | 685,914,830 | – | 720,314,830 | 6.57% |
| Excel Gainer International Limited | Beneficial owner | *(3)* | 1,865,130,000 | – | – | 1,865,130,000 | 16.99% |
| Treasure Vanguard Investments Limited | Interests of controlled corporation | *(3)* | – | – | 1,865,130,000 | 1,865,130,000 | 16.99% |
| Chen Meishu | Interests of controlled corporation | *(3)* | – | – | 1,865,130,000 | 1,865,130,000 | 16.99% |
| Hong Rui Holdings Limited | Beneficial owner | *(4)* | 1,100,000,000 | – | – | 1,100,000,000 | 10.03% |
| Lan Heng | Interests of controlled corporation | *(4)* | – | – | 1,100,000,000 | 1,100,000,000 | 10.03% |
| Ruixin Taifu Investment Group Co., Ltd | Beneficial owner | *(5)* | 825,000,000 | – | – | 825,000,000 | 7.52% |
| Xu Rongta | Interests of controlled corporation | *(5)* | – | – | 825,000,000 | 825,000,000 | 7.52% |
| Century Golden Resources Investment Co., Ltd | Beneficial owner | *(6)* | 1,000,000,000 | – | – | 1,000,000,000 | 9.11% |
| Huang Rulun | Interests of controlled corporation | *(6)* | – | – | 1,000,000,000 | 1,000,000,000 | 9.11% |

*Notes:*

(1) The entire issued share capital of Rightfirst is beneficially owned by Mr. Du Lin Dong, and Mr. Du Lin Dong is therefore deemed to be interested in the ordinary shares held by Rightfirst.

(2) Ms. Liu Zan is the spouse of Mr. Du Lin Dong and she is deemed to be interested in the ordinary shares held by Mr. Du Lin Dong and vice versa.

(3) The entire issued share capital of Excel Gainer International Limited is owned by Treasure Vanguard Investments Limited, while the entire issued share capital of Treasure Vanguard Investments Limited is beneficially owned by Miss Chen Meishu, and Miss Chen Meishu is therefore deemed to be interested in the ordinary shares held by Excel Gainer International Limited.

(4) The entire issued share capital of Hong Rui Holdings Limited is beneficially owned by Mr. Lan Heng, and Mr. Lan Heng is therefore deemed to be interested in the ordinary shares held by Hong Rui Holdings Limited.

(5) The entire issued share capital of Ruixin Taifu Investment Group Co., Ltd is beneficially owned by Mr. Xu Rongta, and Mr. Xu Rongta is therefore deemed to be interested in the ordinary shares held by Ruixin Taifu Investment Group Co., Ltd.

(6) 60% of the issued share capital of Century Golden Resources Investment Co., Limited is owned by Mr. Huang Rulun, and Mr. Huang Rulun is therefore deemed to be interested in the ordinary shares held by Century Golden Resources Investment Co., Limited.

Save as disclosed above, as at 30 June 2017, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the ordinary shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors are set out in note 10 to the financial statements.

The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rates.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the INEDs, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, Directors shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the Directors. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal activity is investing in listed and unlisted investments and other related financial assets. Details of the principal risks and uncertainties relating to the investments of the Group are set out in notes 3, 32 and 33 to the financial statements. The activity of the Group is also affected by the volatility and uncertainty of the world wide economies.

## ENVIRONMENTAL POLICIES

The Group is devoted to promoting and maintaining the environmental and social sustainable development. As a responsible enterprise, the Company is in compliance with all the material relevant laws and regulations in Hong Kong in terms of the environmental friendliness, health as well as safety and adopts effective measures, conserves energy and reduces waste.

The Board is pleased to present you the environmental, social and governance report (the 'ESG Report') set out on pages 27 to 29 of this annual report which depicts the performance on the sustainability of the Group.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the "Share Option Scheme" section below, no equity-linked agreements were entered into by the Group, or existed during the Year.

## SHARE OPTION SCHEME

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a share option scheme (the "Scheme") on 15 January 2008. Under the Scheme, the Directors may grant share options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Further details of the Scheme are disclosed in note 26(a) to the financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 26(a) to the financial statements, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

**(a) Non-exempted continuing connected transaction**

*Investment management agreement*

An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") on 25 April 2014 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2014 to 28 April 2017. Pursuant to the Investment Management Agreement, CFIIM is entitled to a management fee which is receivable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The Investment Management Agreement expired on 28 April 2017 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly on 26 April 2017 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2017 to 28 April 2020. Pursuant to the New Investment Management Agreement, CFIIM is entitled to a management fee which is receivable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The aggregate management fees payable to CFIIM under the Investment Management Agreement and the New Investment Management Agreement are subject to the following caps:

– not exceeding HK$1,800,000 annually from 29 April 2014 to 28 April 2017

– not exceeding HK$6,000,000 annually from 29 April 2017 to 28 April 2020

During the Year, the aggregate management fees paid/payable by the Company to CFIIM under the Investment Management Agreement together with the New Investment Management Agreement to CFIIM amounted to HK$1,773,000 (2016: HK$886,000).

CFIIM, being the investment manager of the Company, is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. In addition, CFIIM is an associate of the Company who holds 29% of the entire issued shares of CFIIM. Accordingly, the services rendered under the Investment Management Agreement and the New Investment Management Agreement constitute a non-exempted continuing connected transaction of the Company.

The aforesaid continuing connected transaction has been reviewed by the INEDs of the Company. The INEDs confirmed that the aforesaid continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Investment Management Agreement and the New Investment Management Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## CONTINUING CONNECTED TRANSACTIONS *(continued)*

**(b) Continuing connected transaction exempted from reporting, annual review, announcement and independent shareholders' approval requirements**

*Custodian agreement*

Pursuant to the custodian agreement (the "Custodian Agreement") dated 12 June 2007, the Company appointed Bank of Communications Trustee Limited as its custodian with effect from 12 June 2007. The custodian has agreed to provide securities services to the Company, including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until it is terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, the custodian fee is 0.05% of the net asset value, the minimum charge is HK$4,000 per valuation per month and will be billed monthly (i.e., calculated on a monthly basis on the net asset value of the portfolio as at the month end), the fund service fee is HK$4,000 per month, and the transaction fees are HK$320 per transaction for listed securities and HK$650 per unlisted/physical securities transaction. The custodian fee paid/payable during the Year amounted to HK$210,000 (2016: HK$153,000).

The custodian is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. Accordingly, the Custodian Agreement constitutes a de-minimis continuing connected transaction of the Company under Rule 14A.76 of the Listing Rules.

The INEDs also confirmed that (i) the aggregate value of the annual management fees paid and payable by the Company to the investment manager did not exceed the prescribed caps; and (ii) the aggregate value of the annual custodian fee to the custodian fell below the de-minimis threshold of the Listing Rules and would be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is a public float of more than 25% of the issued share capital of the Company.

## EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 35 to the financial statements.

## AUDITOR

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

**Du Lin Dong**
*Chairman and Chief Executive Officer*

Hong Kong
29 September 2017

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 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.

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

## DIRECTORS' SECURITIES TRANSACTION

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 Year.

## THE BOARD

### Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company. All Directors, including INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board reserves for its decision all matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions, financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the Board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

## THE BOARD *(continued)*

### Composition

As at the date of this annual report, the Board is made up of 6 Directors, including 2 executive Directors, 1 non-executive Director and 3 INEDs. The Board comprises the following Directors:

**Executive Directors:**
Mr. Du Lin Dong
Mr. Pong Po Lam

**Non-executive Director:**
Mr. Ding Xiaobin

**Independent non-executive Directors:**
Dr. Cheung Wai Bun Charles
Mr. Zeng Xianggao
Mr. Li Cailin

The Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' biographical details are set out in the section of "Biographical Details of Directors and Senior Management" on pages 10 to 11 of this annual report.

The Board's constitution is governed by Bye-law 87(1) under which the number of Directors shall not be less than two and Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules under which every board of directors of a listed issuer must include at least three independent non-executive directors, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and an issuer must appoint independent non-executive directors representing at least one-third of the board. Its composition also ensures that there is a balance of skills and experience appropriate to the requirements of the business of the Group and a balance of executive and non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board during the Year. All of them are free to exercise their individual judgments.

### Board Diversity Policy

The Company has adopted a board diversity policy (the "Diversity Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board and nomination committee (the "Nomination Committee") will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

## THE BOARD *(continued)*

### Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. 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.

### Independent Non-executive Directors

To determine the non-executive Directors' independence, assessments are carried out upon appointment, annually and at any time where the circumstances warrant reconsideration. Each of the INEDs is appointed for a term of not more than 3 years and they are also subject to retirement by rotation at least once every 3 years in accordance with Bye-law 88(1) and the CG Code. Also, if an INED serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by Shareholders in accordance with the CG Code.

The Company has received written annual confirmation from each INED of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in light of the independence guidelines set out in the Listing Rules. Also, two INEDs have been serving more than 9 years: (i) Dr. Cheung Wai Bun Charles already offered himself for re-election and his further appointment was approved by the Shareholders at the AGM held on 22 November 2012 and 18 December 2015; and (ii) Mr. Zeng Xianggao will offer himself for re-election at the forthcoming AGM. The Board and the Nomination Committee further consider that all INEDs remain independent, notwithstanding their length of tenure. They continue to demonstrate the attributes of an INED noted above and there is no evidence that their tenure has had any impact on their independence. The Board and the Nomination Committee believe that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company and that they maintain an independent view of its affairs.

### Appointment and Re-election of Directors

All non-executive Directors are appointed for a specific term of two years. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws.

### Continuous Professional Development

The Company provides relevant reading materials to all of the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director to ensure that the Directors' contribution to the Board remains informed and relevant. In addition, all Directors are encouraged to attend external forums or training courses on relevant topics which count towards Continuous Professional Development training. The Directors also disclose to the Company their interests as directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

## THE BOARD *(continued)*

### Meetings

Each Director makes every effort to contribute to the formulation of strategy, policy and decision-making by attending each meeting, whether in person or by telephonic conference, and each of them is prepared to contribute to the Group's business. All Directors are also encouraged to attend general meetings and develop a balanced understanding of the views of the Shareholders.

Besides the AGM, regular Board meetings and Board committees meetings are held for reviewing, discussing, considering and approving the financial and operating performance, the overall strategies and policies of the Company.

During the Year, 7 Board meetings, 2 audit committee (the "Audit Committee") meetings, 1 remuneration committee (the "Remuneration Committee") meeting, 1 Nomination Committee meeting, 1 executive committee (the "Executive Committee") meeting, 2 risk management committee (the "Risk Management Committee") meetings and 1 general meeting (including the AGM) were held. The attendance record of each Director was as follows:

| | Attendance/Number of Meetings | | | | | | |
|---|---|---|---|---|---|---|---|
| Director | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Executive Committee Meeting | Risk Management Committee Meeting | General Meeting |
| Mr. Du Lin Dong | 7/7 | N/A | 1/1 | N/A | 1/1 | 2/2 | 1/1 |
| Mr. Pong Po Lam | 5/7 | N/A | N/A | N/A | 1/1 | N/A | 0/1 |
| Mr. Ding Xiaobin | 7/7 | N/A | N/A | N/A | N/A | N/A | 1/1 |
| Dr. Cheung Wai Bun Charles | 6/7 | 2/2 | 1/1 | 1/1 | N/A | 2/2 | 1/1 |
| Mr. Zeng Xianggao | 6/7 | 2/2 | N/A | 1/1 | N/A | N/A | 1/1 |
| Mr. Li Cailin | 7/7 | 2/2 | 1/1 | 1/1 | N/A | N/A | 0/1 |

## BOARD COMMITTEES

The Company has five Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Executive Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee and the Risk Management Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made. The attendance record of the Board committee members for the Year is shown above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## BOARD COMMITTEES *(continued)*

**Audit Committee**

During the Year, the Audit Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles *(chairman of the Audit Committee)*, Mr. Li Cailin and Mr. Zeng Xianggao. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control and risk management system.

During the Year, the Audit Committee has performed the following major duties:

– reviewed and discussed the annual financial statements, results announcement and report for the year ended 30 June 2016, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the reappointment of the external auditors;

– reviewed and discussed the interim financial statements, results announcement and report for the six months ended 31 December 2016 and the related accounting principles and practices adopted by the Group; and

– reviewed and discussed the internal control and risk management systems.

The external auditors attended all the above meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

**Remuneration Committee**

During the Year, the Remuneration Committee comprises the following members, namely, Mr. Du Lin Dong, an executive Director, and Dr. Cheung Wai Bun Charles and Mr. Li Cailin *(chairman of the Remuneration Committee)*, both of them are INEDs.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the Year, the Remuneration Committee has performed the following major duties:

– generally reviewed the remuneration policy and remuneration package of the Group; and

– reviewed and approved the remuneration of the Directors.

Details of Directors' remuneration for the Year are disclosed in note 10 to the financial statements.

## BOARD COMMITTEES *(continued)*

**Nomination Committee**

During the Year, the Nomination Committee comprises the following members, all being the INEDs, namely, Dr. Cheung Wai Bun Charles *(chairman of the Nomination Committee)*, Mr. Li Cailin and Mr. Zeng Xianggao.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendation to the Board on the appointment or re-appointment of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company and to review the board diversity policy, as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the Corporate Governance Report.

During the Year, the Nomination Committee has performed the following major duties:

– reviewed the structure, size, composition and diversity of Board including the skills, knowledge and experience;

– made recommendations to the Board on the appointment and re-appointment of Directors;

– reviewed the policy and procedures for nomination of Directors; and

– assessed the independence of all the Company's INEDs.

Details of re-appointments were set out in the circulars of the Company dated 28 October 2016, all re-appointments were approved by the Shareholders at the AGM held on 2 December 2016.

**Executive Committee**

The Executive Committee comprises all the executive Directors, namely, Mr. Du Lin Dong *(chairman of the Executive Committee)* and Mr. Pong Po Lam. The Executive Committee has been authorised to make investment decisions on behalf of the Group and operate normal course of business of the Group.

**Risk Management Committee**

The Risk Management Committee comprises the following members, namely, Mr. Du Lin Dong *(chairman of Risk Management Committee)*, an executive Director, and Dr. Cheung Wai Bun Charles, an INED. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to the unlisted investments and providing comments and recommendations thereon to the Board, and identifying such risks of the Group and providing recommendations to the Board.

