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)

Annual Report
2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Ding Xiaobin
Mr. Zhang Huayu *(Vice Chairman)*
Ms. Li Jie
Ms. Chen Xi

Independent Non-executive Directors

Mr. Zhang Jing
Mr. Zeng Xianggao
Mr. Li Cailin *(passed away on 20 August 2020)*

EXECUTIVE COMMITTEE

Mr. Du Lin Dong *(Chairman)*

AUDIT COMMITTEE

Mr. Zhang Jing *(Chairman)*
Mr. Zeng Xianggao
Mr. Li Cailin *(passed away on 20 August 2020)*

REMUNERATION COMMITTEE

Mr. Zhang Jing *(Chairman)* *(appointed on 20 August 2020)*
Mr. Li Cailin *(passed away on 20 August 2020)*
Mr. Du Lin Dong

NOMINATION COMMITTEE

Mr. Zhang Jing *(Chairman)*
Mr. Zeng Xianggao
Mr. Li Cailin *(passed away on 20 August 2020)*

RISK MANAGEMENT COMMITTEE

Mr. Du Lin Dong *(Chairman)*
Mr. Zhang Jing

AUTHORISED REPRESENTATIVES

Mr. Du Lin Dong
Mr. Li Chi Chung

COMPANY SECRETARY

Mr. Li Chi Chung

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

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 2001, 20th Floor,
Tower 1, The Gateway,
Harbour City,
Kowloon, 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 54, 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 2020 (the "Year").

KEY PERFORMANCE INDICATOR

The Group's net asset value is a key indicator of the financial performance and it decreased to HK$815,717,000 (2019: HK$1,084,706,000). During the Year, the Group suffered from a loss of HK$218,500,000, mainly because of (1) the fair value loss on unlisted investments at fair value through profit and loss approximately to HK$48,962,000, (2) the fair value loss on listed investments at fair value through profit and loss approximately to HK$99,990,000 and (3) impairment loss on debt instruments at fair value through other comprehensive income approximately to HK$55,471,000.

The net asset value per share was HK$7.43 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 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held at 16/F, Tower 5, The Gateway. Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 4 December 2020 at 11:00 a.m.. Notice of AGM will be published and sent to shareholders of the Company (the "Shareholders") in the manner as required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 4 December 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 November 2020.

ECONOMIC OUTLOOK

The financial year of 2019/2020 is a most challenging year. The rapid deterioration of the external environment, US-China trade war, social unrest in Hong Kong, and the COVID-19 pandemic have come one after another. However, the basic pattern of China's sustained economic growth remains unchanged. China's Gross Domestic Product (GDP) growth in 2019 was 6.1%, which is in line with the expected target growth of 6% to 6.5% set at the beginning of the year. According to a preliminary report by the National Bureau of Statistics, China's GDP for 2019 was approximately RMB99 trillion, representing an increase of 6.1% over the previous year in terms of comparable prices. The yearly gross import and export volume of goods increased by 3.4% over the previous year.

The Group believed that China has enough patience and strength with its internal quality-based growth and we keeps optimistic and prudent attitude towards the long-term growth of the China's economy.

PROSPECT

The Company is expected to continue to focus on China's bioethanol sector with the aim to maximize value for the Shareholders.

In this year, the Company has continuously invested in the bioethanol sector in mainland China. The Company executed a cooperation agreement with the People's Government of Nanyang of the PRC, Sinopec Marketing Company Limited and South South AsiaPacific Bioenergy Limited in relation to formation of two joint venture companies, Zhongxin Petrochemical Oil Sales Co., Ltd and Zhongxin Bioenergy Co., Ltd.

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

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 2020

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 loss attributable to owners of the Company amounted to HK$218,500,000 as compared to a loss of HK$327,563,000 for the year ended 30 June 2019. During the Year, dividend income from listed investments of HK$3,354,000 and the interest income of HK$18,259,000 from the unlisted bond investments were recorded. The loss was mainly attributable to the following reasons:

(i) fair value loss of approximately HK$48,962,000 on unlisted investments at FVTPL;

(ii) fair value loss of approximately HK$99,990,000 on listed investments at FVTPL; and

(iii) impairment loss on debt instruments at FVTOCI of approximately HK$55,471,000.

During the Year, dividend income from investments decreased by 88.12% to HK$3,354,000 as compared to HK$28,230,000 in last year. Interest income from unlisted investments amounted to HK$18,259,000 (2019: HK$40,615,000). The other income which comprised bank interest income, reversal of provision for financial guarantees and sundry income amounted to HK$5,419,000, representing a decrease of 79.46% as compared to HK$26,379,000 in last year. Administrative and other expenses decreased by 14.49% from HK$31,850,000 in last year to HK$27,235,000 this year mainly due to the decrease of the staff costs and professional fees.

LISTED INVESTMENT REVIEW

During the Year, the Group recorded the total loss of HK$137,194,000 on listed securities business as compared to a loss of HK$114,742,000 last year. Dividend income of HK$3,354,000 from listed investments was recorded for the Year (2019: HK$5,918,000).

As at 30 June 2020, the market value of the listed securities amounted to HK$140,908,000 (2019: HK$285,503,000), all the listed investments were listed on the Stock Exchange.

LISTED INVESTMENT REVIEW *(continued)*

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 30 June 2020	Dividend received/ receivable during the Year	% to the Group's net assets as at 30 June 2020	Investment cost	Disposal consideration	Realized loss
				HK$'000	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	2,053	–	0.25%	–	–	–
China City Infrastructure Group Limited	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	698,079,429	22.32%	89,354	–	10.95%	–	–	–
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	4,212,500	0.06%	7,793	1,096	0.96%	14,727	7,401	(7,326)
China Communications Construction Co. Ltd.	Infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	41,708	2,258	5.11%	–	–	–
				140,908	3,354				(7,326)

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2020, the total loss on the Group's unlisted investment portfolio recorded as HK$101,644,000 (2019: HK$295,832,000). The loss was mainly attributable to the decrease in fair value of unlisted investments and the impairment loss on fixed income financial assets. During the Year, no dividend income was recorded from unlisted investment (2019: HK$22,312,000).

As at 30 June 2020, the fair value of the Group's unlisted investments amounted to HK$664,303,000 as compared to HK$641,360,000 in last year, representing a 3.58% increase.

UNLISTED EQUITY INVESTMENTS

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

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

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

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

Unlisted equity investment portfolio

	Name of company	*Notes*	Location	Group's effective interest	Business nature	Cost	Fair value at 30 June 2020	% to the Group's net assets as at 30 June 2020
						HK$'000	*HK$'000*	
Micro-loan services								
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	–	–
2	Tianjin Rongshun Microfinance Limited		Tianjin	30%	Provision of small loan and financial consultation services	36,606	1,055	0.13%
3	TIIC RongShun Micro-Loan Company Limited		Tianjin	10%	Provision of small loan and financial consultation services	12,189	4,378	0.54%
4	Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	*(2)*	Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	–	–
5	Tianjin Binlian Microfinance Limited		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	1,131	0.14%
6	Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	*(3)*	Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	19,421	2.38%
7	Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	129	0.02%
8	Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	10,173	1.25%
9	Tianjin Rongyang Micro-Loan Limited		Tianjin	30%	Provision of small loan and financial consultation services	36,741	6,382	0.78%
10	Zhenjiang CFI Guosen Technology Microfinance Corporation Limited		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	10,959	1.34%
					Sub-total:	675,467	53,628	

UNLISTED EQUITY INVESTMENTS *(continued)*

Unlisted equity investment portfolio (continued)