**Corporate Governance Functions**

The Board is responsible for the corporate governance functions with the following duties:

– to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

– to review and monitor the training and continuous professional development of Directors;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

– to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditor of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements, is set out in the "Independent Auditor's Report" on page 30 of this Annual Report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

## COMPANY SECRETARY

As at 30 June 2017, the company secretary of the Company, Mr. Li Chi Chung, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the current Year under review. His biography is set out in the "Biographical Details of the Directors and Senior Management" section of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Shareholders' investment and the Company's assets.

During the Year, the outsourced internal auditor, TKC Consulting Limited, was responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee in three phases with highlighting observations and recommendations to improve the risk management and internal control systems. The Audit Committee also reviewed the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The Audit Committee considered that there was no material defect in the Company's internal control review report. After discussion with the Audit Committee, the Board and management considered that the recommendations were reasonable and would implement the relevant procedures accordingly.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the Year, including financial, operational, compliance and risk management. The Board was of the view that the existing risk management and internal control systems are effective and adequate to the Group.

## AUDITOR'S REMUNERATION

The Audit Committee reviews each year with the external auditor, Ernst & Young, of the Group with regards to their independence, appointment, the scope of audit, fees, and the scope and appropriate fees for any non-audit services provided by them.

During the Year, the fees paid/payable to the Group's external auditor in respect of audit services and non-audit services amounted to HK$850,000 (2016: HK$730,000) and HK$185,000 (2016: HK$286,000), respectively. It should be noted that the non-audit services, e.g. interim financial statements and results announcements, provided by the external auditor during the Year were incidental to their audit services.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its Shareholders is through the publication of its interim and annual reports. The Company's share registrars serve the Shareholders with respect to all share registration matters. The Company's general meetings provide a useful forum for Shareholders to exchange views with the Board. The Board members and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all Shareholders at least 20 clear business days before the AGM.

All Shareholders' communications, including interim and annual reports, announcements and press releases are available on the Company's website at http://www.irasia.com/listco/hk/cfii.

A Shareholders' communication policy of the Company (the "Communication Policy") has been adopted by the Company to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing and reviewing the Communication Policy on a regular basis to ensure its effectiveness, details of the Communication Policy are available on the Company's website.

## SHAREHOLDERS' RIGHTS

**Right to convene special general meeting**

In accordance with the Company's Bye-law 58, the Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Any number of Shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. Shareholders should follow the procedures as set out in Section 79 of the Companies Act 1981 of Bermuda for putting forward such proposals.

**Right to put enquiries to the Board**

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board.

## INVESTOR RELATIONS

**Constitutional Documents**

There were no changes in the Company's constitutional documents during the Year. An up-to-date version of the Company's constitutional documents is available on the websites of the Stock Exchange and the Company.

**General Meetings**

General meetings, including AGM, are an important forum where communications with the Shareholders can be effectively conducted. During the Year, one general meeting (including AGM) was held at the Hong Kong's principal place of business of the Company on 2 December 2016. Separate resolutions are proposed at general meeting on each substantially separate issue. All resolutions proposed were duly passed. Details of the poll results were posted on the websites of the Stock Exchange and the Company.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 3542 5373 during normal business hours, by fax at (852) 3542 5370 or by e-mail at info@cfii.com.hk.

We are pleased to present you the ESG Report for the Company which depicts our performance on the sustainability of the Group. The principal activities of the Group are investment activities in listed and unlisted investments and other related financial assets. ESG report covers the principal activities of the Company and its principal subsidiaries for the Year. It focuses on the aspects which have been identified as material to the principal activities of the Group.

The Board recognises the importance of and acknowledge the responsibility for the strategy and reporting the environmental and social areas of the Group. While achieving our goals and business objectives, the Company works to minimise and manage environmental and social impacts arising from its daily operations and contribute to the long-term well being of the communities in which it operates.

ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and summarises the highlights of our ESG performance for the Year, which covers environmental protection, employment and labour practices, operating practices and community investment.

## ENVIRONMENTAL PROTECTION

### Environmental Policies and Performance

The Group is committed to building an eco-friendly corporation that tries to reduce the impacts of its operation on the environment. The Group's principal investment objective is to achieve long-term capital appreciation of assets through investments primarily in equity and equity-related investments in companies operating in Hong Kong and the PRC. Its operation is office based with limited energy and water consumption, the direct impact to the environment is minimal. The major indirect effects are related to electricity consumption through the use of lights, air conditioners and office equipments.

Accordingly, the Group adopts various practices to prevent pollution, reduce waste, increase recycling and minimize natural resource use by continually improving our environmental management practices and measures. Through an environmental protection guideline sent during the Year which mainly suggests ways to reduce energy and paper consumption, we educate our staff to adopt responsible behavior and promote environmental protection in our work place.

To save papers, employees are encouraged to use duplex printing for internal documents; facilities and procedures are in place for paper waste recycling; and the Group had strived for long to establish a paperless office by using electronic storage and communication whenever possible.

We also took different measures to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment

People are the foundation of our business success and we treat employees as our greatest asset. To attract and retain our high-calibre labour force, the Group has implemented policies and procedures to achieve an effective human capital management system, covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

We promote a culture of diversity and respect and strive to provide a fair and inclusive work environment free of all kinds of discrimination for employees to achieve their goals and pursue their career objectives.

## EMPLOYMENT AND LABOUR PRACTICES *(continued)*

**Employment *(continued)***

The Group places emphasis on maintaining a team of high-caliber talent and provides competitive remuneration and welfare packages. The Group has endeavored to review and improve its remuneration system on a regular basis to remain competitive. With an aim to facilitate the retention of talent, the Group offers, in addition to salaries and bonuses, various benefits including an education allowance, a housing allowance, the Mandatory Provident Fund, meal allowances and compensation for mobile communication.

The Group is not aware of any non-compliance with relevant laws and regulations in relation to employment during the Year that have significant impact on the Group.

**Health and Safety**

It is the policy of the Group to provide a healthy and safety working environment to the employees. The Group will maintain its office premises from time to time in order to provide a safety working place for the employees. The Group also encourage employees to participate in recreational activities organised by outside parties.

The Group is not aware of any non-compliance with relevant laws and regulations in relation to health and safety working environment during the Year that have significant impact on the Group.

The Group regularly promotes employees' occupational safety and health good practice at work in the aspects of lighting condition, use of office equipment, office safety, computer workstation design and working posture through briefing and various communication channels, resulting in better working environment quality.

**Development and Training**

On-the-job training and continuous professional development are important elements to enhance the industry knowledge of the employees of the Group. The Group encourage employees to attend training courses (e.g. Listing Rules and accountancy related seminars) and reimbursement will be made by the Group for those job-related training courses. Besides, the Group purchases relevant reference materials for the employees' self-study.

**Labour Standards**

The Company complies with all applicable labour laws and regulations on employment in Hong Kong and the countries in which the Company or its subsidiaries operate.

The Group considers child and forced labour is unacceptable and has to be prevented. It respects human rights and treats this factor seriously when making investments. The Group has not invested, to its reasonable knowledge, in any company which has historical records of utilizing child or forced labour.

The Group believes it is important to recruit employees of high quality; a very comprehensive screening has been part of the recruitment processes.

Employee work schedules are set up consistent with standard working hours adopted within the industry. All employees are provided with appropriate leave entitlements, including annual leave, sick leave, marriage leave, maternity leave, examination leave and compassionate leave etc.

## OPERATING PRACTICES

**Supply Chain Management**

The Group's general business suppliers include providers of financial information, legal and securities brokerage services. The Group is committed to ensure that its supply chain management is socially responsible. We implemented selection process on its suppliers taking into considerations such elements as their qualification, reputation, past performance, financial strength and price.

**Product Responsibility**

The Group invests in companies operating in diversified industries. It will take into account environmental, public health, safety, and social issues associated with target companies when evaluating its investment decisions.

All staff members are reminded of the importance of keeping confidential any aspects of the Group's business and the need to comply with the "Code of Confidentiality" whose details are laid down in the Staff Manual.

**Anti-corruption**

The Group is committed to ensuring that no bribes, payment or advantages are solicited from or given or offered to any persons, whether in the public or private sector, for any purpose, which can ensure the strict adherence to the Prevention of Bribery Ordinance. The Group regards honesty, integrity and fair play as the core values that must be upheld by our colleagues at all times.

## COMMUNITY

**Community Investment**

The Group is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Group would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Group's missions and values.

## REGULATORY COMPLIANCE

During the Year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment labour practices and operating practices.

EY 安永

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**To the shareholders of China Financial International Investments Limited**
*(An exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Financial International Investments Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 93, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of unlisted financial instruments** | |
| The Group held available-for-sale financial assets of HK$242,509,000 and financial assets at fair value through profit or loss of HK$955,556,000 in the consolidated statement of financial position at 30 June 2017.<br><br>For the available-for-sale financial assets, HK$19,457,000 of a host contract of a convertible bond investment and HK$63,232,000 of unlisted equity investments measured at fair value were recognised within Level 2 and Level 3, constituting 1.23% and 4.00% of the Group's net asset value, respectively.<br><br>For the financial assets at fair value through profit or loss, HK$14,717,000 of the derivative component of a convertible bond investment measured at fair value was recognised within Level 2, and HK$207,310,000 of unlisted equity investments and HK$447,492,000 of unlisted bond investments measured at fair value were recognised within Level 3, constituting 0.93%, 13.13% and 28.34% of the Group's net asset value, respectively.<br><br>We identified the valuation of Level 2 and Level 3 financial instruments as a key audit matter due to the material balances of these financial instruments on the consolidated statement of financial position, and a higher degree of complexity, and the significance of management's judgements and unobservable inputs involves in the valuation. The valuation of these instruments involve the application of unobservable inputs such as price to book ratios, discount rates, credit spread and volatility. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly.<br><br>Details of the available-for-sale financial assets and financial assets at fair value through profit or loss are disclosed in notes 17 and 18 to the consolidated financial statements, respectively. For the valuation techniques and significant unobservable inputs, please refer to note 32 to the consolidated financial statements. | We obtained an understanding of the valuation techniques and valuation processes performed by the independent external valuer, including independent price verification, independent model validation and approval, with respect to the valuation of the Level 2 and Level 3 financial instruments.<br><br>We obtained and reviewed the valuation reports prepared by the independent external valuer, and discussed the valuation techniques, inputs and assumptions for financial instruments that were classified as Level 2 and Level 3 in the fair value hierarchy with management.<br><br>We involved our valuation specialists to assess the appropriateness of the valuation techniques, inputs and assumption applied, through comparison with the valuation techniques that are commonly used in the market, the validation of observable inputs using external market data and relevant financial information, and evaluation of the rationale of management's judgements on key inputs and assumptions. We assessed different key inputs and assumptions for valuation of unlisted financial instruments, for example,<br><br>– the multiples available from comparable listed companies, comparability differences of size and liquidity when using the price to book ratios of the comparable companies, and the discount rates for the lack of marketability for unlisted equity investments;<br><br>– credit spread and stock volatility of the underlying listed share for the unlisted convertible bond investment;<br><br>– stock volatility of underlying listed share that were pledged to the Group as collateral for the performance of two unlisted bond investments; and<br><br>– credit spread of one unlisted bond investment.<br><br>We assessed the Group's disclosures of the fair value hierarchy and its related disclosures in note 32 to the consolidated financial statements. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christine Lin.

*Ernst & Young*
*Certified Public Accountants*
Hong Kong
29 September 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Revenue | 6 | **41,234** | 5,548 |
| Other income and gains | 6 | **6,161** | 4,599 |
| Net change in fair value of financial assets | 7 | **(151,482)** | (244,586) |
| Impairment loss on available-for-sale financial assets | | **(23,628)** | (223,577) |
| Impairment loss on dividend receivable | 19(a) | **(7,226)** | – |
| Impairment loss on other receivables | 19(b) | **–** | (4,199) |
| Finance costs | 8 | **(3,146)** | (6,000) |
| Administrative expenses | | **(45,650)** | (22,929) |
| Share of profit/(loss) of an associate | | **190** | (63) |
| Loss before tax | 9 | **(183,547)** | (491,207) |
| Income tax (expense)/credit | 13 | **(1,434)** | 1,678 |
| Loss for the year | | **(184,981)** | (489,529) |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Available-for-sale financial assets: | | | |
| Change in fair value | | **(38,806)** | (188,583) |
| Reclassification adjustment for (gain)/loss included in profit or loss | | | |
| – Impairment loss | | **23,628** | 223,577 |
| – Gain on partial conversion of convertible bond | | **(3,967)** | – |
| Income tax effect | | **1,054** | 1,835 |
| | | **(18,091)** | 36,829 |
| Exchange differences on translation of foreign operations | | **(3,029)** | (11,097) |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | | **(21,120)** | 25,732 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | **(21,120)** | 25,732 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **(206,101)** | (463,797) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| – Basic | 14(a) | **HK(1.686) cents** | HK(5.590) cents |
| – Diluted | 14(b) | **HK(1.686) cents** | HK(5.590) cents |

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 15 | **1,052** | 1,864 |
| Investment in an associate | 16 | **543** | 353 |
| Available-for-sale financial assets | 17 | **242,509** | 323,615 |
| Financial assets at fair value through profit or loss | 18 | **654,802** | 276,418 |
| Total non-current assets | | **898,906** | 602,250 |
| **CURRENT ASSETS** | | | |
| Financial assets at fair value through profit or loss | 18 | **300,754** | 180,831 |
| Prepayments, deposits and other receivables | 19 | **56,396** | 415,143 |
| Cash and cash equivalents | 20 | **416,047** | 657,542 |
| Total current assets | | **773,197** | 1,253,516 |
| **CURRENT LIABILITIES** | | | |
| Due to a related company | 22 | **73** | – |
| Due to an associate | 16 | **141** | 80 |
| Other payables and accruals | 21 | **22,875** | 2,370 |
| Receipt in advance | 18(iii)(c) | **2,500** | – |
| Tax payable | | **4,552** | 4,200 |
| Total current liabilities | | **30,141** | 6,650 |
| **NET CURRENT ASSETS** | | **743,056** | 1,246,866 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,641,962** | 1,849,116 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing loans | 23 | **62,975** | 62,974 |
| Deferred tax liabilities | 24 | **–** | 1,054 |
| | | **62,975** | 64,028 |
| Net assets | | **1,578,987** | 1,785,088 |
| **EQUITY** | | | |
| Share capital | 25 | **109,717** | 109,717 |
| Reserves | 28 | **1,469,270** | 1,675,371 |
| **TOTAL EQUITY** | | **1,578,987** | 1,785,088 |
| Net asset value per share | 27 | **HK14.39 cents** | HK16.27 cents |