	Name of company	*Notes*	Location	Group's effective interest	Business nature	Cost *HK$'000*	Fair value at 30 June 2020 *HK$'000*	% to the Group's net assets as at 30 June 2020
Guarantee service								
11	Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	*(4)*	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small-and-medium-sized enterprises ("SMEs")	43,150	28,507	3.49%
Investment and management consultation service								
12	Shenzhen Zhongtoujinxin Asset Management Company Limited		Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	–
13	Xi'an Kairong Financial Service Limited		Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	5,458	0.67%
14	Hubei Zhongjin Tech Financial Services Co., Ltd.		Wuhan, Hubei Province	30%	Provision of financial management services	19,030	3,677	0.45%
					Sub-total:	56,104	9,135	
Clean energy								
15	Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	*(5)*	Henan Province	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastics and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	230,763	180,439	22.12%
16	Hunan South China New Energy Limited ("South China New Energy")	*(6)*	Hunan Province	30%	New energy technologies development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemicals and precursor chemicals)	51,200	50,366	6.17%
17	Mengzhou Houyuan Biotechnology Limited ("Mengzhou Houyuan")	*(7)*	Henan Province	30%	Biotechnology and ethanol bio-chemical product development and production of ethanol chemical products	150,065	131,637	16.14%
18	Henan Keyi Huirui Bioenergy Technology Company Limited ("Keyi Huirui")	*(8)*	Henan Province	30%	Biotechnology energy technology development, transfer and consultation, research and development, manufacturing and sales of biotechnology energy and chemical equipment	117,450	93,995	11.52%
19	Tianguan New Energy Limited ("Tianguan New Energy")	*(9)*	Guangdong Province	5%	Ethanol products transportation, development, trading and consultation service	557	317	0.04%

UNLISTED EQUITY INVESTMENTS *(continued)*

Unlisted equity investment portfolio (continued)

	Name of company	*Notes*	Location	Group's effective interest	Business nature	Cost *HK$'000*	Fair value at 30 June 2020 *HK$'000*	% to the Group's net assets as at 30 June 2020
20	Henan Zhongxin Petrochemical Oil Sales Co., Ltd ("Zhongxin Petrochemical")	*(10)*	Henan Province	30%	Denatured ethanol, ethanol, acetone, n-butanone, biogas, polyols, fully degradable plastics, chemical products, gluten, feed, instrumentation, mechanical and electrical equipment, special chemical equipment, environmental protection equipment, electrical equipment, bioenergy and biochemical complete set equipment sales; technical development and consultation, import and export of goods or technologies in the field of bioenergy and biochemical science and technology	16,455	16,455	2.02%
21	Henan Zhongxin Bioenergy Co., Ltd ("Zhongxin Bioenergy")	*(10)*	Henan Province	30%	Engage in petrol station operation	16,455	16,455	2.02%
					Sub-total:	582,945	489,664	
Others								
22	Liaoyuan Hancheng Economic and Trade Co., Ltd ("Liaoyuan Hancheng")	*(11)*	Jilin Province	30%	Corn distribution, grain purchase, storage (excluding hazardous chemicals); sales of building materials, mechanical and electrical products, communication equipment, chemical products (excluding hazardous chemicals), aluminum alloy strip, foil production and product processing. (projects that need to be approved according to law can only be operated after being approved by relevant departments)	65,400	67,134	8.23%
23	Nanyang Xinglong Real Estate Co., Ltd ("Nanyang Xinglong")	*(12)*	Henan Province	30%	Real estate development (with valid license); flowers, seedlings planting (excluding breeding seedlings), hardware and building materials sales	15,364	16,235	1.99%
					Sub-total:	80,764	83,369	
					Total:	1,438,430	664,303	

UNLISTED EQUITY INVESTMENTS *(continued)*

Unlisted equity investment portfolio (continued)

Notes:

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

Given that the reduction in the registered capital of Jingdezhen CFI Guosen is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Jingdezhen CFI Guosen. The Company has relinquished of the voting rights beyond 30% and it still possesses other rights such as the rights to receive dividends based on the shareholding. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

After voluntarily relinquished the voting rights beyond 30%, the Group remained to hold 30% voting power in Jingdezhen CFI Guosen, which is not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in this investment. In the opinion of the Directors, the Group has no significant influence over Jingdezhen CFI Guosen since the Group and each of the investee entered into relevant written agreement/declaration to conclude the followings: (i) the Group will/did not have any representative on the board of directors or equivalent governing body of this investment; (ii) the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and (iii) the Group will/did not interchange any managerial personnel with this investment. Therefore, the Directors considered that there is no significant influence on Jingdezhen CFI Guosen. Hence, Jingdezhen CFI Guosen is not considered as associate of the Group. Jingdezhen CFI Guosen is treated as equity instruments at FVTOCI.

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Jingdezhen CFI Guosen or to reduce the shareholdings in Jingdezhen CFI Guosen to 30%, or to dispose of the entire equity interest in order to exit the small loan industry as disclosed above.

(2) On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK$2,500,000 has been received which was included in receipt in advance under "other payables and accruals" as at 30 June 2020 and 2019. 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 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

After voluntarily relinquished the voting rights beyond 30%, the Group remained to hold 30% voting power in Ezhou Zhongjinguotou, which is not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in this investment. In the opinion of the Directors, the Group has no significant influence over Ezhou Zhongjinguotou since the Group and each of the investee entered into relevant written agreement to conclude the followings: (i) the Group will/did not have any representative on the board of directors or equivalent governing body of this investment; (ii) the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and (iii) the Group will/did not interchange any managerial personnel with this investment. Therefore, the Directors considered that there is no significant influence on Ezhou Zhongjinguotou. Hence, Ezhou Zhongjinguotou is not considered as associate of the Group. Ezhou Zhongjinguotou is treated as financial asset at FVTPL.

UNLISTED EQUITY INVESTMENTS *(continued)*

Unlisted equity investment portfolio (continued)

Notes: (continued)

(3) *(continued)*

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

The Company is now actively seeking potential buyers to dispose of the additional non-voting shareholdings in Ezhou Zhongjinguotou or to reduce the shareholdings in Ezhou Zhongjinguotou to 30%, or to dispose of the entire equity interest in order to exit the small loan industry as disclosed above.

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

(5) On 11 May 2018, the Company entered into the joint venture agreement with the joint venture partners in relation to the formation of the Henan Tianguan in Henan province, the PRC. Pursuant to the joint venture agreement, the Company owned 30% of the registered capital of the Henan Tianguan. On 31 July 2018, Henan Tianguan increased the registered capital from RMB300,000,000 to RMB660,000,000.

(6) In January 2019, Keyi (Shanghai) Investments Limited ("Keyi (Shanghai)", a wholly-owned subsidiary of the Company, entered into an agreement with South China New Energy to inject capital contribution of RMB45,000,000 into South China New Energy for acquiring 30% of South China New Energy's equity interest. On 23 January 2019, the legal title of 30% equity interest in South China New Energy has been successfully transferred to Keyi (Shanghai).

(7) The Group obtained 30% equity interest in Mengzhou Houyuan pursuant to an agreement dated 17 October 2019 and entered into with Hollys (China) Limited ("Hollys") as the repayment of outstanding principal and interests of the bond issued by Hollys.

(8) In August 2019, Keyi (Shanghai) entered into an agreement with 3 partners in relation to the formation of Keyi Huirui. The registered capital of Keyi Huirui is RMB350,000,000. Keyi (Shanghai) injected RMB105,000,000 for acquiring 30% of Keyi Huirui's equity interest. On 5 September 2019, Keyi Huirui was officially set up.

(9) In October 2019, the Group invested in a 5% equity interest of Tianguan New Energy, a joint venture established in the PRC.

(10) In March 2020, the Company executed a cooperation agreement with the People's Government of Nanyang of the PRC, Sinopec Marketing Company Limited and South South Asia Pacific Bioenergy Limited, in relation to the formation of two joint venture companies, Zhongxin Petrochemical and Zhongxin Bioenergy. The company acquired 30% equity interest in both companies.

(11) In June 2020, Keyi (Shanghai) entered into the capital increase agreement with Liaoyuan Hancheng to inject capital contribution of RMB60,000,000 into Liaoyuan Hancheng for acquiring 30% of Liaoyuan Hancheng's equity interest.

(12) On 2 April 2020, the Group entered into an agreement with Xing Yue Investments Limited ("Xing Yue") and the sole shareholder of Xing Yue, Ms. Dong Lili to obtain the repayment of outstanding principal and interests accrued of the bond issued by Xing Yue in return the 30% equity interest of Nanyang Xinglong.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2020, the Group had cash and cash equivalents of HK$64,911,000 (2019: HK$36,124,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (current assets to current liabilities) of the Group as at 30 June 2020 was approximately 2.64 times (2019: 26.47 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2020 was approximately 9.60% (2019: 6.99%).

The Group did not have any bank borrowing as at 30 June 2020 (2019: nil).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2019: nil).

The Board has adopted a dividend policy pursuant to which dividends may be declared and distributed by the Company to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The declaration and amount of the dividends shall be determined at the sole discretion of the Board, but the Board shall take into account, inter alia, the Group's financial performance, its operations, earnings, liquidity position, working capital requirements and future development requirements, general business conditions and strategies, the Bye-laws, legal statutory and regulatory restrictions, contractual restrictions and any other factors that the Board may deem appropriate and relevant at such time in making its decision.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, there were no charges on the Group's assets.

CAPITAL STRUCTURE

As at 30 June 2020, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$815,717,000 (2019: HK$1,084,706,000) and approximately 10,971,634,000 (2019: 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 2020, the Group had 15 (2019: 14) employees (including Directors). The total staff costs (including Directors' remuneration) of the Group for the Year was HK$10,922,000 (2019: HK$13,496,000). 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 DIRECTOR

Mr. Du Lin Dong, aged 52, currently as the chairman and chief executive officer of the Company. 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. Du joined the Group on 23 June 2010.

NON-EXECUTIVE DIRECTORS

Mr. Ding Xiaobin, aged 51, 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. Mr. Ding joined the Group on 8 December 2003.

Mr. Zhang Huayu, aged 62, is a senior economist as accredited by Bank of Communications. Mr. Zhang served as an Executive Vice President of China Everbright Bank Company Limited (Stock code: 06818) since March 2007 to August 2018. Mr. Zhang joined China Everbright Bank in 2001 and previously served as assistant President and head of the Banking Department of the Head Office. From August 1988 to October 1994, Mr. Zhang served as chief of general office of the Shangqiu sub-branch of the People's Bank of China ("PBOC") in Henan Province, chief of Xiayi sub-branch of the PBOC in Shangqiu Prefecture, Henan Province and chief of the Urban Credit Cooperative of Shangqiu Prefecture, Henan Province. From November 1994 to February 2001, Mr. Zhang worked with the Bank of Communications successively as division chief of the Management Division of the Credit Department of Zhengzhou Branch, and executive vice president and then president of the Xi'an Branch of Bank of Communications. Mr. Zhang obtained a Master of Business Administration degree for senior management from the University of International Business and Economics in the PRC in 2008. Mr. Zhang joined the Group on 19 November 2018.

Ms. Li Jie, aged 62, is an accountant as accredited by Bank of Communications. Ms. Li served as Executive Director of the China Everbright Bank Company Limited (Stock code: 06818) from September 2016 to August 2018, Member of CPC Committee of China Everbright Bank from January 2003 to August 2018, Executive Vice President of China Everbright Bank from August 2003 to August 2018. She also concurrently serves as Director of China UnionPay Co., Ltd., Director of Sun Life Everbright Life Insurance Co., Ltd. and Director of Everbright Jin'ou Asset Management Limited. She joined China Everbright Bank in 2001 and successively served as the General Manager of the Finance and Accounting Department, and the Planning and Finance Department of the Bank. She was Deputy Chief of the Planning Division, Chief of the Finance and Accounting Division and Deputy General Manager of Jinan Branch, and Deputy General Manager and General Manager of Zhuhai Branch of Bank of Communication. She is a graduate of the Open University of China of Finance. Ms. Li joined the Group on 8 January 2019.

NON-EXECUTIVE DIRECTORS *(continued)*

Ms. Chen XI, aged 36, obtained a master degree in economics from University of San Francisco in 2008 and a bachelor degree in business from Nanjing University in 2006. Ms. Chen has been an oversea investment director of Century Golden Resources Group ("Century Golden") since June 2016, where she joined as a senior investment manager in April 2010, and was promoted to the position of vice general manager in the investment department in February 2012. Prior to joining Century Golden, Ms. Chen was a financial trust analyst in a unit trust investment company in the United States from January 2008 to September 2009. Mr. Chen joined the Group on 26 July 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jing, aged 64, is currently a director of private equity investment of Oriental Patron Financial Group Limited in Hong Kong. Mr. Zhang has over 22 years of experiences in corporate management. Mr. Zhang served as the general manager of China Security Limited（中國中安保有限公司）. Prior to this, Mr. Zhang was the deputy general manager of Sichuan Jinguang Group（四川金廣集團）. He also served as the director and deputy general manager of collective economic management department of China Yituo Group（中國一拖集團）and the chief financial officer of First Tractor Company Limited. Mr. Zhang obtained a bachelor's degree in industrial accounting from Henan Radio & Television University and a master's degree in management engineering from Jiangsu University. Mr. Zhang was appointed as independent non-executive director of New City Development Group Limited (stock code: 0456) since June 2016. Mr. Zhang served as a non-executive director of China Billion Resources Limited (stock code: 0274) from 1 September 2018 to 30 September 2019. Mr. Zeng joined the Group on 24 September 2018.

Mr. Zeng Xianggao, aged 61, 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 joined the Group on 28 February 2008.

COMPANY SECRETARY

Mr. Li Chi Chung, aged 52, 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 was an independent non-executive director of China Overseas Nuoxin International Holdings Limited (Stock Code: 464) from 23 March 2005 to 12 September 2017; the company secretary of Upbest Group Limited (Stock Code: 0335) from 1 April 2017 to 1 March 2018; the company secretary of SingAsia Holdings Limited (Stock Code: 8293) from 20 June 2016 to 25 June 2019; the company secretary of Kingbo Strike Limited (Stock Code: 1421) from 9 December 2013 to 13 December 2019; and the company secretary of Huscoke Holdings Limited (Stock Code: 704) from 25 November 2016 to 31 July 2020.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the year ended 30 June 2020 are set out below:

Name	**Details of Changes**
Mr. Li Cailin	Passed away on 20 August 2020
Mr. Zhang Jing	Appointed as chairman of the remuneration committee of the Company (the "**Remuneration Committee**") with effect from 20 August 2020

Report of Directors

The Directors of the Company present their report and the audited financial statements of the Group for the Year.

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 38 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 7 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 41.

The Board does not recommend the payment of any dividend for the Year (2019: 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. There were no major customers and suppliers during the Year, as disclosed in the section headed "Major Customers and Suppliers" on page 17 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 its audited financial statements, is set out on page 132. This summary does not form part of the audited financial statements of the Group for the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 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 29 and 31 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 41 to the financial statements and in the consolidated statement of changes in equity on page 48 respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2020, the Company's reserves available for distribution, comprising share premium, contributed surplus and accumulated losses in aggregate, amounted to HK$702,808,000 (2019: HK$967,094,000) 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 or major customers of which disclosure is required.