**Du Lin Dong**
*Director*

**Pong Po Lam**
*Director*

# Consolidated Statement of Changes in Equity

Year ended 30 June 2017

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Contributed surplus | Capital reserve | Available-for-sale financial asset revaluation reserve | Share option reserve | Exchange reserve | Equity component of a convertible bond | Accumulated losses | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2015 | 46,717 | 682,786 | 278,979 | 2,766 | 11,988 | 65,604 | (638) | 7,231 | (282,297) | 813,136 |
| Loss for the year | – | – | – | – | – | – | – | – | (489,529) | (489,529) |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | (11,097) | – | – | (11,097) |
| Change in fair value of available-for-sale financial assets, net of tax | – | – | – | – | 36,829 | – | – | – | – | 36,829 |
| Total comprehensive income for the year | – | – | – | – | 36,829 | – | (11,097) | – | (489,529) | (463,797) |
| Equity-settled share-based transactions *(note 26(a))* | – | – | – | – | – | 440 | – | – | – | 440 |
| Issue of shares | | | | | | | | | | |
| – upon exercise of share options *(note 25(a))* | 400 | 21,946 | – | – | – | (5,346) | – | – | – | 17,000 |
| – upon conversion of a convertible bond *(note 25(b))* | 5,600 | 280,276 | – | – | – | – | – | (7,231) | – | 278,645 |
| – upon share placing, net of expenses *(note 25(c))* | 57,000 | 1,082,664 | – | – | – | – | – | – | – | 1,139,664 |
| **At 30 June 2016 and 1 July 2016** | **109,717** | **2,067,672*** | **278,979*** | **2,766*** | **48,817*** | **60,698*** | **(11,735)*** | **–*** | **(771,826)*** | **1,785,088** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(184,981)** | **(184,981)** |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | **–** | **–** | **–** | **–** | **–** | **–** | **(3,029)** | **–** | **–** | **(3,029)** |
| Change in fair value of available-for-sale financial assets, net of tax | **–** | **–** | **–** | **–** | **(18,091)** | **–** | **–** | **–** | **–** | **(18,091)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **(18,091)** | **–** | **(3,029)** | **–** | **(184,981)** | **(206,101)** |
| Lapse of share options | **–** | **–** | **–** | **–** | **–** | **(60,698)** | **–** | **–** | **60,698** | **–** |
| At 30 June 2017 | **109,717** | **2,067,672*** | **278,979*** | **2,766*** | **30,726*** | **–*** | **(14,764)*** | **–*** | **(896,109)*** | **1,578,987** |

* These reserve accounts comprise the consolidated reserves of HK$1,469,270,000 (2016: HK$1,675,371,000) in the consolidated statement of financial position.

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(183,547)** | (491,207) |
| Adjustments for: | | | |
| Share of (profit)/loss of an associate | | **(190)** | 63 |
| Interest income | 6 | **(43,002)** | (3,178) |
| Dividend income | 6 | **(4,381)** | (5,548) |
| Finance costs | 8 | **3,146** | 6,000 |
| Depreciation | 9 | **642** | 252 |
| Gain on disposal of items of property, plant and equipment | 6 | **(12)** | – |
| Net realised loss on partial conversion of convertible bond | 7 | **4,091** | – |
| Net realised loss/(gain) on disposal of financial assets at fair value through profit or loss | 7 | **380** | (44,088) |
| Net unrealised loss on financial assets at fair value through profit or loss | 7 | **147,011** | 288,674 |
| Impairment loss on available-for-sale financial assets | | **23,628** | 223,577 |
| Impairment loss on other receivables | 19(b) | **–** | 4,199 |
| Impairment loss on dividend receivables | 19(a) | **7,226** | – |
| Equity-settled share option expenses | 26(a) | **–** | 440 |
| Operating cash flows before movements in working capital | | **(45,008)** | (20,816) |
| Decrease/(increase) in prepayments, deposits and other receivables | | **378,634** | (385,812) |
| Increase/(decrease) in other payables and accruals | | **23,005** | (215,475) |
| Increase/(decrease) in an amount due to a related company | | **73** | (15) |
| Increase/(decrease) in an amount due to an associate | | **61** | (17) |
| Purchase of available-for-sale financial assets | | **–** | (186,966) |
| Purchase of financial assets at fair value through profit or loss | | **(738,188)** | (377,035) |
| Sales of financial assets at fair value through profit or loss | | **126,731** | 404,088 |
| Cash used in operations | | **(254,692)** | (782,048) |
| Interest received | | **18,548** | 3,178 |
| Dividend received | | **1,723** | 11,703 |
| Overseas tax paid | | **(1,086)** | – |
| **Net cash used in operating activities** | | **(235,507)** | (767,167) |
| **Cash flows from an investing activity** | | | |
| Purchases of items of property, plant and equipment | 15 | **(1,111)** | (1,985) |
| Proceeds from disposal of property, plant and equipment | | **1,266** | – |
| **Net cash used in an investing activity** | | **155** | (1,985) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares upon exercise of share options | 25(a) | **–** | 17,000 |
| Proceeds from issue of shares upon share placing, net of expenses | 25(c) | **–** | 1,139,664 |
| Interest paid | | **(3,146)** | (6,162) |
| **Net cash (used in)/generated from financing activities** | | **(3,146)** | 1,150,502 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(238,498)** | 381,350 |
| Cash and cash equivalents at beginning of the year | | **657,542** | 287,295 |
| Effect of foreign exchange rate changes | | **(2,997)** | (11,103) |
| **Cash and cash equivalents at end of the year** | | **416,047** | 657,542 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Cash and bank balances | 20 | **416,047** | 657,542 |

## 1. CORPORATION AND GROUP INFORMATION

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. With effect from 22 March 2017, the Company's principal place of business was changed from Suite 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Suite 6504, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries 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").

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

| Name | Place of incorporation/ registration of business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct 2017 | Direct 2016 | Principal activities |
|---|---|---|---|---|---|
| Global Business Investment Enterprises Limited* | British Virgin Islands | United States dollar ("US$") 1 | – | 100% | Inactive |
| Best Joy Asia Investment Limited | British Virgin Islands/ Hong Kong | US$1,000 | 100% | 100% | Investment holding |
| Joy State Holdings Limited | Hong Kong | Hong Kong dollar ("HK$") 1 | 100% | 100% | Inactive |
| China Financial International Investments (Nanchang) Limited | British Virgin Islands | US$10,000 | 100% | 100% | Inactive |
| China Financial International Investments (Guangdong) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Investments (Guangzhou) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Investments (Haerbin) Limited | British Virgin Islands | US$10,000 | 100% | 100% | Inactive |
| China Financial International Investments (Henan) Limited | British Virgin Islands | US$10,000 | 100% | 100% | Inactive |
| China Financial International Investments (Hubei) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Investments (Jiangxi) Limited | British Virgin Islands | US$10,000 | 100% | 100% | Investment holding |
| China Financial International Investments (Shenzhen) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Investments (Shijiazhuang) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Investments (Wuhan) Limited | British Virgin Islands | US$10,000 | 100% | 100% | Inactive |
| China Financial International Investments (Zhengzhou) Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Financial International Zhongbao Group Limited* | British Virgin Islands | US$10,000 | – | 100% | Inactive |
| China Jingde Town Ceramics Group Limited | British Virgin Islands | US$10,000 | 100% | 100% | Inactive |
| China Financial International Finance Group Limited* | British Virgin Islands | US$10,000 | – | 100% | Investment holding |
| 科逸(上海)投資有限公司 (transliterated as Keyi (Shanghai) Investments Limited) | PRC | Renminbi ("RMB") 200,000,000 | 100% | 100% | Inactive |

* These inactive companies which were incorporated in the British Virgin Islands were struck off on 1 May 2017 under the British Virgin Islands law.

## 2.1 BASIS OF PREPARATION

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

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income ("OCI") is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKAS 1 | *Disclosure Initiative* |

The adoption of the above revised standard has had no significant financial effect on the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[2] |
| HKFRS 9 | *Financial Instruments*[2] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2] |
| HKFRS 16 | *Leases*[3] |
| Amendments to HKAS 7 | *Disclosure Initiative*[1] |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses*[1] |

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The HKICPA issued amendments to HKFRS 2 in August 2016 that address diversity in practice in three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 July 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 July 2018. The Group is currently assessing the impact of the standard.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 July 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases,* HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Group expects to adopt HKFRS 16 on 1 July 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 July 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 July 2017.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Investment in an associate**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and OCI of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

**Fair value measurement**

The Group measures its available-for-sale financial assets and financial assets at FVTPL at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
   - (i) has control or joint control over the Group;
   - (ii) has significant influence over the Group; or
   - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
   - (i) the entity and the Group are members of the same group;
   - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
   - (iii) the entity and the Group are joint ventures of the same third party;
   - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   - (vi) the entity is controlled or jointly controlled by a person identified in (a);
   - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
   - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for the purpose are as follows:

| | |
|---|---|
| Furniture and fixtures | 25% |
| Office equipment | $33^1/_3$% |
| Motor vehicles | 30% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

**Investments and other financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Investments and other financial assets *(continued)***

*Subsequent measurement (continued)*

Financial assets at fair value through profit or loss *(continued)*

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as "Net change in fair value of financial assets" in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as OCI in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Investments and other financial assets *(continued)***

*Subsequent measurement (continued)*

Available-for-sale financial assets *(continued)*

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Impairment of financial assets *(continued)***

*Available-for-sale financial assets*

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from OCI and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in OCI.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, interest bearing loans, an amount due to a related company and an amount due to an associate.

*Subsequent measurement*

The subsequent measurement of financial liability depends on its classification as follow:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Income tax**

*PRC*

Investment income and capital gains may be subject to withholding tax deducted at the source of the income. For the consolidated statement of cash flows, cash flows from investments are presented net of withholding taxes, when applicable.

*Hong Kong*

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Income tax *(continued)***

*Hong Kong (continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

- Dividend income from investments, when the shareholders' right to receive payment has been established. Dividend income is presented net of any non-recoverable withholding taxes.

**Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company also grants share options to consultants under a specific mandate which requires shareholders' approval. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and consultants for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial or trinomial model, further details of which are given in note 26 to the financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Share-based payments *(continued)***

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Other employee benefits**

*Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currencies**

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into HK$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in OCI and accumulated in the exchange reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgement**

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Fair value of financial instruments*

When the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of underlying investments, correlation, volatility and transaction of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

HKFRS 7 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analyses.

The fair values of available-for-sale financial assets and financial assets at FVTPL at 30 June 2017 were HK$242,509,000 (2016: HK$323,615,000) and HK$955,556,000 (2016: HK$457,249,000), respectively. Details are included in notes 17 and 18 to the financial statements, respectively.

**Impairment of available-for-sale financial assets**

The Group classifies certain unlisted investments as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 30 June 2017, an impairment loss of HK$23,628,000 (2016: HK$223,577,000) has been recognised for available-for-sale financial assets.

*Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

## 4. OPERATING SEGMENT INFORMATION

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

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

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

**Segment results**

| | Micro-loan service *HK$'000* | Real estate and natural gas *HK$'000* | Investment in fixed income financial assets *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | | |
| Segment results | **(68,253)** | **(6,049)** | **(65,655)** | **(1,145)** | **(141,102)** |
| Share of profit of an associate | | | | | **190** |
| Unallocated income | | | | | **6,161** |
| Unallocated expenses | | | | | **(48,796)** |
| Loss before tax | | | | | **(183,547)** |
| Income tax expense | | | | | **(1,434)** |
| Loss for the year | | | | | **(184,981)** |
| Year ended 30 June 2016 | | | | | |
| Segment results | (470,039) | (5,396) | – | 12,820 | (462,615) |
| Share of loss of an associate | | | | | (63) |
| Unallocated income | | | | | 4,599 |
| Unallocated expenses | | | | | (33,128) |
| Loss before tax | | | | | (491,207) |
| Income tax credit | | | | | 1,678 |
| Loss for the year | | | | | (489,529) |

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

## 4. OPERATING SEGMENT INFORMATION *(continued)*

**Segment assets**

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Micro-loan service | **208,815** | 296,283 |
| Real estate and natural gas | **476,320** | 407,128 |
| Investment in fixed income financial assets | **447,492** | – |
| Others | **65,438** | 77,453 |
| Total segment assets | **1,198,065** | 780,864 |
| Unallocated assets | **474,038** | 1,074,902 |
| | **1,672,103** | 1,855,766 |

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

All liabilities as at 30 June 2017 and 30 June 2016 were unallocated liabilities.