DIRECTORS

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

Executive Director:
Mr. Du Lin Dong *(Chairman and Chief Executive Officer)*

Non-executive Directors:
Mr. Ding Xiaobin
Mr. Zhang Huayu *(Vice Chairman)*
Ms. Li Jie
Ms. Chen Xi

DIRECTORS *(continued)*

Independent non-executive Directors:

Mr. Zhang Jing
Mr. Zeng Xianggao
Mr. Li Cailin *(passed away on 20 August 2020)*

In accordance with Bye-laws 88(1) and 88(2), Mr. Ding Xiaobin, Mr. Zhang Jing and Ms. Li Jie shall retire from office by rotation at the forthcoming AGM. Being eligible, each of them will offer himself/herself for re-election as non-executive ("NED") and independent non-executive Director ("INED") (as the case may be) at the forthcoming AGM.

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 13 to 15 of this annual report.

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, 1 July 2017 and 28 February 2018, respectively 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, decreased to HK$3,000,000 with effect from 1 July 2017 and increased to HK$5,000,000 with effect from 28 February 2018, 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 2020, 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 shares of the Company

		Number of issued shares held			Approximate percentage of shareholding in the Company
Name of Director	**Capacity**	**Personal interests**	**Corporate interests**	**Total interests**	
Du Lin Dong *(note)*	Beneficial owner and interests of controlled corporation	185,914,830	500,000,000	685,914,830	6.25%
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 shares. The 500,000,000 ordinary shares were held by Rightfirst Holdings Limited ("Rightfirst"), a company wholly-owned by Mr. Du Lin Dong. Under the SFO, Mr. Du Lin Dong is deemed to be interested in the shares in which Rightfirst is interested.

Save as disclosed above, as at 30 June 2020, 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 2020, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's shares and underlying shares:

Long positions in the shares of the Company

Name of shareholder	Capacity	*Notes*	Number of issued shares held: Personal interests	Corporate interests	Total interests	Approximately percentage of shareholding in the Company
Zhang Zuhao	Beneficial owner		1,000,000,000	–	1,000,000,000	9.11%
Century Golden Resources Investment Co., Ltd	Beneficial owner	*(1)*	1,000,000,000	–	1,000,000,000	9.11%
Huang Shiying	Interests of controlled corporation	*(1)*	–	1,000,000,000	1,000,000,000	9.11%
Huang Tao	Interests of controlled corporation	*(1)*	–	1,000,000,000	1,000,000,000	9.11%
Li Li Hong	Beneficial owner and person having a security interest in shares	*(2)*	979,830,000	–	979,830,000	8.93%
Gan Xiaoqing	Beneficial owner		770,110,000	–	770,110,000	7.02%

Notes:

(1) 40% and 50% of the issued share capital of Century Golden Resources Investment Co., Limited is owned by Mr. Huang Shiying and Mr. Huang Tao, respectively, and Mr. Huang Shiying and Mr. Huang Tao are therefore deemed to be interested in the ordinary shares held by Century Golden Resources Investment Co., Limited.

(2) Mr. Li Li Hong is personally holding 579,830,000 shares, and is a person having a security interest in 400,000,000 shares.

Save as disclosed above, as at 30 June 2020, 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 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 12 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 independent.

PERMITTED INDEMNITY PROVISION

Pursuant to the 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 5, 34 and 35 to the financial statements. The activity of the Group is also affected by the volatility and uncertainty of the worldwide 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 environmental friendliness, health as well as safety and adopts effective measures, conserves energy and reduces waste.

The Board is pleased to present the environmental, social and governance report (the "ESG Report") set out on pages 36 to 40 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 December 2017. 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 31 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 31 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 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 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 2020 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly on 27 April 2020 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2020 to 28 April 2023. 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$6,000,000 annually from 29 April 2017 to 28 April 2020

– not exceeding HK$6,000,000 annually from 29 April 2020 to 28 April 2023

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 amounted to HK$951,000 (2019: HK$1,518,000).

CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

Investment management agreement (continued)

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.

Moore Stephens CPA Limited, 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. Moore Stephens CPA Limited 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.

(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 (the "Custodian") 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$161,000 (2019: HK$172,000).

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.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

The INEDs also confirmed that (i) the aggregate value of the annual management fees paid and payable by the Company to CFIIM 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 40 to the financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 30 June 2018 were audited by BDO Limited ("BDO"). On 19 June 2019, BDO resigned as auditor of the Company and Moore Stephens CPA Limited ("Moore Stephens") was appointed by the Shareholders at the special general meeting held on 16 July 2019. Besides the changes of auditors as disclosed above, the consolidated financial statements of the Group for the year ended 30 June 2017 were audited by Ernst & Young ("EY"). On 27 December 2017, EY resigned as auditor of the Company and BDO was appointed by the Shareholders at the special general meeting held on 19 January 2018. Saved as disclosed, there are no changes of auditors in the past three years.

The consolidated financial statements of the Group for the year ended 30 June 2020 were audited by Moore Stephens, who would retire at the conclusion of the forthcoming AGM of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Moore Stephens as the auditor of the Company.

ON BEHALF OF THE BOARD

Du Lin Dong
Chairman and Chief Executive Officer

Hong Kong
29 September 2020

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

During the Year, the Company has applied the principles and complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), 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.

During the Year and up to the date of this annual report, the Company has met the requirements of the Listing Rules in relation to the appointment of independent non-executive directors and composition of audit committees, save for the disclosure below:

(a) Following the passing away of Mr. Li Cailin on 20 August 2020, who had been an INED, the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the audit committee (the "Audit Committee") of the Company, the number of INEDs on the Board has fallen below the minimum number of three and one-third of the Board, as respectively required under Rules 3.10(1) and 3.10A of the Listing Rules; and the number of Audit Committee members decreased from three to two, below the minimum number required under Rule 3.21 of the Listing Rules.

The Company is endeavoring to identify a suitable candidate to fill the vacancy as soon as practicable and in any event within three months from the date of passing away of Mr. Li pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules. The Company will make further announcement(s) as and when appropriate.

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 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.

Composition

During the Year and as at the date of this annual report, the Board comprises the following Directors:

Executive Director:

Mr. Du Lin Dong

Non-executive Directors:

Mr. Ding Xiaobin
Mr. Zhang Huayu
Ms. Li Jie
Ms. Chen Xi

Independent non-executive Directors:

Mr. Zhang Jing
Mr. Zeng Xianggao
Mr. Li Cailin (passed away on 20 August 2020)

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 13 to 15 of this annual report.

THE BOARD *(continued)*

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 of the Company (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.

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 INEDs' 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 BOARD *(continued)*

Independent Non-executive Directors *(continued)*

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. Mr. Zeng Xianggao, being an INED who have been serving the Company for more than 9 years, had already offered himself for re-election and in accordance with code provision A.4.3 of the CG Code, his further appointment was approved by the Shareholders at the AGM held on 6 December 2019. 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.

	Corporate governance/updates on laws, rules and regulations/finance/business	
	Read materials	**Attended seminars/ briefings**
Directors		
Executive Director		
Mr. Du Lin Dong	✓	✓
Non-executive Directors		
Mr. Ding Xiaobin	✓	✓
Mr. Zhang Huayu	✓	✓
Ms. Li Jie	✓	✓
Ms. Chen Xi	✓	✓
Independent non-executive Directors		
Mr. Zhang Jing	✓	✓
Mr. Zeng Xianggao	✓	✓
Mr. Li Cailin	✓	✓

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, 11 Board meetings, 2 Audit Committee meetings, 2 Remuneration Committee meetings, 2 Nomination Committee meetings, 2 executive committee (the "Executive Committee") meetings, 2 risk management committee (the "Risk Management Committee") meetings and 1 annual general meeting 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	Annual General Meeting
Mr. Du Lin Dong	11/11	N/A	2/2	N/A	2/2	2/2	1/1
Mr. Ding Xiaobin	11/11	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Zhang Huayu	11/11	N/A	N/A	N/A	N/A	N/A	1/1
Ms. Li Jie	11/11	N/A	N/A	N/A	N/A	N/A	1/1
Ms. Chen Xi	8/11	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Zhang Jing	11/11	2/2	2/2	2/2	N/A	2/2	1/1
Mr. Zeng Xianggao	11/11	2/2	N/A	2/2	N/A	N/A	1/1
Mr. Li Cailin	11/11	2/2	2/2	2/2	N/A	N/A	1/1

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

As at 30 June 2020, the Audit Committee comprises the following members, all being the INEDs, namely, Mr. Zhang Jing (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 2019, 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 2019 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

As at 30 June 2020, the Remuneration Committee comprises the following members, namely, Mr. Du Lin Dong, an executive Director, and Mr. Zhang Jing and Mr. Li Cailin (chairman of the Remuneration Committee), both of whom 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 will be determined by reference to the performance of the individual and the Company as well as prevailing market practice and conditions.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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 12 to the financial statements.

Nomination Committee

As at 30 June 2020, the Nomination Committee comprises the following members, all being INEDs, namely, Mr. Zhang Jing (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 Committee should take into consideration the nominee's qualification, ability and potential contributions to the Company and review the board diversity policy as appropriate and make recommendations on any required changes thereto to the Board for consideration and approval, monitor implementation of the board diversity policy 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 of its members;

– 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 each of the INEDs.

Details of re-appointments were set out in the circular of the Company dated 31 October 2019 and all re-appointments were approved by the Shareholders at the AGM held on 6 December 2019.

Executive Committee

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

BOARD COMMITTEES *(continued)*

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 Mr. Zhang Jing, an INED. It is mainly responsible for enhancing and strengthening the system of risk management of the Group related to its 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 updates;

– 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, Moore Stephens CPA Limited, with regard to their reporting responsibilities on the Company's financial statements, is set out in the "Independent Auditor's Report" on page 41 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 2020, 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 Year. 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 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 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 Company has in place procedures and internal controls for handling and dissemination of inside information. Key procedures include promptly identifying inside information and controlling the access thereto by employees on a need-to-know basis, safeguarding the confidentiality of the inside information before it is properly disclosed to public through publication on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

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 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, Moore Stephens CPA Limited, in respect of audit services and non-audit services amounted to HK$900,000 (2019: HK$638,000) and HK$200,000 (2019: HK$210,000 to BDO Limited), 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 its 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 review 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.

SHAREHOLDERS' RIGHTS *(continued)*

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 2001, 20th Floor, Tower 1, The Gateway, Harbour City, Kowloon, 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, annual general meeting was held at the Hong Kong's principal place of business of the Company on 6 December 2019. 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 our annual ESG Report for the year ended 30 June 2020 for the Company which depicts our initiatives and performance on the sustainability 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.

Our 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 has complied with the "comply or explain" provisions. Our ESG report covers the principal activities of the Company and its principal subsidiaries which are principally engaged in investing in listed and unlisted companies established and/or doing business in Hong Kong and the PRC. It also summarises the highlights of our ESG initiatives and certain performance that considered as material by the Group during the reporting period which covers environmental protection, employment and labour practices, operating practices and community investment. The change of the Company's principal place of business starting from February 2020 leaded to the change of floor area of office for calculating intensity in this report when compared with last year.

Unless otherwise stated, our ESG Report covers the period from 1 July 2019 to 30 June 2020 ("reporting period"). It includes disclosure of significant environmental and social impacts of our operation in Hong Kong.

Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

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 Group's most significant environmental impacts are greenhouse gas ("GHG") emissions from a motor vehicle and electricity consumption in the office 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 reporting period 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. During the reporting period, the total amount of paper consumed is 40.47 kg (2019: 41.28 kg).

ENVIRONMENTAL PROTECTION *(continued)*

Environmental Policies and Performance *(continued)*

The impact of freshwater use is relatively insignificant for the Group and we did not encounter any problems in sourcing water that is fit for purpose. Water rate charges do not form a separate item in the rent, yet the Group encourages staff to reduce water wastage in daily operations.

We also took different measures to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other materials such as 1) setting the room temperature in a range from 20˚C to 26˚C, 2) switching off power supply when they are not in use and 3) giving preference to office equipment with relatively high energy efficiency.

Major air pollutants emission from a motor vehicle during the reporting period and the corresponding period in 2019 are as follows:

Air Pollutant Emission

Type of Air Pollutants	2020 Air Pollutant Emission (kg)	2019 Air Pollutant Emission (kg)
Sulphur Dioxide	**0.03**	0.02
Nitrogen Oxides	**1.95**	1.35
Particulate Matter	**0.14**	0.10

During the reporting period and the corresponding period in 2019, the GHG emission from the operation is set out below:

GHG Emission

Type of GHG emissions	2020 Equivalent CO_2 emission (kg)	2019 Equivalent CO_2 emission (kg)
Scope 1 Direct emissions	**5,881.48**	4,050.96
Scope 2 Indirect emissions	**4,449.98**	6,914.87
Total	**10,331.46**	10,965.83
Intensity	**88.05 kg/m²**	44.58 kg/m²

Note:

The calculation of the GHG emission is based on "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" published jointly by the World Resources Institute and World Business Council for Sustainable Development.

Scope 1: Direct emission from a vehicle that is owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

Emissions under Scope 3 is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group

ENVIRONMENTAL PROTECTION *(continued)*

Environmental Policies and Performance *(continued)*

Energy consumption by the Group during the reporting period and the corresponding period in 2019 are set out below:

	Energy Consumption	
	2020	2019
Type of energy	**Energy consumed (kWh)**	Energy consumed (kWh)
Unleaded petrol	**21,049.65**	13,378.74
Purchased electricity	**6,207.00**	8,753.00
Total	**27,256.65**	22,131.74
Energy intensity	**232.29 kWH/m^2**	89.96 kWH/m^2

During the reporting period, the Group consumed/generated no significant hazardous waste, non-hazardous waste, water and packaging materials due to its business nature. The Group is not aware of any material violation in all applicable environmental laws and regulations during the reporting period.

The Environment and Natural Resources

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and Shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned as above, the Group strives to minimise the impacts to the environment and natural resources.

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.

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 reporting period that have significant impact on the Group.

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Health and Safety

It is the policy of the Group to provide a healthy and safe working environment to its employees. The Group will maintain its office premises from time to time in order to provide a safe 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 occupational health and safety during the reporting period 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 encourages 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. In addition, 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 operates.

The Group considers that 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.

During the reporting period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

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 consideration elements such as their qualification, reputation, past performance, financial strength and price.

OPERATING PRACTICES *(continued)*

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" details of which are laid down in the Staff Manual.

During the reporting period, there were no cases of non-compliance with the relevant laws or regulations regarding product responsibility within the Group.

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 Group's strict adherence to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group regards honesty, integrity and fair play as core values that must be upheld by our colleagues at all times.

The Group has been in strict compliance with law and regulations related to anti-corruption. During the reporting period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

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.

MOORE

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大華馬施雲
會計師事務所有限公司

To the Shareholders of 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)

OPINION

We have audited the consolidated financial statements of China Financial International Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 131, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2020, 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 judgment, 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments at fair value through profit or loss ("FVTPL") and financial instruments at fair value through other comprehensive income ("FVTOCI") measured at level 3 fair value measurement	
We identified the valuation of financial instruments at FVTPL and financial instruments at FVTOCI measured at level 3 fair value measurement as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgments involved in the valuation. As at 30 June 2020, financial instruments at FVTPL and financial instruments at FVTOCI classified as level 3 fair value measurement amounted to approximately HK$635,796,000 and HK$28,507,000, respectively, representing 81.4% of the Group's net assets. Details of these financial instruments are set out in notes 19, 20, and 35 to the consolidated financial statements. Management engaged valuation specialists to apply valuation techniques to determine the fair values of the financial instruments at FVTPL and financial instruments at FVTOCI that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgments and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial instruments.	Our procedures in relation to valuation of financial instruments included: • Obtaining and examining the terms of financial instruments and relevant agreements in relation to the financial instruments; • Obtaining an understanding of the entity's valuation process and adoption of assumptions and estimations; • Evaluating the valuation specialist's competence, capabilities and objectivity; • Assessing the appropriateness of the valuation methodology and assumptions adopted by the valuation specialist and management to estimate the fair value of financial instruments; • Challenging the reasonableness of key parameters used based on our knowledge and understanding of the financial instruments; and • Engaging our internal valuation specialist to assist us in evaluating and assessing the appropriateness of the key assumptions used in certain valuations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

- 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.