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

## 5. (LOSS)/GAIN ON INVESTMENTS

| | Listed investments HK$'000 | Unlisted investments HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Year ended 30 June 2017** | | | |
| *Included in profit or loss:* | | | |
| Realised gain/(loss): | | | |
| Available-for-sale financial asset | **–** | **(4,091)** | **(4,091)** |
| Financial assets at FVTPL | **9,669** | **(10,049)** | **(380)** |
| Unrealised loss: | | | |
| Financial assets at FVTPL | **(819)** | **(146,192)** | **(147,011)** |
| Impairment loss: | | | |
| Available-for-sale financial asset | **–** | **(23,628)** | **(23,628)** |
| Total gain/(loss) included in profit or loss | **8,850** | **(183,960)** | **(175,110)** |
| *Included in OCI:* | | | |
| Unrealised loss: | | | |
| Available-for-sale financial assets | **(10,480)** | **(28,326)** | **(38,806)** |
| Reclassification of impairment loss: | | | |
| Available-for-sale financial asset | **–** | **23,628** | **23,628** |
| Reclassification of gain on partial conversion of convertible bond: | | | |
| Available-for-sale financial asset | **–** | **(3,967)** | **(3,967)** |
| Total loss included in OCI | **(10,480)** | **(8,665)** | **(19,145)** |
| Total loss for the year | **(1,630)** | **(192,625)** | **(194,255)** |
| Year ended 30 June 2016 | | | |
| *Included in profit or loss:* | | | |
| Realised gain: | | | |
| Financial assets at FVTPL | – | 44,088 | 44,088 |
| Unrealised loss: | | | |
| Financial assets at FVTPL | (50,468) | (238,206) | (288,674) |
| Impairment loss: | | | |
| Available-for-sale financial assets | – | (223,577) | (223,577) |
| Total loss included in profit or loss | (50,468) | (417,695) | (468,163) |
| *Included in OCI:* | | | |
| Unrealised gain/(loss): | | | |
| Available-for-sale financial assets | 39,300 | (227,883) | (188,583) |
| Reclassification of impairment loss: | | | |
| Available-for-sale financial assets | – | 223,577 | 223,577 |
| Total gain/(loss) included in OCI | 39,300 | (4,306) | 34,994 |
| Total loss for the year | (11,168) | (422,001) | (433,169) |

## 6. REVENUE, OTHER INCOME AND GAINS

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

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Dividend income from unlisted investments | **–** | 5,548 |
| Dividend income from a listed investment | **4,381** | – |
| Interest income from unlisted investments | **36,853** | – |
| | **41,234** | 5,548 |
| **Other income and gains** | | |
| Bank interest income | **6,149** | 3,178 |
| Gain on disposal of property, plant and equipment | **12** | – |
| Exchange gain | **–** | 1,417 |
| Miscellaneous | **–** | 4 |
| | **6,161** | 4,599 |

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK$126,731,000 (2016: HK$404,088,000), dividend income from investments of HK$4,381,000 (2016: HK$5,548,000) and interest income from unlisted investments of HK$36,853,000 (2016: Nil) for the year.

## 7. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Net realised loss on partial conversion of convertible bond | **(4,091)** | – |
| Net realised (loss)/gain on disposal of financial assets at FVTPL *(note)* | **(380)** | 44,088 |
| Net unrealised loss on financial assets at FVTPL | **(147,011)** | (288,674) |
| | **(151,482)** | (244,586) |

*Note:*

The Company and Irena Culture Co., Ltd. ("Irena") entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") dated 24 November 2015 in relation to the acquisition of approximately 28.76% of issued ordinary shares of Ourgame International Holdings Limited, a company listed on the Stock Exchange, through Glassy Mind Holdings Limited ("Glassy Mind") at an investment amount of HK$1,130,000,000. The Group held 30% of the equity holdings of Glassy Mind. Accordingly, the Company contributed HK$360,000,000 on 3 February 2016 and Irena through its wholly-owned subsidiary, Yi Jia Investment Limited, contributed HK$770,000,000, respectively to Glassy Mind for the said acquisition. On 30 June 2016, Irena bought back the 30% issued share capital in Glassy Mind owned by the Group in accordance with the Strategic Cooperation Agreement at a consideration of HK$404,088,000, which contributed a gain of approximately HK$44,088,000 to the Group last year.

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Interest on a convertible bond wholly repayable within five years | **–** | 419 |
| Interest on other loans | **3,146** | 5,581 |
| | **3,146** | 6,000 |

## 9. LOSS BEFORE TAX

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

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| – audit services | **850** | 730 |
| – non-audit services | **185** | 286 |
| Custodian fee | **210** | 153 |
| Depreciation *(note 15)* | **642** | 252 |
| Investment management fee *(note 12)* | **1,773** | 886 |
| Minimum operating lease payments in respect of properties | **2,094** | 1,724 |
| Equity-settled share option expenses to a former director *(note 26(a))* | **–** | 440 |
| Staff costs, excluding directors' remuneration *(note 10)*: | | |
| – Salaries and wages | **16,804** | 6,729 |
| – Pension scheme contributions | **151** | 94 |
| – Staff quarters expenses | **2,518** | 508 |

## 10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Fees | **460** | 500 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **5,480** | 3,586 |
| Pension scheme contributions | **18** | 18 |
| | **5,498** | 3,604 |
| | **5,958** | 4,104 |

The remuneration of each director for the years ended 30 June 2017 and 2016 is set out below:

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | |
| **Executive directors** | | | | |
| Du Lin Dong | 120 | 5,480 | 18 | 5,618 |
| Pong Po Lam | 60 | – | – | 60 |
| **Non-executive director** | | | | |
| Ding Xiaobin | 60 | – | – | 60 |
| **Independent non-executive directors** | | | | |
| Cheung Wai Bun Charles | 100 | – | – | 100 |
| Zeng Xianggao | 60 | – | – | 60 |
| Li Cailin | 60 | – | – | 60 |
| | 460 | 5,480 | 18 | 5,958 |

## 10. DIRECTORS' REMUNERATION *(continued)*

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Year ended 30 June 2016 | | | | |
| **Executive directors** | | | | |
| Du Lin Dong | 120 | 3,586 | 18 | 3,724 |
| Pong Po Lam | 60 | – | – | 60 |
| **Non-executive directors** | | | | |
| Wang Charles Honxin *(appointed on 22 December 2015 and resigned on 9 May 2016)* | 23 | – | – | 23 |
| Sha Naiping *(resigned on 22 December 2015)* | 29 | – | – | 29 |
| Ding Xiaobin | 60 | – | – | 60 |
| **Independent non-executive directors** | | | | |
| Cheung Wai Bun Charles | 100 | – | – | 100 |
| Zeng Xianggao | 60 | – | – | 60 |
| Li Cailin *(appointed on 7 September 2015)* | 48 | – | – | 48 |
| | 500 | 3,586 | 18 | 4,104 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 (2016: 1) director, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 4 (2016: 4) highest paid employees who are not directors of the Company for the year are as follows:

| | **2017** ***HK$'000*** | 2016 *HK$'000* |
|---|---|---|
| Salaries, allowances and benefits in kind | **11,914** | 4,624 |
| Pension scheme contributions | **47** | 47 |
| | **11,961** | 4,671 |

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

| | **Number of employees** **2017** | 2016 |
|---|---|---|
| Nil to HK$1,000,000 | **–** | 2 |
| HK$1,000,001 to HK$2,000,000 | **2** | 2 |
| HK$2,000,001 to HK$3,000,000 | **1** | – |
| HK$5,000,001 to HK$6,000,000 | **1** | – |
| | **4** | 4 |

## 12. INVESTMENT MANAGEMENT FEES

An investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM") on 25 April 2014 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2014 to 28 April 2017. Pursuant to the Investment Management Agreement, CFIIM is entitled to a management fee which is receivable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The Investment Management Agreement expired on 28 April 2017 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly on 26 April 2017 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2017 to 28 April 2020. Pursuant to the New Investment Management Agreement, CFIIM is entitled to a management fee which is receivable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The management fee paid/payable to CFIIM for the year ended 30 June 2017 amounted to HK$1,773,000 (2016: HK$886,000). At 30 June 2017, the balance due to CFIIM of HK$141,000 (2016: HK$80,000) was unsecured, interest-free and repayable within one month.

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

## 13. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | **2017**<br>***HK$'000*** | 2016<br>*HK$'000* |
|---|---|---|
| Current – Hong Kong | | |
| – Provision for the year | **–** | – |
| Current – PRC | | |
| – Provision for the year | **1,434** | – |
| Deferred tax credit *(note 24)* | **–** | (1,678) |
| Total tax charge/(credit) for the year | **1,434** | (1,678) |

No provision for Hong Kong profits tax has been made as the Group has available tax losses from prior years to offset the assessable profits generated during the year ended 30 June 2017 (2016: Nil).

## 13. INCOME TAX *(continued)*

A reconciliation of the tax credits applicable to loss before tax at the statutory rates for the countries in which the Group, its PRC subsidiary and the majority of its unlisted investments are domiciled to the tax expenses at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| Loss before tax | **(183,547)** | | (491,207) | |
| Tax at Hong Kong profits tax rate of 16.5% (2016: 16.5%) | **(30,285)** | **(16.5)** | (81,049) | (16.5) |
| Expenses not deductible for tax | **20,583** | **11.2** | 91,552 | 18.6 |
| Income not subject to tax | **(5,470)** | **(3.0)** | (1,068) | (0.2) |
| Effect of different tax rates of unlisted investments operating in other jurisdictions | **890** | **0.5** | (1,678) | (0.3) |
| (Profit)/loss attributable to an associate | **(32)** | **(0.0)** | 10 | 0.0 |
| Temporary difference not recognised | **(33)** | **(0.0)** | – | 0.0 |
| Tax losses utilised from previous periods | **–** | **–** | (9,445) | (1.9) |
| Tax losses not recognised | **15,781** | **8.6** | – | – |
| Tax credit at the Group's effective rate | **1,434** | **0.8** | (1,678) | (0.3) |

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

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of HK$184,981,000 (2016: HK$489,529,000), and the weighted average number of ordinary shares of 10,971,634,000 (2016: 8,757,913,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | *Notes* | **2017 Number of shares *'000*** | 2016 Number of shares *'000* |
|---|---|---|---|
| Issued ordinary shares | | **10,971,634** | 4,671,634 |
| Effect of exercise of share options | *25(a)* | **–** | 28,792 |
| Effect of conversion of the convertible bond | *25(b)* | **–** | 549,290 |
| Effect of share placing | *25(c)* | **–** | 3,508,197 |
| Weighted average number of ordinary shares | | **10,971,634** | 8,757,913 |

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the years ended 30 June 2017 and 2016 in respect of a dilution as the share options outstanding set out in note 26 had an anti-dilutive effect on the basic loss per share amount presented.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures *HK$'000* | Office equipment *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **At 30 June 2017:** | | | | |
| At 1 July 2016: | | | | |
| Cost | **294** | **164** | **3,645** | **4,103** |
| Accumulated depreciation | **(224)** | **(140)** | **(1,875)** | **(2,239)** |
| Net carrying amount | **70** | **24** | **1,770** | **1,864** |
| At 1 July 2016, net of accumulated depreciation | **70** | **24** | **1,770** | **1,864** |
| Additions | **1,105** | **6** | **–** | **1,111** |
| Disposal/write-off | **(40)** | **–** | **(1,213)** | **(1,253)** |
| Depreciation provided during the year | **(99)** | **(14)** | **(529)** | **(642)** |
| Exchange realignment | **–** | **–** | **(28)** | **(28)** |
| At 30 June 2017, net of accumulated depreciation | **1,036** | **16** | **–** | **1,052** |
| At 30 June 2017: | | | | |
| Cost | **1,105** | **84** | **1,678** | **2,867** |
| Accumulated depreciation | **(69)** | **(68)** | **(1,678)** | **(1,815)** |
| Net carrying amount | **1,036** | **16** | **–** | **1,052** |
| At 30 June 2016: | | | | |
| At 1 July 2015: | | | | |
| Cost | 294 | 146 | 1,678 | 2,118 |
| Accumulated depreciation | (184) | (131) | (1,678) | (1,993) |
| Net carrying amount | 110 | 15 | – | 125 |
| At 1 July 2015, net of accumulated depreciation | 110 | 15 | – | 125 |
| Additions | – | 18 | 1,967 | 1,985 |
| Depreciation provided during the year | (40) | (9) | (203) | (252) |
| Exchange realignment | – | – | 6 | 6 |
| At 30 June 2016, net of accumulated depreciation | 70 | 24 | 1,770 | 1,864 |
| At 30 June 2016: | | | | |
| Cost | 294 | 164 | 3,645 | 4,103 |
| Accumulated depreciation | (224) | (140) | (1,875) | (2,239) |
| Net carrying amount | 70 | 24 | 1,770 | 1,864 |

During the year ended 30 June 2017, the Group has written off or disposed:

(i) fully depreciated office equipment amounting to HK$86,000;

(ii) furniture and fixtures with cost and accumulated depreciation of HK$294,000 and HK$254,000, respectively; and

(iii) motor vehicles with cost and accumulated depreciation of HK$1,941,000 and HK$728,000, respectively.

During the year ended 30 June 2016, there was no write-off or disposal of property, plant and equipment.

## 16. INVESTMENT IN AN ASSOCIATE

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Share of net assets | **543** | 353 |
| Due to an associate *(note (1))* | **(141)** | (80) |
| Total | **402** | 273 |

Particulars of the associate are as follows:

| Name | Place of incorporation and business | Particulars of issued shares held | Percentage of ownership interest attributable to the Group | Principal activity |
|---|---|---|---|---|
| China Financial International Investments & Managements Limited *(note (2))* | Hong Kong | 290,000 ordinary shares of HK$1 each | 29% | Asset management |

The following table illustrates the summarised financial information in respect of CFIIM and reconciled to the carrying amount in the consolidated financial statements:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Current assets | **1,927** | 1,216 |
| Current liabilities | **(55)** | – |
| Net assets | **1,872** | 1,216 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | **29%** | 29% |
| Group's share of net assets of the associate | **543** | 353 |
| Revenue | **1,773** | 886 |
| Profit/(loss) and total comprehensive income for the year | **656** | (218) |

*Notes:*

(1) The associate is the investment manager of the Group and provides investment management services to the Group in relation to the Group's investments. The balance is unsecured, interest-free and repayable within 1 month.

(2) The Group has not incurred any contingent liabilities or other commitments relating to its investment in the associate.

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Listed securities, at fair value | (i) | **159,820** | 170,300 |
| Unlisted investments, at fair value | (ii) | **82,689** | 153,315 |
| | | **242,509** | 323,615 |

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in OCI amounted to HK$38,806,000 (2016: HK$188,583,000), of which an impairment loss of HK$23,628,000 (2016: HK$223,577,000) was reclassified from OCI to profit or loss.

The above investments consist of investments in a listed investment and unlisted investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate, except the convertible bond detailed in note (ii)(e) below.

*Notes:*

(i) The fair values of listed securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period.