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

Lai Hung Wai
Practising Certificate Number: P06995

Hong Kong, 29 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	6	**21,613**	68,845
Other income	8	**5,419**	26,379
Fair value loss on financial assets at fair value through profit or loss ("FVTPL")		**(148,952)**	(209,271)
Impairment loss on debt instruments at fair value through other comprehensive income ("FVTOCI")		**(55,471)**	(161,824)
Gain on release of financial assets at FVTOCI reserve upon disposal		**5,490**	–
Impairment loss on other receivables		**(15,968)**	(16,037)
Administrative expenses		**(27,235)**	(31,850)
Share of (loss) profit of an associate		**(41)**	125
Finance costs	9	**(3,355)**	(3,150)
Loss before tax		**(218,500)**	(326,783)
Income tax expense	10	**–**	(780)
Loss for the year	11	**(218,500)**	(327,563)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at FVTOCI		**(34,415)**	(44,969)
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at FVTOCI:			
Fair value loss		**(55,471)**	(156,334)
Adjustment for expected credit loss included in profit or loss		**55,471**	161,824
Release on disposal of debt instruments at FVTOCI		**(5,490)**	–
		(5,490)	5,490
Exchange difference arising on translation of foreign operations		**(10,584)**	(5,246)
		(16,074)	244
Other comprehensive expense for the year		**(50,489)**	(44,725)
Total comprehensive expense for the year		**(268,989)**	(372,288)
Loss for the year attributable to owners of the Company		**(218,500)**	(327,563)
Total comprehensive expense for the year attributable to owners of the Company		**(268,989)**	(372,288)
LOSS PER SHARE	15		
Basic (HK cents)		**(1.991)**	(2.986)

Consolidated Statement of Financial Position

At 30 June 2020

	NOTES	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**89**	491
Right-of-use assets	17	**3,390**	–
Interest in an associate	18	**1,112**	1,153
Financial assets at FVTPL	19	**635,796**	313,408
Equity instruments at FVTOCI	20	**62,043**	96,458
Deposits	22	**306**	197
		702,736	411,707
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**27,287**	201,364
Financial assets at FVTPL	19	**107,372**	214,763
Debt instruments at FVTOCI	21	**–**	302,234
Bank balances and cash	23	**64,911**	36,124
		199,570	754,485
CURRENT LIABILITIES			
Other payables and accruals	24	**9,516**	3,518
Amount due to an associate	25	**58**	114
Tax payable		**4,200**	4,200
Borrowings	26	**52,978**	9,990
Lease liabilities	27	**2,361**	–
Financial guarantee contracts	28	**6,382**	10,679
		75,495	28,501
NET CURRENT ASSETS		**124,075**	725,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**826,811**	1,137,691
NON-CURRENT LIABILITIES			
Lease liabilities	27	**1,097**	–
Borrowings	26	**9,997**	52,985
		11,094	52,985
NET ASSETS		**815,717**	1,084,706
CAPITAL AND RESERVES			
Share capital	29	**109,717**	109,717
Reserves		**706,000**	974,989
TOTAL EQUITY		**815,717**	1,084,706
NET ASSET VALUE PER SHARE (HK cents)	30	**7.43**	9.89

The consolidated financial statements on pages 46 to 131 were approved and authorised for issue by the board of directors on 29 September 2020 and are signed on its behalf by:

DU LIN DONG
DIRECTOR

ZHANG HUAYU
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note (i))*	Capital reserve *HK$'000* *(note (ii))*	Financial assets at FVTOCI reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2018 (restated)	109,717	2,067,672	278,979	2,766	(25,888)	(8,180)	(968,072)	1,456,994
Loss for the year	–	–	–	–	–	–	(327,563)	(327,563)
Other comprehensive expense for the year	–	–	–	–	(39,479)	(5,246)	–	(44,725)
Total comprehensive expense for the year	–	–	–	–	(39,479)	(5,246)	(327,563)	(372,288)
Transfer on disposal of equity instruments at FVTOCI	–	–	–	–	61,071	–	(61,071)	–
At 30 June 2019	109,717	2,067,672	278,979	2,766	(4,296)	(13,426)	(1,356,706)	1,084,706
Loss for the year	–	–	–	–	–	–	(218,500)	(218,500)
Other comprehensive expense for the year	–	–	–	–	(39,905)	(10,584)	–	(50,489)
Total comprehensive expense for the year	–	–	–	–	(39,905)	(10,584)	(218,500)	(268,989)
At 30 June 2020	**109,717**	**2,067,672**	**278,979**	**2,766**	**(44,201)**	**(24,010)**	**(1,575,206)**	**815,717**

Notes:

(i) The contribution surplus represents 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.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	2020 *HK$'000*	2019 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(218,500)**	(326,783)
Adjustments for:		
Share of loss (profit) of an associate	**41**	(125)
Interest income	**(18,953)**	(43,579)
Dividend income	**(3,354)**	(28,230)
Reversal of lease liabilities	**(428)**	–
Finance costs	**3,355**	3,150
Depreciation of property, plant and equipment	**182**	286
Loss on disposal of property, plant and equipment	**315**	–
Depreciation of right-of-use assets	**1,962**	–
Fair value loss on financial assets at FVTPL	**148,952**	209,271
Impairment loss on debt instruments at FVTOCI	**55,471**	161,824
Gain on release of financial assets at FVTOCI reserve upon disposal	**(5,490)**	–
Impairment loss on other receivables	**15,968**	16,037
Reversal of provision for financial guarantee contracts	**(4,297)**	(23,307)
Operating cash flows before movements in working capital	**(24,776)**	(31,456)
Decrease (increase) in prepayments, deposits and other receivables	**138,314**	(17,943)
Increase (decrease) in other payables and accruals	**6,061**	(20,333)
Decrease in amount due to an associate	**(56)**	(74)
Purchases of financial assets at FVTPL	**(216,317)**	(202,829)
Proceeds on disposal of financial assets at FVTPL	**7,402**	92,240
Proceeds on disposal of debt instruments at FVTOCI	**99,532**	–
Proceeds on disposal of equity instruments at FVTOCI	**–**	11,379
Cash generated from (used in) operations	**10,160**	(169,016)
Interest received	**13,161**	30,475
Dividend received	**11,577**	23,810
Tax paid	**–**	(1,055)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**34,898**	(115,786)
CASH USED IN INVESTING ACTIVITY		
Purchases of property, plant and equipment	**(95)**	(7)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(1,466)**	–
Interest paid	**(3,355)**	(3,150)
NET CASH USED IN FINANCING ACTIVITIES	**(4,821)**	(3,150)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,982**	(118,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**36,124**	153,935
Effect of foreign exchange rate changes	**(1,195)**	1,132
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**64,911**	36,124

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

In the preparation of the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group by continuously monitoring forecast and actual cash flows. For the year ended 30 June 2020, the Group reported loss for the year of HK$218,500,000. At 30 June 2020, the Group had bank balances and cash of HK$64,911,000 and net current assets of HK$124,075,000. Future cash flows from operating activities are dependent on realisation of the listed and unlisted investments. In order to continue funding future capital programmes, the Company may need to obtain additional equity or debt financing, or assess other options. The ability to access the required capital to maintain current financial position and cash flows is dependent on a variety of external factors.