Particulars of the investment as at 30 June 2017, in terms of the carrying value of the listed investment, are as follows:

*China City Infrastructure Group Limited ("China City Infrastructure")*
On 21 June 2016, the Company and China City Infrastructure, a company listed on the Stock Exchange, entered into the share subscription agreement to subscribe for 262,000,000 new shares of China City Infrastructure with a one-year lock-up period for a total subscription price of HK$131,000,000 at HK$0.50 per share. The transaction was completed on 28 June 2016. At 30 June 2017, the 262,000,000 shares representing approximately 9.14% of the entire issued share capital in China City Infrastructure. China City Infrastructure is principally engaged in infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC. No dividend was received during the year (2016: Nil). As at 30 June 2017, the market value of the investment in the shares of China City Infrastructure was HK$159,820,000. The audited loss attributable to shareholders of China City Infrastructure for the year ended 31 December 2016 was approximately HK$453,722,000 (2015: HK$181,640,000) and the unaudited loss attributable to shareholders of China City Infrastructure for the six months ended 30 June 2017 was approximately HK$173,655,000 (2016: HK$188,529,000). The unaudited net assets attributable to shareholders of China City Infrastructure at 30 June 2017 amounted to approximately HK$1,621,382,000 (2016: HK$1,827,127,000).

(ii) As at 30 June 2017, the Group held the following unlisted investments:

| Name | Notes | Place of incorporation/ registration and business | Group's effective interest 2017 | Group's effective interest 2016 | Principal activities | 2017 Cost HK$'000 | 2016 Cost HK$'000 |
|---|---|---|---|---|---|---|---|
| *Micro-loan service* | | | | | | | |
| Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen") | (a) | PRC | **40%** | 40% | Provision of small loan and financial consultation services | **188,690** | 188,690 |
| TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA") | (b) | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **72,450** | 72,450 |
| *Others* | | | | | | | |
| Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang") | (c) | PRC | **2.98%** | 7.2% | Provision of financing guarantees to small and medium enterprises ("SMEs") | **43,150** | 43,150 |
| Shenzhen Zhongtoujinxin Asset Management Company Limited ("Zhongtoujinxin") | (d) | PRC | **30%** | 30% | Provision of consultation services on project investments | **18,350** | 18,350 |
| China City Infrastructure | (e) | Cayman Islands | **N/A** | N/A | Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC | **17,633** | 55,966 |

For the valuation techniques and significant unobservable inputs of micro-loan service and others, please refer to note 32 to the financial statements.

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

*Notes: (continued)*

(ii) As at 30 June 2017, the Group held the following unlisted investments: *(continued)*

A brief description of the business and financial information of the investments is as follows:

*Notes:*

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

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

Given that the capital reduction in 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%.

There was a significant decline in the market value of Jingdezhen CFI Guosen for the year ended 30 June 2016. The directors considered that such a decline indicated that the unlisted investment had been impaired. For the year ended 30 June 2016, a loss in relation to Jingdezhen CFI Guosen amounting to HK$188,690,000 was reclassified from the available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss. As at 30 June 2017 and 30 June 2016, the accumulated impairment loss in relation to Jingdezhen CFI Guosen was HK$188,690,000. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Jingdezhen CFI Guosen was approximately RMB1,121,000 (2016: RMB5,852,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2017 was approximately RMB373,109,000 (2016: RMB374,230,000).

(b) On 21 June 2011, the Group invested in a 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC.

There was a significant decline in the market value of TianJin XEDA for the year ended 30 June 2017. The directors considered that such a decline indicated that the unlisted investment had been impaired. During the year, a loss in relation to Tianjin XEDA amounting to HK$23,628,000 (2016: 28,822,000) was reclassified from the available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss. As at 30 June 2017, the accumulated impairment loss in relation to TianJin XEDA was HK$52,450,000 (2016: HK$28,822,000). No dividend was declared and received during the year (2016: HK$3,544,000). The unaudited profit for the year ended 30 June 2017 of TianJin XEDA was approximately RMB9,322,000 (2016: RMB9,659,000) and the unaudited net asset value of TianJin XEDA at 30 June 2017 was approximately RMB241,219,000 (2016: RMB236,370,000).

(c) 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 then 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on those dates. Jiangxi Huazhang is principally engaged in the provision of financing guarantees to SMEs in the Jiangxi Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2017 of Jiangxi Huazhang was approximately RMB67,753,000 (2016: RMB10,862,000) and the unaudited net asset value of Jiangxi Huazhang at 30 June 2017 was approximately RMB2,302,898,000 (2016: RMB952,476,000).

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

*Notes: (continued)*

(ii) As at 30 June 2017, the Group held the following unlisted investments: *(continued)*

A brief description of the business and financial information of the investments is as follows: *(continued)*

*Notes: (continued)*

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

There was a significant decline in the market value of Zhongtoujinxin for the year ended 30 June 2016. The directors considered that such a decline indicated that the unlisted investment had been impaired. For the year ended 30 June 2016, a loss in relation to Zhongtoujinxin amounting to HK$6,065,000 was reclassified from the available-for-sale financial asset revaluation reserve to profit or loss as an impairment loss. As at 30 June 2017 and 30 June 2016, the accumulated impairment loss in relation to Zhongtoujinxin was HK$18,350,000. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Zhongtoujinxin was approximately RMB3,554,000 (2016: RMB5,387,000) and the unaudited net asset value of Zhongtoujinxin at 30 June 2017 was approximately RMB9,179,000 (2016: RMB12,728,000).

(e) On 21 June 2016, the Company and China City Infrastructure entered into the convertible bond subscription agreement (the "CB Subscription Agreement") to subscribe for the convertible bond issued by China City Infrastructure (the "China City Infrastructure Convertible Bond").

On 28 June 2016, the Company purchased the China City Infrastructure Convertible Bond with a principal amount of HK$73,000,000. The China City Infrastructure Convertible Bond bears interest at 5% per annum, is convertible into 146,000,000 ordinary shares of China City Infrastructure at HK$0.50 per share (subject to adjustment upon the change in the capital structure of China City Infrastructure) and will mature in three years from the date of issuance.

The China City Infrastructure Convertible Bond is a hybrid instrument that includes non-derivative host contract and embedded derivatives. The non-derivative host contract, representing the bond component (the "China City Infrastructure Bond"), has been designated as an available-for-sale investment. The embedded derivative, representing the conversion option which allows the Company to convert the China City Infrastructure Convertible Bond into ordinary shares of China City Infrastructure at an established conversion rate (i.e., HK$0.50 per share), has been designated as a derivative financial instrument (the "China City Infrastructure Derivative").

On 30 June 2017, the Company converted an aggregate principal amount of HK$50,000,000 into 100,000,000 shares in China City Infrastructure at the conversion price of HK$0.50 each, when the closing market price of shares of China City Infrastructure was HK$0.61 per share on this conversion and a loss on this conversion of approximately HK$4,091,000, which has been included in net change in fair value of financial assets in profit or loss for the year ended 30 June 2017.

As at 30 June 2017, the fair value of the China City Infrastructure Bond was stated at HK$19,457,000 (2016: HK$55,997,000), and a fair value gain of HK$5,760,000 (2016: HK$31,000) in respect of the China City Infrastructure Bond was recognised as OCI for the year, of which a gain on partial conversion of China City Infrastructure Bond of HK$3,967,000 (2016: Nil) was reclassified from OCI to profit or loss.

As at 30 June 2017, the remaining 46,000,000 conversion shares upon exercise of the conversion right would represent approximately 1.60% of the issued share capital in China City Infrastructure.

The fair values of all the above investments were determined by the directors of the Company with reference to the professional valuation carried out by Asset Appraisal Limited, an independent valuer.

The Group does not hold more than 20% of the controlling power in the board of directors in any of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies of these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as available-for-sale financial assets for the year ended 30 June 2017.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Financial assets held for trading: | | | |
| Listed securities | *(i)* | **286,037** | 127,878 |
| Derivative financial instrument | *(ii)* | **14,717** | 52,953 |
| | | **300,754** | 180,831 |
| Financial assets designated as at FVTPL: | | | |
| Unlisted equity investments | *(iii)* | **207,310** | 276,418 |
| Unlisted bond investments, secured | *(iv)* | **447,492** | – |
| | | **654,802** | 276,418 |

The above financial assets at 30 June 2017 and 30 June 2016 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

*Notes:*

(i) The fair values of listed securities are determined based on the quoted market bid prices available on the relevant exchange at the end of the reporting period.

Particulars of the major components of the investment portfolio as at 30 June 2017, in terms of the carrying value of the respective individual investment, are as follows:

*China City Infrastructure*
As at 30 June 2017, the Group held 296,735,429 shares (2016: 196,735,429 shares) in China City Infrastructure, representing approximately 10.35% (2016: 8.53%) of the issued share capital of China City Infrastructure. As at 30 June 2017, the market value of the investment in the shares of China City Infrastructure was HK$181,009,000 (2016: HK$127,878,000).

*Sino-Ocean Group Holding Limited ("Sino-Ocean Group")*
As at 30 June 2017, the Group held 26,592,500 shares (2016: Nil) in Sino-Ocean Group, representing approximately 0.35% (2016: Nil) of the issued share capital of Sino-Ocean Group. Sino-Ocean Group is principally engaged in investment holding, property development and property investment in the PRC. During the year, a dividend of HK$4,381,000 was declared and received/receivable from Sino-Ocean Group. As at 30 June 2017, the market value of the investment in the shares of Sino-Ocean Group was HK$101,317,000 (2016: Nil). The audited profit attributable to shareholders of Sino-Ocean Group for the year ended 31 December 2016 was approximately RMB4,445,560,000 (2015: RMB2,251,333,000) and the unaudited profit attributable to shareholders of Sino-Ocean Group for the six months ended 30 June 2017 was approximately RMB2,995,820,000 (2016: RMB1,533,055,000). The unaudited net assets attributable to shareholders of Sino-Ocean Group at 30 June 2017 amounted to approximately RMB51,823,700,000 (2016: RMB46,891,613,000).

*Hidili Industry International Development Limited ("Hidili Industry")*
As at 30 June 2017 and 2016, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.60% of the issued share capital of Hidili Industry. Hidili Industry is principally engaged in coal mining and manufacture and sale of clean coal. No dividend was declared and received during the year (2016: Nil).

The trading in the shares of Hidili Industry have been suspended since 1 April 2016 due to delay in publication of annual results, which management considered as an indication of impairment. As a result, the fair value of Hidili Industry amounting to HK$2,412,000 was fully impaired for the year ended 30 June 2016. Trading in the shares of Hidili Industry was resumed on 1 March 2017. As at 30 June 2017, the market value of the investment in the shares of Hidili Industry was HK$3,711,000. The audited loss attributable to shareholders of Hidili Industry for the year ended 31 December 2016 was approximately RMB1,000,097,000 (2015: RMB2,287,301,000) and the unaudited loss attributable to shareholders of Hidili Industry for the six months ended 30 June 2017 was approximately RMB170,870,000 (2016: RMB420,986,000). The unaudited net assets attributable to shareholders of Hidili Industry at 30 June 2017 amounted to approximately RMB2,141,542,000 (2016: RMB2,891,343,000).

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

*Notes: (continued)*

(ii) The Group's derivative financial instrument is managed and its performance is evaluated on a fair value basis. Any fair value gain or loss is recognised in profit or loss.

The fair value of the derivative financial instrument has been estimated using a valuation technique based on assumptions that are supported by observable market inputs. The valuation requires the directors to make estimates, including credit spread and volatility of the underlying securities. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in profit or loss, are reasonable, and that they are the most appropriate values at the end of the reporting period.

The China City Infrastructure Derivative represents the derivative embedded in the China City Infrastructure Convertible Bond. On 30 June 2017, the Company partially converted the China City Infrastructure Convertible Bond. These details are set out in note 17(ii)(e) to the financial statements.

As at 30 June 2016, the fair value of the China City Infrastructure Derivative was stated at HK$52,953,000. A fair value gain of HK$35,919,000 in respect of the China City Infrastructure Derivative was recognised in profit or loss for the year ended 30 June 2016.

As at 30 June 2017, the fair value of the China City Infrastructure Derivative was stated at HK$14,717,000 after the conversion, based on a valuation performed by an independent professionally qualified valuer. A fair value loss of HK$11,477,000 in respect of the China City Infrastructure Derivative was recognised in profit or loss for the year ended 30 June 2017.

(iii) As at 30 June 2017, the Group had the following unlisted equity investments:

| Name | Notes | Place of incorporation/ registration and business | Group's effective interest | | Principal activities | 2017 Cost | 2016 Cost |
|---|---|---|---|---|---|---|---|
| | | | **2017** | 2016 | | ***HK$'000*** | *HK$'000* |
| *Micro-loan service* | | | | | | | |
| Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun") | *(a)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **36,606** | 36,606 |
| TIIC RongShun Micro-Loan Company Limited ("TIIC Rongshun") | *(b)* | PRC | **10%** | 10% | Provision of small loan and financial consultation services | **12,189** | 12,189 |
| Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin") | *(c)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **36,693** | 36,693 |
| Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu") | *(d)* | PRC | **–** | 30% | Provision of small loan and financial consultation services | **–** | 36,901 |
| Tianjin Binlian Microfinance Limited ("Tianjin Binlian") | *(e)* | PRC | **3.3%** | 3.3% | Provision of small loan and financial consultation services | **12,271** | 12,271 |
| Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou") | *(f)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **185,000** | 185,000 |
| Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang") | *(g)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **73,730** | 73,730 |
| Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning") | *(h)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **36,673** | 36,673 |
| Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang") | *(i)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **36,741** | 36,741 |
| Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI") | *(j)* | PRC | **30%** | 30% | Provision of small loan and financial consultation services | **56,874** | 56,874 |
| *Others* | | | | | | | |
| Xi'an Kairong Financial Service Limited ("Xi'an Kairong") | *(k)* | PRC | **30%** | 30% | Provision of financial management services | **18,724** | 18,724 |
| Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin") | *(l)* | PRC | **30%** | 30% | Provision of financial management services | **19,030** | 19,030 |

For the valuation techniques and significant unobservable inputs of micro-loan service and others, please refer to note 32 to the financial statements.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

*Notes: (continued)*

(iii) As at 30 June 2017, the Group had the following unlisted equity investments: *(continued)*

A brief description of the business and financial information of the unlisted equity investments is as follows:

*Notes:*

(a) On 24 August 2011, the Group invested in a 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Tianjin Rongshun was approximately RMB22,370,000 (2016: RMB9,034,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2017 was approximately RMB70,477,000 (2016: RMB92,936,000).