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

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

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs that are effective for the current year *(continued)*

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

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs that are effective for the current year *(continued)*

HKFRS 16 "Leases" (continued)

As a lessee *(continued)*

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

	At 1 July 2019 *HK$'000*
Operating lease commitments disclosed as at 30 June 2019 *(note 33)*	6,308
Lease liabilities discounted at relevant incremental borrowings rates	4,782
Less: Recognition exemption – short-term leases	(1,318)
Lease liabilities as at 1 July 2019	3,464
Analysed as	
Current	761
Non-current	2,703
	3,464

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

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,464
By class:	
Land and buildings	3,464

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs that are effective for the current year *(continued)*

HKFRS 16 "Leases" (continued)

As a lessee *(continued)*

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

The Group has early adopted the following amendments to HKFRS, which are relevant to its operations.

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions"

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Transition and summary of effects

The Group has early applied the amendments to HKFRS 16 in the current year. The application has no impact to the opening accumulated losses at 1 July 2019. The Group recognised changes in lease payments that resulted from rent concessions of HK$428,000 in the profit or loss for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[4]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 – 2020*[4]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 July 2019) or HKAS 17 "Leases" (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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 listed above.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Interest in an associate

An associate is an entity over which the Group has 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in an associate *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate maybe impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, upon initial recognition the entity may elect to measure the investment as designated at fair value through profit or loss and accounted for in accordance with HKFRS 9 "Financial Instruments". Such investments shall be measured at fair value in accordance with HKFRS 9, with changes in fair value recognised in profit or loss in the period of the change.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct services.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Right-of-use assets *(continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities *(continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

COVID-19-Related Rent Concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessee (prior to 1 July 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment and right-of-use assets *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at FVTPL) and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets *(continued)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of financial assets at FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial assets at FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets *(continued)*

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value loss on financial assets at FVTPL" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including debt instruments at FVTOCI, deposits, other receivables and bank balances) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the financial assets at FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the financial assets at FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the financial assets at reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including other payables, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments (continued)

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as fair value.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control or significant influence over Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")

De-facto control exists when the size of an entity's own voting, rights relative to the size and disbursement of other vote holders, give the entity the practical ability to unilaterally direct the relevant activities of the investee. Due to reduction in the registered capital of one of the investee companies, Ezhou Zhongjinguotou, on 16 December 2016, the Group's shareholding in Ezhou Zhongjinguotou inevitably increased from 30% to 50% while the remaining 50% of voting rights being held by several unrelated individual shareholders. However, the Company has relinquished the right to appoint any director in the board of directors of Ezhou Zhongjinguotou in accordance with the memorandum and articles of association of Ezhou Zhongjinguotou. In order to comply with Rule 21.04 (3)(a) of the Listing Rules, the Company has voluntarily relinquished the voting right beyond 30%.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgments in applying accounting policies *(continued)*

Control or significant influence over Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou") (continued)

After the voluntarily relinquished the voting rights beyond 30%, the Group remained to hold 30% voting power in Ezhou Zhongjinguotou, which is not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in this investment. In the opinion of the directors, the Group has no significant influence over Ezhou Zhongjinguotou since the Group and each of the investee entered into relevant written agreement to conclude the followings:

- the Group will/did not have any representative on the board of directors or equivalent governing body of this investment;
- the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and
- the Group will/did not interchange any managerial personnel with this investment.

As the Group will/did not act to fulfill any one of the points stated above, it does not consider as having significant influence on Ezhou Zhongjinguotou. Hence, Ezhou Zhongjinguotou is not considered as associate of the Group. Ezhou Zhongjinguotou is treated as financial asset at FVTPL.

Thus, the directors of the Company concluded that the Group has no de-facto control over Ezhou Zhongjinguotou nor does the Group have significant influence over Ezhou Zhonginguotou.

At 30 June 2020, the fair value of the Group's equity investment in Ezhou Zhongjinguotou classified as financial asset at FVTPL amounted to HK$19,421,000. Further details are set out in note 19(ii)(e).

Classification of investments in unlisted equity securities

Certain investments in unlisted equity securities of the Group are not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in those investments. In the opinion of the directors, the Group has no significant influence over those investments since the Group and each of the investee entered into relevant written agreement/declaration to conclude the followings:

- the Group will/did not have any representative on the board of directors or equivalent governing body of those investments;
- the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and
- the Group will/did not interchange any managerial personnel with those investments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgments in applying accounting policies *(continued)*

Classification of investments in unlisted equity securities (continued)

As the Group will/did not act to fulfill any one of the points stated above, it does not consider as having significant influence on the investments. Hence, those investments are not considered as associate of the Group. Such investments are treated as either financial asset at FVTPL or equity instruments at FVTOCI, depending on the nature of the respective investments. Further details are set out in notes 19 and 20.

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

At the end of the reporting period, HK$664,303,000 of the Group's financial assets (comprising equity instruments at FVTOCI of HK$28,507,000, and financial assets at FVTPL of HK$635,796,000) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are set out in note 35c.

Provision for taxation

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.

Impairment assessment on debt instruments at FVTOCI

The Group performs ongoing credit evaluation of debt investments and its current creditworthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its investees and the fair value of respective collaterals obtained by the Group, if any. If the financial conditions of the investees of the Group deteriorate, resulting in an impairment of their ability to make payments, an allowance may be considered. During the year ended 30 June 2019, there was fair value loss on debt instruments at FVTOCI of HK$156,334,000, of which HK$161,824,000 was attributable to expected credit loss and recognised in profit or loss. At 30 June 2019, the fair value of debt instruments at FVTOCI was HK$302,234,000.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment assessment on debt instruments at FVTOCI (continued)

There is no debt instrument at FVTOCI as at 30 June 2020, as all debt instruments have been disposed of during the year. During the year ended 30 June 2020, there was fair value loss on debt instruments at FVTOCI of HK$55,471,000, which was attributable to expected credit loss and recognised in profit or loss. The net loss upon disposal, taking into account the release of financial assets at FVTOCI reserve gain of HK$5,490,000 to profit or loss, amounting to HK$49,981,000 has been recognised in profit or loss into current year.

Significant increase in credit risk and credit-impaired financial assets

ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

As at 1 July 2019, debt instruments at FVTOCI of HK$302,234,000 were determined to be credit-impaired because three bonds with the aggregate fair value of HK$283,209,000 were estimated based on value of the collaterals and the principal and interest of the bond with fair value of HK$19,025,000 had been past due for repayment.

During the year ended 30 June 2020, all those debt instruments have been disposed of.

6. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Dividend income from:		
Financial assets at FVTPL	**3,354**	28,230
Interest income from:		
Financial assets at FVTPL	**–**	1,144
Debt instruments at FVTOCI	**18,259**	39,471
	18,259	40,615
	21,613	68,845

7. OPERATING SEGMENTS

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

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segment, as the business extension of clean energy business. Prior year segment disclosure has been represented to conform with the current year's presentation.