(b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2016: HK$429,000). The unaudited profit for the year ended 30 June 2017 of TIIC Rongshun was approximately RMB10,475,000 (2016: loss of RMB35,619,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2017 was approximately RMB93,532,000 (2016: RMB83,105,000).

(c) On 29 August 2011, the Group invested in a 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Harbin Zhongjinguoxin was approximately RMB2,574,000 (2016: RMB3,557,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2017 was approximately RMB107,799,000 (2016: RMB110,350,000).

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. As at the date of this annual report, this disposal transaction has not been completed. The directors expect this disposal transaction will be completed within one year.

(d) On 21 December 2011, the Group invested in a 30% equity interest of Nanchang Donghu, a joint venture established in the PRC. Nanchang Donghu is principally engaged in the provision of small loan and financial consultation services in Donghu District, Nanchang, Jiangxi Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2016 of Nanchang Donghu was approximately RMB5,945,000 and the unaudited net asset value of Nanchang Donghu at 30 June 2016 was approximately RMB104,885,000. On 20 April 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Nanchang Donghu to an independent third party for a cash consideration of RMB23,325,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 11 October 2016.

On the same day, the Company entered into a new disposal agreement to dispose of all of its equity interest in Nanchang Donghu to another independent third party for a cash consideration of RMB23,325,000. The disposal transaction was completed during the year.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

*Notes: (continued)*

(iii) As at 30 June 2017, the Group had the following unlisted equity investments: *(continued)*

A brief description of the business and financial information of the unlisted equity investments is as follows: *(continued)*

*Notes: (continued)*

(e) On 13 January 2012, the Group invested in a 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. The Group's equity interest in Tianjin Binlian became 3.3% on 22 January 2014, as Tianjin Binlian was enlarged by the new registered capital subscribed by its other shareholders on that date. Tianjin Binlian is principally engaged in the provision of small loan and financial consultation services in Tianjin, especially Dongli District, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2017 of Tianjin Binlian was approximately RMB3,052,000 (2016: RMB14,854,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2017 was approximately RMB317,390,000 (2016: RMB314,357,000). On 20 March 2015, the Company entered into a disposal agreement to dispose of all of its equity interest in Tianjin Binlian to an independent third party for a cash consideration of RMB10,000,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 14 July 2016.

(f) On 2 March 2012, the Group invested in a 30% equity interest of Ezhou Zhongjinguotou, a joint venture established in the PRC. Ezhou Zhongjinguotou is principally engaged in the provision of small loan and financial consultation services in Ezhou, Hubei Province, the PRC.

On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the capital reduction, 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%. As at the date of this annual report, the capital reduction has not been completed. The directors expect the capital reduction will be completed within six months.

Given that the capital reduction in 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%.

No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2017 of Ezhou Zhongjinguotou was approximately RMB8,192,000 (2016: loss of RMB10,225,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2017 was approximately RMB500,468,000 (2016: RMB492,375,000).

(g) On 6 August 2012, the Group invested in a 30% equity interest of Ziyang Yanjiang, a joint venture established in the PRC. Ziyang Yanjiang is principally engaged in the provision of small loan and financial consultation services in Ziyang, Sichuan Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Ziyang Yanjiang was approximately RMB124,360,000 (2016: RMB28,592,000) and the unaudited net asset value of Ziyang Yanjiang at 30 June 2017 was approximately RMB68,325,000 (2016: RMB192,685,000).

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

*Notes: (continued)*

(iii) As at 30 June 2017, the Group had the following unlisted equity investments: *(continued)*

A brief description of the business and financial information of the unlisted equity investments is as follows: *(continued)*

*Notes: (continued)*

(h) On 31 August 2012, the Group invested in a 30% equity interest of Nanjing Jiangning, a joint venture established in the PRC. Nanjing Jiangning is principally engaged in the provision of small loan and financial consultation services in Jiangning District, Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Nanjing Jiangning was approximately RMB1,347,000 (2016: profit of RMB733,000) and the unaudited net asset value of Nanjing Jiangning at 30 June 2017 was approximately RMB78,682,000 (2016: RMB80,029,000).

(i) On 13 September 2012, the Group invested in a 30% equity interest of Tianjin Rongyang, a joint venture established in the PRC. Tianjin Rongyang is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2017 of Tianjin Rongyang was approximately RMB5,361,000 (2016: RMB5,622,000) and the unaudited net asset value of Tianjin Rongyang at 30 June 2017 was approximately RMB117,782,000 (2016: RMB116,421,000).

(j) On 22 November 2013, the Group invested in a 30% equity interest of Zhenjiang CFI, a joint venture established in the PRC. Zhenjiang CFI is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC. No dividend was declared and received during the year (2016: HK$1,575,000). The unaudited loss for the year ended 30 June 2017 of Zhenjiang CFI was approximately RMB3,745,000 (2016: RMB9,853,000) and the unaudited net asset value of Zhenjiang CFI at 30 June 2017 was approximately RMB153,201,000 (2016: RMB160,948,000).

(k) On 18 December 2012, the Group invested in a 30% equity interest of Xi'an Kairong, a joint venture established in the PRC. Xi'an Kairong is principally engaged in the provision of financial management services to SMEs in Xi'an Economic Development Zone, Shaanxi Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited profit for the year ended 30 June 2017 of Xi'an Kairong was approximately RMB734,000 (2016: loss of RMB3,529,000) and the unaudited net asset value of Xi'an Kairong at 30 June 2017 was approximately RMB53,343,000 (2016: RMB52,447,000).

(l) On 22 September 2014, the Group invested in a 30% equity interest of Hubei Zhongjin, a joint venture established in the PRC. Hubei Zhongjin is principally engaged in the provision of financial management services to SMEs in Wuhan, Hubei Province, the PRC. No dividend was declared and received during the year (2016: Nil). The unaudited loss for the year ended 30 June 2017 of Hubei Zhongjin was approximately RMB7,972,000 (2016: RMB5,912,000) and the unaudited net asset value of Hubei Zhongjin at 30 June 2017 was approximately RMB30,989,000 (2016: RMB38,961,000).

The fair values of all the above investments were determined by the directors of the Company with reference to the professional valuation carried out by Asset Appraisal Limited, an independent valuer.

The Group does not hold more than 20% of the controlling power in the board of directors in any of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies of these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the year ended 30 June 2017.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

*Notes: (continued)*

(iv) The Group invested three 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 | 2017 Cost HK$'000 | 2016 Cost HK$'000 |
|---|---|---|---|---|
| Hollys (China) Limited ("Hollys") | (1) | Engaged in coffee shop franchise in the PRC | 200,000 | – |
| Pure Unity Investments Limited ("Pure Unity") | (2) | Investment holding | 190,000 | – |
| Talent Trend Global Limited ("Talent Trend") | (3) | Investment holding | 160,000 | – |

*Notes:*

(1) On 8 September 2016, Joy State Holdings Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Hollys. The nominal value of the bond is HK$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interests in Hollys pledged to the Group by Mr. Xiao Yan.

(2) On 21 November 2016, China Financial International Investments (Nanchang) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Pure Unity. The nominal value of the bond is HK$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears. Pure Unity redeemed HK$10,000,000 during the year, as at 30 June 2017, the nominal value of the bond is HK$190,000,000.

Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity. As at 30 June 2017, the bond is secured by (1) 100% unlisted equity interests in Pure Unity pledged to the Group by Mr. Zhu Mingliang; (2) 500,000,000 shares of the Company, with a market value of HK$150,000,000, held by Rightfirst Holdings Limited, which is beneficially owned by Mr. Du Lin Dong, the executive director of the Company; and (3) a property in the PRC with market value of HK$67,200,000.

(3) On 21 November 2016, China Financial International Investments (Henan) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Talent Trend. The nominal value of the bond is HK$160,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend. As at 30 June 2017, the bond is secured by (1) 100% unlisted equity interests in Talent Trend pledged to the Group by Mr. Huang Xianli; and (2) 620,000,000 shares of the Company, with a market value of HK$186,000,000 held by Ruixin Taifu Investment Group Co., Limited.

The fair values of all the above investments were determined by the directors of the Company with reference to the professional valuation carried out by Asset Appraisal Limited, an independent valuer.

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Prepayments | | 418 | 597 |
| Deposits | | 1,249 | 769 |
| Dividends receivable | *(a)* | 3,233 | 9,478 |
| Receivable on partial disposal of equity interest in Globe Capital Resources Investment Limited ("Globe Capital") | *(b)* | – | – |
| Other receivables | *(c)* | 51,496 | 404,299 |
| | | 56,396 | 415,143 |

*Notes:*

(a)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Dividend receivable | 10,459 | 9,478 |
| Impairment | (7,226) | – |
| | 3,233 | 9,478 |

Movements in the provision for impairment losses are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At 1 July | – | – |
| Provision for impairment losses | 7,226 | – |
| At 30 June | 7,226 | – |

Included in the above provision for impairment of dividend receivable is a provision for individually impaired balance of HK$7,226,000 (2016: Nil) with an aggregate amount before provision of HK$7,802,000 (2016: HK$7,802,000). The individually impaired balances were irrecoverable as the balances were long overdue. The Company does not hold any collateral or other credit enhancement over these balances.

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

*Notes: (continued)*

(b)

| | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|
| Receivable on partial disposal of equity interest in Globe Capital | **–** | 4,199 |
| Impairment | **–** | (4,199) |
| | **–** | – |

The Group disposed of its 70% equity interest in a former subsidiary, Globe Capital to a third party investor during the year ended 30 June 2011. The balance was unsecured and interest-free. At 30 June 2016, management considered the receivable balance was irrecoverable as the third party investor was in unexpected financial loss, and the balance of HK$4,199,000 was fully provided as impairment. The Group does not hold any collateral or other credit enhancements over this balance.

Movements in the provision for impairment losses are as follows:

| | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|
| At 1 July | **4,199** | – |
| Provision for impairment losses | **–** | 4,199 |
| Written off | **(4,199)** | – |
| At 30 June | **–** | 4,199 |

(c) As at 30 June 2017, other receivables included HK$26,852,000 from the disposal of a 30% equity interest of Nanchang Donghu, as at the date of this annual report, the amount has been settled. Details of the disposal are included in note 18(iii)(d) to the financial statements.

As at 30 June 2016, other receivables included HK$404,088,000 from Yi Jia Investment Limited under the Strategic Cooperation Agreement which was fully settled by 6 July 2016. Details of the Strategic Cooperation Agreement are included in note 7 to the financial statements.

The balances are unsecured, interest-free and repayable on demand.

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 20. CASH AND CASH EQUIVALENTS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Cash and bank balances | **416,047** | 657,542 |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$257,215,000 (2016: HK$253,220,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. OTHER PAYABLES AND ACCRUALS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Accruals | **850** | 730 |
| Other payables | **22,025** | 1,640 |
| | **22,875** | 2,370 |

Other payables are non-interest-bearing and have an average term of less than three months.

## 22. DUE TO A RELATED COMPANY

The amount due to a related company as at 30 June 2017 (2016: Nil) was unsecured, interest-free and repayable on demand. Further details of the related company are included in note 29(b)(ii) to the financial statements.

## 23. BORROWINGS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Interest bearing loans – unsecured | **62,975** | 62,974 |
| Analysed into: | | |
| Loans repayable: | | |
| In the third to fifth years, inclusive | **62,975** | 62,974 |

As at 30 June 2017 and 30 June 2016, bonds with a total nominal amount of HK$63,000,000 were issued to independent third parties at 5% interest rate per annum with maturity dates ranging from years 2020 to 2021, being 7 years' maturity from the date of issue.

## 24. DEFERRED TAX

### (a) Deferred tax liabilities

| | Fair value adjustments of the available-for-sale financial assets HK$'000 | Fair value adjustments of financial assets at fair value through profit or loss HK$'000 | Total HK$'000 |
|---|---|---|---|
| **2017** | | | |
| At 1 July 2016 | **1,054** | **–** | **1,054** |
| Deferred tax credited to equity during the year | **(1,054)** | **–** | **(1,054)** |
| Gross deferred tax liabilities at 30 June 2017 | **–** | **–** | **–** |
| 2016 | | | |
| At 1 July 2015 | 2,889 | 1,678 | 4,567 |
| Deferred tax credited to profit or loss during the year | – | (1,678) | (1,678) |
| Deferred tax credited to equity during the year | (1,835) | – | (1,835) |
| Gross deferred tax liabilities at 30 June 2016 | 1,054 | – | 1,054 |

### (b) Deferred tax assets and liabilities

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **–** | 1,054 |

### (c) Deferred tax assets not recognised

At 30 June 2017, deferred tax has not been recognised in respect of the following items:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Unused tax losses | **158,471** | 62,867 |

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

## 25. SHARE CAPITAL

| | Notes | 2017 Number of shares '000 | 2017 HK$'000 | 2016 Number of shares '000 | 2016 HK$'000 |
|---|---|---|---|---|---|
| **Authorised:** | | | | | |
| Ordinary shares of HK$0.01 each | | **30,000,000** | **300,000** | 30,000,000 | 300,000 |
| **Issued and fully paid:** | | | | | |
| As at 1 July | | | | | |
| Ordinary shares of HK$0.01 each | | **10,971,634** | **109,717** | 4,671,634 | 46,717 |
| Issue of shares upon exercise of share options | *(a)* | **–** | **–** | 40,000 | 400 |
| Issue of shares upon conversion of the convertible bond | *(b)* | **–** | **–** | 560,000 | 5,600 |
| Issue of shares upon share placing | *(c)* | **–** | **–** | 5,700,000 | 57,000 |
| As at 30 June | | | | | |
| Ordinary shares of HK$0.01 each | | **10,971,634** | **109,717** | 10,971,634 | 109,717 |

*Notes:*

(a) Issue of shares upon exercise of share options
During the year ended 30 June 2016, share options to subscribe for 40,000,000 shares were exercised. The gross proceeds from the exercise of share options during the year ended 30 June 2016 were approximately HK$17,000,000, of which HK$400,000 was credited to share capital, while HK$21,946,000 was credited to share premium.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26(a) to the financial statements.

(b) Issue of shares upon conversion of the convertible bond
During the year ended 30 June 2016, the convertible bond with a principal amount of HK$280,000,000 was converted into 560,000,000 ordinary shares of HK$0.01 each at the conversion price of HK$0.50 per share, of which HK$5,600,000 was credited to share capital, while HK$280,276,000 was credited to the share premium.

(c) Issue of shares upon share placing
On 10 November 2015, 13 November 2015 and 4 December 2015, the Company issued, in aggregate, 5,700,000,000 ordinary shares of HK$0.01 each at a price of HK$0.20 per share to three independent investors. The net proceeds from the placing of shares were approximately HK$1,139,664,000, out of which HK$57,000,000 was recorded in share capital, while HK$1,082,664,000 was credited to share premium after netting off issuing expenses.

All the ordinary shares issued during the year ended 30 June 2016 rank pari passu in all respects with the then existing ordinary shares of the Company.

## 26. SHARE OPTIONS

### (a) Share Option Scheme

Under the share option scheme adopted by the Company on 15 January 2008 (the "Scheme"), options were granted to certain directors and consultants entitling them to subscribe for shares of the Company under the Scheme. The Scheme was approved and adopted by shareholders of the Company on 15 January 2008 (the "Date of Adoption"), whereby the directors of the Company are authorised, at their discretion, to invite full time employees of the Group, (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers of the Group, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the Date of Adoption. The Scheme shall be valid and effective for a period of 10 years ending on 14 January 2018 after which no further options will be granted. The exercise price of the options is determinable by the directors, but will be at least the highest of:

(i) The closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the offer date, which must be a business day;

(ii) The average of the closing prices of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) for the 5 business days immediately preceding the offer date; and

(iii) The nominal value of the Company's shares.

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of 1 to 3 years and ends on a date which is not later than 5 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

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

The Scheme limit was refreshed and approved by the shareholders at the special general meeting of the Company on 16 May 2014, and hence the maximum number of the shares available for issue upon exercise of all share options which may be further granted under the Scheme is 466,063,403 shares, representing approximately 10% of the total number of issued shares of the Company on 16 May 2014.

## 26. SHARE OPTIONS *(continued)*

### (a) Share Option Scheme *(continued)*

The following share options were outstanding under the Scheme during the year:

| | **2017** Weighted average exercise price *HK$ per share* | **2017** Number of share options *'000* | 2016 Weighted average exercise price *HK$ per share* | 2016 Number of share options *'000* |
|---|---|---|---|---|
| At 1 July | **0.425** | **4,700** | 0.425 | 44,700 |
| Exercised during the year | **–** | **–** | 0.425 | (40,000) |
| Lapsed during the year | **0.425** | **(4,700)** | | – |
| At 30 June | **–** | **–** | 0.425 | 4,700 |

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2016 was HK$0.89 per share.

The exercise prices and exercise periods of the share options outstanding under the Scheme as at the end of the reporting period are as follows:

**2017**

| Name or category of participant | Number of share options: At 1 July 2016 '000 | Exercised during the year '000 | Lapsed during the year '000 | **At 30 June 2017 '000** | Exercise period* | Exercise price** *HK$ per share* | Date of grant |
|---|---|---|---|---|---|---|---|
| Director | | | | | | | |
| Du Lin Dong | 4,700 | – | (4,700) | **–** | 19/3/2014-18/12/2016 | 0.425 | 19/12/2013 |

2016

| Name or category of participant | Number of share options: At 1 July 2015 '000 | Exercised during the year '000 | Lapsed during the year '000 | At 30 June 2016 '000 | Exercise period* | Exercise price** *HK$ per share* | Date of grant |
|---|---|---|---|---|---|---|---|
| Director | | | | | | | |
| Du Lin Dong | 4,700 | – | – | 4,700 | 19/3/2014-18/12/2016 | 0.425 | 19/12/2013 |
| Qualified allottee in aggregate | 13,000 | (13,000) | – | – | 19/3/2014-18/12/2016 | 0.425 | 19/12/2013 |
| | 13,000 | (13,000) | – | – | 19/12/2014-18/12/2016 | 0.425 | 19/12/2013 |
| | 14,000 | (14,000) | – | – | 19/12/2015-18/12/2016 | 0.425 | 19/12/2013 |
| | 40,000 | (40,000) | – | – | | | |
| | 44,700 | (40,000) | – | 4,700 | | | |

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The 40,000,000 share options exercised during the year ended 30 June 2016 resulted in the issue of 40,000,000 ordinary shares of the Company and new share capital of HK$400,000 and share premium of HK$21,946,000, as further detailed in note 25(a) to the financial statements. No share options under the Scheme were exercised during the year ended 30 June 2017.

No expenses was recognised for the year ended 30 June 2017 (2016: HK$440,000) in relation to amortisation of value of the share options granted under the Scheme by the Company in prior years.

## 26. SHARE OPTIONS *(continued)*

### (b) Share Options

On 7 April 2014, the Company granted an aggregate of 200,000,000 share options each to United Truth Group Limited ("United Truth") and GCA Special Situations (A) Limited ("GCA") under a specific mandate (the "Specific Mandate") for their provision of consultancy services to the Company.

The following share options were outstanding under the Specific Mandate during the year:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Weighted average exercise price** ***HK$ per share*** | **Number of share options** ***'000*** | Weighted average exercise price *HK$ per share* | Number of share options *'000* |
| At 1 July | **0.48** | **400,000** | 0.48 | 400,000 |
| Lapsed during the year | **0.48** | **(400,000)** | – | – |
| At 30 June | **–** | **–** | 0.48 | 400,000 |

No share options under the Specific Mandate were exercised during the years ended 30 June 2017 and 2016.

The exercise prices and exercise periods of the share options outstanding under the Specific Mandate as at the end of the reporting period are as follows:

**2017**

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of grantee | At 1 July 2016 *'000* | Exercised during the year *'000* | Lapsed during the year *'000* | **At 30 June 2017** ***'000*** | Exercise period* | Exercise price** *HK$ per share* | Date of grant |
| United Truth | 40,000 | – | (40,000) | **–** | 7/7/2014-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | (80,000) | **–** | 7/4/2015-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | (80,000) | **–** | 7/4/2016-6/4/2017 | 0.48 | 7/4/2014 |
| | 200,000 | – | (200,000) | **–** | | | |
| GCA | 40,000 | – | (40,000) | **–** | 7/7/2014-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | (80,000) | **–** | 7/4/2015-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | (80,000) | **–** | 7/4/2016-6/4/2017 | 0.48 | 7/4/2014 |
| | 200,000 | – | (200,000) | **–** | | | |
| | 400,000 | – | (400,000) | **–** | | | |

## 26. SHARE OPTIONS *(continued)*

### (b) Share Options *(continued)*

2016

| Name of grantee | At 1 July 2015 '000 | Exercised during the year '000 | Lapsed during the year '000 | At 30 June 2016 '000 | Exercise period* | Exercise price** HK$ per share | Date of grant |
|---|---|---|---|---|---|---|---|
| | Number of share options | | | | | | |
| United Truth | 40,000 | – | – | 40,000 | 7/7/2014-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | – | 80,000 | 7/4/2015-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | – | 80,000 | 7/4/2016-6/4/2017 | 0.48 | 7/4/2014 |
| | 200,000 | – | – | 200,000 | | | |
| GCA | 40,000 | – | – | 40,000 | 7/7/2014-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | – | 80,000 | 7/4/2015-6/4/2017 | 0.48 | 7/4/2014 |
| | 80,000 | – | – | 80,000 | 7/4/2016-6/4/2017 | 0.48 | 7/4/2014 |
| | 200,000 | – | – | 200,000 | | | |
| | 400,000 | – | – | 400,000 | | | |

* The share options are vested immediately upon their grant but shall only be exercised during the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

## 27. 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 30 June 2017 of HK$1,578,987,000 (2016: HK$1,785,088,000) and 10,971,634,000 ordinary shares in issue as at 30 June 2017 (2016: 10,971,634,000 ordinary shares).

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

## 29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

### (a) Key management personnel remuneration

Directors are the key management personnel of the Group and their remuneration is disclosed in note 10 to the financial statements.

### (b) Significant related party transactions

During the year, the Group had the following transactions with related parties:

| | Notes | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| Investment management fee paid/ payable to CFIIM | *(i)* | **1,773** | 886 |
| Legal advisory fees paid/payable to Michael Li & Co | *(ii)* | **415** | 417 |

*Notes:*

(i) Details of the investment management fee are included in note 12 to the financial statements.

(ii) During the current year, Michael Li & Co, a company controlled by the company secretary, Mr. Li Chi Chung, provided various legal advisory services to the Group.

At 30 June 2017, the balance due to Michael Li & Co of HK$73,000 (2016: Nil) was unsecured, interest-free and repayable on demand.

## 30. COMMITMENTS

The Group leases its office premises under an operating lease arrangement with a negotiated term of three years (2016: one year). At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **2,390** | 4,766 |
| In the second to fifth years, inclusive | **3,415** | 202 |
| | **5,805** | 4,968 |

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Financial assets* | | |
| Available-for-sale financial assets | | |
| – Listed securities | **159,820** | 170,300 |
| – Unlisted investments | **82,689** | 153,315 |
| Financial assets at FVTPL | | |
| – Listed securities | **286,037** | 127,878 |
| – Derivative financial instrument | **14,717** | 52,953 |
| – Unlisted equity investments | **207,310** | 276,418 |
| – Unlisted bond investments, secured | **447,492** | – |
| Loans and receivables | | |
| Financial assets included in prepayments, deposits and other receivables | **55,978** | 414,546 |
| Cash and cash equivalents | **416,047** | 657,542 |
| | **1,670,090** | 1,852,952 |
| *Financial liabilities* | | |
| Financial liabilities at amortised cost | | |
| Financial liabilities included in other payables and accruals | **22,025** | 1,640 |
| Due to a related company | **73** | – |
| Due to an associate | **141** | 80 |
| Interest bearing loans | **62,975** | 62,974 |
| | **85,214** | 64,694 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to subsidiaries, an amount due to a related company and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the interest bearing loans as at 30 June 2017 amounted to HK$62,850,000 (2016: HK$62,691,000).

The Group's finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments and reports directly to the chief financial officer and the audit committee. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Group. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the interest bearing loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest bearing loans as at 30 June 2017 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments and unlisted equity investments designated as at FVTPL have been estimated using a valuation technique with reference to multiples of comparable listed companies, prices of recent transactions or net asset value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in OCI, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2017 and 30 June 2016:

| | Valuation technique | Significant unobservable inputs | Range/value | Sensitivity of fair value to the input |
|---|---|---|---|---|
| *Available-for-sale financial assets in unlisted investments* | | | | |
| Micro-loan service | Market comparable companies | Price to book ratio ("PB ratio") | 30 June 2017 0.3913 to 2.3136<br><br>30 June 2016 0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2017, the Group's OCI would have increased by HK$54,558,000 (2016: HK$24,321,000). Had the lowest PB ratio among the comparables been used as at 30 June 2017, the Group's OCI would have decreased by HK$27,429,000 (2016: HK$18,129,000). |
| | | Lack of marketability discount ("LOMD") | 30 June 2017 30.00%<br><br>30 June 2016 23.49% | The fair values of companies are also determined with reference to LOMD. The fair value measurement is positively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2017, the Group's OCI would have increased by HK$3,284,000 (2016: HK$2,756,000). Had the LOMD increased by 5% as at 30 June 2017, the Group's OCI would have decreased by HK$3,284,000 (2016: HK$2,756,000). |
| Others | Market comparable companies | PB ratio | 30 June 2017 0.3913 to 2.3136<br><br>30 June 2016 0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2017, the Group's OCI would have increased by HK$52,137,000 (2016: HK$30,048,000). Had the lowest PB ratio among the comparables been used as at 30 June 2017, the Group's OCI would have decreased by HK$26,212,000 (2016: HK$22,398,000). |
| | | LOMD | 30 June 2017 30.00%<br><br>30 June 2016 23.49% | The fair values of companies are also determined with reference to LOMD. The fair value measurement is positively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2017, the Group's OCI would have increased by HK$3,059,000 (2016: HK$3,405,000). Had the LOMD increased by 5% as at 30 June 2017, the Group's OCI would have decreased by HK$3,059,000 (2016: HK$3,405,000). |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

| | Valuation technique | Significant unobservable inputs | Range/value | Sensitivity of fair value to the input |
|---|---|---|---|---|
| *Financial assets at FVTPL in unlisted investments* | | | | |
| Micro-loan service | Market comparable companies | PB ratio | 30 June 2017 0.3913 to 2.3136<br><br>30 June 2016 0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2017, the Group's profit or loss would have increased by HK$246,526,000 (2016: HK$145,704,000). Had the lowest PB ratio among the comparables been used as at 30 June 2017, the Group's profit or loss would have decreased by HK$123,940,000 (2016: HK$108,607,000). |
| | | LOMD | 30 June 2017 30.00%<br><br>30 June 2016 23.49% | The fair values of companies are also determined with reference to LOMD. The fair value measurement is positively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2017, the Group's profit or loss would have increased by HK$14,239,000 (2016: HK$16,511,000). Had the LOMD increased by 5% as at 30 June 2017, the Group's profit or loss would have decreased by HK$14,239,000 (2016: HK$16,511,000). |
| Others | Market comparable companies | PB ratio | 30 June 2017 0.3913 to 2.3136<br><br>30 June 2016 0.5290 to 1.4630 | The fair values of companies are determined with reference to multiples of comparable listed companies, using the average of the PB ratios of comparables. The fair value measurement is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used as at 30 June 2017, the Group's profit or loss would have increased by HK$16,496,000 (2016: HK$5,581,000). Had the lowest PB ratio among the comparables been used as at 30 June 2017, the Group's profit or loss would have decreased by HK$12,919,000 (2016: HK$4,160,000). |
| | | LOMD | 30 June 2017 30.00%<br><br>30 June 2016 23.49% | The fair values of companies are also determined with reference to LOMD. The fair value measurement is positively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2017, the Group's profit or loss would have increased by HK$1,948,000 (2016: HK$632,000). Had the LOMD increased by 5% as at 30 June 2017, the Group's profit or loss would have decreased by HK$4,209,000 (2016: HK$632,000). |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

| | Valuation technique | Significant unobservable inputs | Range/value | Sensitivity of fair value to the input |
|---|---|---|---|---|
| *Unlisted bond investments* | | | | |
| Hollys | Hull-White-One-Factor interest rate model | Credit spread | 30 June 2017 9.17% | The fair values of companies are determined with reference to Hull-White-One Factor interest rate model, using the credit spread for valuation. The fair value measurement is positively correlated to the credit spread. Had the credit spread decreased by 5% as at 30 June 2017, the Group's profit or loss would have increased by HK$4,255,000. Had the credit spread increased by 5% as at 30 June 2017, the Group's profit or loss would have decreased by HK$17,159,000. |
| Pure Unity & Talent Trend | Monte Carlo simulation | Volatility | 30 June 2017 76.06% | The fair values of companies are determined with reference to Monte Carlo simulation, using the volatility for valuation. Had the volatility decreased by 5% as at 30 June 2017, the Group's profit or loss would have increased by HK$15,285,000. Had the volatility increased by 5% as at 30 June 2017, the Group's profit or loss would have decreased by HK$6,629,000. |

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 30 June 2017 | | | | |
| Available-for-sale financial assets: | | | | |
| – Listed investments | **159,820** | **–** | **–** | **159,820** |
| – Unlisted investments | **–** | **19,457** | **63,232** | **82,689** |
| Financial assets at FVTPL | | | | |
| – Listed securities | **286,037** | **–** | **–** | **286,037** |
| – Derivative financial instrument | **–** | **14,717** | **–** | **14,717** |
| – Unlisted equity investments | **–** | **–** | **207,310** | **207,310** |
| – Unlisted bond investments, secured | **–** | **–** | **447,492** | **447,492** |
| | **445,857** | **34,174** | **718,034** | **1,198,065** |
| As at 30 June 2016 | | | | |
| Available-for-sale financial assets: | | | | |
| – Listed investments | 170,300 | – | – | 170,300 |
| – Unlisted investments | – | 55,997 | 97,318 | 153,315 |
| Financial assets at FVTPL | | | | |
| – Listed securities | 127,878 | – | – | 127,878 |
| – Derivative financial instrument | – | 52,953 | – | 52,953 |
| – Unlisted equity investments | – | – | 276,418 | 276,418 |
| | 298,178 | 108,950 | 373,736 | 780,864 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Assets measured at fair value *(continued)*

The movements in fair value measurements within Level 3 during the year were as follows.

| | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|
| Available-for-sale financial assets: | | |
| At 1 July | **97,318** | 325,232 |
| Total losses recognised in profit or loss | **(23,628)** | (223,577) |
| Reclassification from OCI to profit or loss | **23,628** | 223,577 |
| Total losses recognised in OCI | **(34,086)** | (227,914) |
| At 30 June | **63,232** | 97,318 |
| Financial assets at FVTPL (unlisted investments): | | |
| At 1 July | **276,418** | 550,542 |
| Total losses recognised in profit or loss | **(134,715)** | (230,036) |
| Purchases | **560,000** | 360,000 |
| Disposals | **(46,901)** | (404,088) |
| At 30 June | **654,802** | 276,418 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 30 June 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (2016: Nil).

Liabilities disclosed at fair values

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** *HK$'000* | **Significant observable inputs (Level 2)** *HK$'000* | **Significant unobservable inputs (Level 3)** *HK$'000* | **Total** *HK$'000* |
| As at 30 June 2017 | | | | |
| Interest bearing loans | **–** | **62,850** | **–** | **62,850** |
| As at 30 June 2016 | | | | |
| Interest bearing loans | – | 62,691 | – | 62,691 |

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, other receivables, investments in listed securities and unlisted investments, an amount due to a related company, an amount due to an associate and other payables.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate strategies to manage the Group's exposure to these risks to ensure appropriate measures are implemented in a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes. The financial risks to which the Group is exposed to are described below.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain monetary and non-monetary financial assets and liabilities of the Group including cash and bank balances, a dividend receivable and unlisted investments are denominated in RMB, HK$ and US$, respectively. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange risk exposure and will consider hedging significant foreign currency risk exposure should the need arise.

The Group is mainly exposed to fluctuation in the exchange rates of RMB and US$ against HK$. Regarding the Group's exposure at the reporting date on their monetary financial assets and liabilities, management considers the Group has no significant foreign currency risk.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument and future cash flows will fluctuate as a result of changes in market interest rates. Management closely monitors interest rate movements and manages the potential risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are variable rate bank balances.

As management considers the Group's exposure to the interest rate risk is not significant, no interest-rate swap or other hedging activities are carried out by management during the years ended 30 June 2017 and 2016.

**Equity price risk**

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Group is exposed to equity price changes arising from equity investments classified as trading securities, which are stated at fair value. The Group's listed securities are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period. Decisions to buy or sell listed securities in the secondary market rest with assigned investment managers and are governed by specific investment guidelines.

*Sensitivity analysis*

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year are as follows:

| | **30 June 2017** | **High/low 2017** | 30 June 2016 | High/low 2016 |
|---|---|---|---|---|
| Hong Kong – Hang Seng Index ("HSI") | **25,765** | **26,090/20,304** | 20,794 | 26,459/18,279 |

The following table demonstrates management's best estimate of the effect on profit or loss before tax due to a reasonably possible change in equity indices, with all other variables held constant, based on the carrying amounts of the listed securities at the end of the reporting period. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

| | **% of reasonable possible change of the relevant benchmark index** | | **Change in loss before tax** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017 *HK$'000*** | 2016 *HK$'000* |
| Relevant market index | | | | |
| Hong Kong – HSI | **±23.90%** | ±20.78% | **±106,560** | ±61,961 |

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

**Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

The Group's financial assets include listed investments and unlisted investments, other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and bank deposits are placed with financial institutions with sound credit ratings. Equity investments in listed securities are placed with the custodian, which management believes is of higher credit quality. Given their high credit ratings, management does not expect any counterparty failing to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not provide any financial guarantees which would expose the Group to credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly. At 30 June 2017, the Group held cash and cash equivalents of HK$416,047,000 (2016: HK$657,542,000) and current receivables of HK$54,729,000 (2016: HK$413,777,000), which were considered adequate for working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | Within 1 year<br>*HK$'000* | 1 to 5 years<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| 2017 | | | |
| Due to a related company | **73** | **–** | **73** |
| Due to an associate | **141** | **–** | **141** |
| Interest bearing loans | **3,150** | **69,931** | **73,081** |
| Other payables | **22,025** | **–** | **22,025** |
| | **25,389** | **69,931** | **95,320** |
| 2016 | | | |
| Due to an associate | 80 | – | 80 |
| Interest bearing loans | 3,150 | 73,081 | 76,231 |
| Other payables | 1,640 | – | 1,640 |
| | 4,870 | 73,081 | 77,951 |

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2017 and 30 June 2016. As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The investment manager and the executive committee manage the capital of the Company in accordance with the Group's investment objectives and policies.

The Group is not subject to any externally imposed capital requirements.

## 34. CONTINGENT LIABILITIES

Pursuant to an irrevocable guarantee provided by the Company in 2012, the Company has used its entire equity interest in TianJin XEDA and Tianjin Rongyang to secure the loans granted to certain customers of Tianjin XEDA and Tianjin Rongyang referred by 南京新寧光電自動化有限公司 (transliterated as Nanjing Xinning Guangdian Zidonghua Limited, "Xinning Guangdian"), an independent third party of the Group. As at the end of the reporting period, the loans granted to the customers of the micro-loan service companies under the above guarantee agreement were approximately RMB75,000,000 (2016: RMB75,000,000). The Group holds 30% equity interest in each of TianJin XEDA and Tianjin Rongyang as of 30 June 2017. Pursuant to an indemnity agreement signed between Xinning Guangdian and the Company in 2012, the Company is indemnified against any loss or damage arising from the non-performance of the aforesaid loans.

## 35. EVENTS AFTER THE REPORTING PERIOD

(1) On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in TianJin XEDA for a cash consideration of HK$45,557,000. As at the date of this annual report, the Company has received a non-refundable deposit of HK$20,000,000.

(2) On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in Tianjin Rongyang for a cash consideration of HK$17,644,000. As at the date of this annual report, the Company has received a non-refundable deposit of RMB7,000,000.

## 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **1,046** | 85 |
| Investments in subsidiaries | **245,305** | 245,929 |
| Investment in an associate | **290** | 290 |
| Available-for-sale financial assets | **242,509** | 323,615 |
| Financial assets at fair value through profit or loss | **654,802** | 276,418 |
| Total non-current assets | **1,143,952** | 846,337 |
| **CURRENT ASSETS** | | |
| Financial assets at fair value through profit or loss | **300,754** | 180,831 |
| Due from subsidiaries | **1,482** | 856 |
| Prepayments, deposits and other receivables | **56,388** | 415,137 |
| Cash and cash equivalents | **155,828** | 422,073 |
| Total current assets | **514,452** | 1,018,897 |
| **CURRENT LIABILITIES** | | |
| Due to subsidiaries | **1,128** | 3,947 |
| Due to a related company | **73** | – |
| Due to an associate | **141** | 80 |
| Other payables and accruals | **3,942** | 1,595 |
| Tax payable | **4,200** | 4,200 |
| Total current liabilities | **9,484** | 9,822 |
| **NET CURRENT ASSETS** | **504,968** | 1,009,075 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **1,648,920** | 1,855,412 |
| **NON-CURRENT LIABILITIES** | | |
| Interest bearing loans | **62,975** | 62,974 |
| Deferred tax liabilities | **–** | 1,054 |
| | **62,975** | 64,028 |
| **NET ASSETS** | **1,585,945** | 1,791,384 |
| **EQUITY** | | |
| Share capital | **109,717** | 109,717 |
| Reserves | **1,476,228** | 1,681,667 |
| **TOTAL EQUITY** | **1,585,945** | 1,791,384 |

**Du Lin Dong**
*Director*

**Pong Po Lam**
*Director*

## 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY *(continued)*

### Movements in reserves of the Company

| | Share premium | Contributed surplus | Capital reserve | Available-for-sale financial asset revaluation reserve | Share option reserve | Equity component of a convertible bond | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| | *Note(i)* | *Note(ii)* | *Note(iii)* | *Note(iv)* | *Note(v)* | | | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2015 | 682,786 | 278,979 | 2,766 | 11,988 | 65,604 | 7,231 | (287,062) | 762,292 |
| Loss for the year | – | – | – | – | – | – | (490,203) | (490,203) |
| Other comprehensive income for the year: | | | | | | | | |
| Change in fair value of available-for-sale financial assets, net of tax | – | – | – | 36,829 | – | – | – | 36,829 |
| Total comprehensive income for the year | – | – | – | 36,829 | – | – | (490,203) | (453,374) |
| Equity-settled share-based transactions *(note 26 (a))* | – | – | – | – | 440 | – | – | 440 |
| Issue of shares | | | | | | | | |
| – upon exercise of share options *(note 25(a))* | 21,946 | – | – | – | (5,346) | – | – | 16,600 |
| – upon conversion of a convertible bond *(note 25(b))* | 280,276 | – | – | – | – | (7,231) | – | 273,045 |
| – upon share placing, net of expenses *(note 25(c))* | 1,082,664 | – | – | – | – | – | – | 1,082,664 |
| At 30 June 2016 and 1 July 2016 | **2,067,672** | **278,979** | **2,766** | **48,817** | **60,698** | **–** | **(777,265)** | **1,681,667** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(187,348)** | **(187,348)** |
| Other comprehensive income for the year: | | | | | | | | |
| Change in fair value of available-for-sale financial assets, net of tax | **–** | **–** | **–** | **(18,091)** | **–** | **–** | **–** | **(18,091)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **(18,091)** | **–** | **–** | **(187,348)** | **(205,439)** |
| Lapse of share options | **–** | **–** | **–** | **–** | **(60,698)** | **–** | **60,698** | **–** |
| At 30 June 2017 | **2,067,672** | **278,979** | **2,766** | **30,726** | **–** | **–** | **(903,915)** | **1,476,228** |

## 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY *(continued)*

**Movements in reserves of the Company *(continued)***

*Notes:*

(i) Share premium
The application of share premium is governed by section 40 of the Companies Act of Bermuda.

(ii) Contributed surplus
The contributed surplus represents the share premium reduction. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it would after the payment, be unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iii) Capital reserve
The capital reserve represents the waiver of an amount due to a shareholder in 2005.

(iv) Available-for-sale financial asset revaluation reserve
The available-for-sale financial asset revaluation reserve represents changes in fair value of available-for-sale financial assets.

(v) Share option reserve
The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution subject to the provisions of its memorandum of association and the Bye-laws of the Company and provided that immediately following the payment of dividends, the Company is able to pay its debts as and when they fall due in the ordinary course of business. In accordance with the Company's Bye-laws, dividends shall be payable out of the profits or other reserves, including the share premium and contributed surplus of the Company.

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 September 2017.

A summary of the results, assets and liabilities of the Group for the last 5 financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

## RESULTS

| | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | **41,234** | 5,548 | 2,126 | 29,813 | 7,204 |
| Loss before tax | **(183,547)** | (491,207) | (1,608) | (216,278) | (37,864) |
| Income tax (expense)/credit | **(1,434)** | 1,678 | 982 | 3,398 | (5,658) |
| Loss for the year | **(184,981)** | (489,529) | (626) | (212,880) | (43,522) |
| Other comprehensive income for the year, net of tax | **(21,120)** | 25,732 | (11,167) | (23,878) | 24,267 |
| Total comprehensive income for the year | **(206,101)** | (463,797) | (11,793) | (236,758) | (19,255) |

## ASSETS AND LIABILITIES

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | **1,672,103** | 1,855,766 | 1,381,641 | 1,171,414 | 1,295,121 |
| Total liabilities | **(93,116)** | (70,678) | (568,505) | (349,669) | (300,508) |
| Total equity | **1,578,987** | 1,785,088 | 813,136 | 821,745 | 994,613 |