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

1. Micro-loan service – equity investments in investees engaged in micro-loan services

2. Real estate and natural gas – equity investments in investees engaged in real estate and natural gas business

3. Investment in fixed income financial assets – debt investments

4. Clean energy – equity investment in investees engaged in clean energy industry

5. Others – equity investments in investees engaged in guarantee service, warehouse operation and management consultation service and other businesses

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

7. OPERATING SEGMENTS *(continued)*

Segment revenue and results

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

For the year ended 30 June 2020

	Micro-loan service HK$'000	Real estate and natural gas HK$'000	Investment in fixed income financial assets HK$'000	Clean energy HK$000	Others HK$'000	Total HK$'000
Segment revenue	**–**	**210**	**18,259**	**–**	**3,144**	**21,613**
Segment loss	**(9,688)**	**(72,296)**	**(31,721)**	**(39,256)**	**(24,359)**	**(177,320)**
Share of loss of an associate						**(41)**
Other income						**5,419**
Impairment loss on other receivables						**(15,968)**
Finance costs						**(3,355)**
Central administrative expenses						**(27,235)**
Loss before tax						**(218,500)**

For the year ended 30 June 2019

	Micro-loan service HK$'000	Real estate and natural gas HK$'000	Investment in fixed income financial assets HK$'000	Clean energy HK$'000	Others HK$'000	Total HK$'000
Segment revenue	–	3,536	39,471	22,312	3,526	68,845
Segment loss	(82,002)	(71,710)	(122,353)	(20,928)	(5,257)	(302,250)
Share of profit of an associate						125
Other income						26,379
Impairment loss on other receivables						(16,037)
Finance costs						(3,150)
Central administrative expenses						(31,850)
Loss before tax						(326,783)

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

7. OPERATING SEGMENTS *(continued)*

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Micro-loan service	53,628	63,832
Real estate and natural gas	113,382	215,143
Investment in fixed income financial assets	–	302,234
Clean energy	489,663	238,724
Others	148,538	106,930
Total segment assets	805,211	926,863
Unallocated assets	97,095	239,329
Consolidated assets	902,306	1,166,192

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

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

8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	694	2,964
Reversal of provision for financial guarantee contracts *(note 28)*	4,297	23,307
Sundry income	428	108
	5,419	26,379

9. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on borrowings	**3,159**	3,150
Interest on lease liabilities	**196**	–
	3,355	3,150

10. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Overprovision in prior year	**–**	(99)
Withholding tax *(note)*	**–**	879
	–	780

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

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

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits for both years.

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

10. INCOME TAX EXPENSE *(continued)*

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(218,500)**	(326,783)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%) *(note)*	**(36,053)**	(53,919)
Tax effect of share of loss (profit) of an associate	**7**	(21)
Tax effect of expenses not deductible for tax purpose	**21,777**	54,093
Tax effect of income not taxable for tax purpose	**(1,542)**	(8,947)
Tax effect of tax losses not recognised	**18,902**	10,206
Tax effect of temporary differences not recognised	**64**	38
Overprovision in prior year	**–**	(99)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,155)**	(571)
Income tax expense for the year	**–**	780

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

At the end of the reporting period, the Group has unused tax losses of HK$382,374,000 (2019: HK$267,816,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

11. LOSS FOR THE YEAR

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

	2020 **HK$'000**	2019 HK$'000
Directors' emoluments *(note 12)*	**7,536**	6,875
Other staff:		
Salaries and other benefits	**3,259**	6,506
Contributions to retirement benefits scheme	**127**	115
Total employee benefits expense	**10,922**	13,496
Auditor's remuneration		
– audit services	**900**	638
– non-audit services	**200**	210
Custodian fee	**161**	172
Depreciation of property, plant and equipment	**182**	286
Depreciation of right-of-use assets	**1,962**	–
Loss on disposal of property, plant and equipment	**315**	–
Investment management fees *(note 37)*	**951**	1,518
Reversal of provision for financial guarantee contracts *(note 28)*	**(4,297)**	(23,307)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 30 June 2020

	Mr. Du Lin Dong ***HK$'000*** *(note (i))*	**Total** ***HK$'000***
(A) Executive director:		
Fees	120	120
Salaries and other benefits	4,982	4,982
Contributions to retirement benefits scheme	18	18
Sub-total	5,120	5,120

The executive director's emoluments shown above were for his services in connection with the management of the affairs of the Company and the Group.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

For the year ended 30 June 2020 *(continued)*

	Mr. Ding Xiaobin *HK$'000*	Mr. Zhang Huayu *HK$'000* *(note (iii))*	Ms. Li Jie *HK$'000* *(note (iv))*	Ms. Chen Xi *HK$'000* *(note (vi))*	Total *HK$'000*
(B) Non-executive directors:					
Fees	60	2,000	120	56	2,236

The non-executive directors' emoluments shown above were for their services as directors of the Company.

	Mr. Zeng Xianggao *HK$'000* *(note (v))*	Mr. Li Cailin *HK$'000* *(note (vii))*	Mr. Zhang Jing *HK$'000*	Total *HK$'000*
(C) Independent non-executive directors:				
Fees	60	60	60	180

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	7,536

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

For the year ended 30 June 2019

	Mr. Du Lin Dong *HK$'000* *(note (i))*	Mr. Pong Po Lam *HK$'000* *(note (ii))*	Total *HK$'000*
(A) Executive directors:			
Fees	120	14	134
Salaries and other benefits	5,182	–	5,182
Contributions to retirement benefits scheme	18	–	18
Sub-total	5,320	14	5,334

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ding Xiaobin *HK$'000*	Mr. Zhang Huayu *HK$'000* *(note (iii))*	Ms. Li Jie *HK$'000* *(note (iv))*	Total *HK$'000*
(B) Non-executive directors:				
Fees	60	1,234	58	1,352

The non-executive directors' emoluments shown above were for their services as directors of the Company.

	Mr. Zeng Xianggao *HK$'000* *(note (v))*	Mr. Li Cailin *HK$'000* *(note (vii))*	Mr. Zhang Jing *HK$'000*	Dr. Cheung Wai Bun Charles *HK$'000* *(note (ii))*	Total *HK$'000*
(C) Independent non-executive directors:					
Fees	46	60	60	23	189

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	6,875

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

(i) Mr. Du Lin Dong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(ii) Resigned on 24 September 2018.

(iii) Appointed on 19 November 2018.

(iv) Appointed on 8 January 2019.

(v) Appointed on 24 September 2018.

(vi) Appointed on 26 July 2019.

(vii) Deceased on 20 August 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office as a director in connection with the management of the affairs of any member of the Group during both years.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries and other benefits	**1,562**	3,770
Contributions to retirement benefits scheme	**44**	53
	1,606	3,823

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2020 **Number of employees**	2019 Number of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$2,000,000	**–**	1
	3	3

During the years ended 30 June 2020 and 2019, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

15. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(218,500)**	(327,563)

Number of shares

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**10,971,634**	10,971,634

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

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST				
At 1 July 2018	1,105	64	1,678	2,847
Additions	–	7	–	7
At 30 June 2019	1,105	71	1,678	2,854
Additions	95	–	–	95
Disposal	(1,105)	–	–	(1,105)
At 30 June 2020	95	71	1,678	1,844
DEPRECIATION				
At 1 July 2018	345	54	1,678	2,077
Provided for the year	276	10	–	286
At 30 June 2019	621	64	1,678	2,363
Provided for the year	178	4	–	182
Elimination on disposal	(790)	–	–	(790)
At 30 June 2020	9	68	1,678	1,755
CARRYING VALUES				
At 30 June 2020	86	3	–	89
At 30 June 2019	484	7	–	491

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

17. RIGHT-OF-USE ASSETS

	Leasehold land and building
	HK$'000
Carrying amount as at 1 July 2019 recognised upon the application of HKFRS16 *(note 3)*	3,464
Addition	1,997
Depreciation charge during the year ended 30 June 2020	(1,962)
Exchange adjustments	(109)
	3,390

For the year ended 30 June 2020

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	1,316
Total cash outflow for leases	2,978
Addition to right-of-use assets	1,997

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreements do not impose any covenants other than the security deposits in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INTEREST IN AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
Cost of investment in an associate	**290**	290
Share of post-acquisition profits and other comprehensive income	**822**	863
	1,112	1,153

Details of the Group's associate at the end of the reporting period are as follows:

Name of associate	Place of incorporation	Principal place of business	Paid up issued capital	Proportion of ownership interest and voting rights held by the Group		Principal activity
				2020	2019	
China Financial International Investments & Managements Limited ("CFIIM")	Hong Kong	Hong Kong	HK$1,000,000	**29%**	29%	Provision of asset management services

Summarised financial information of CFIIM

The associate is accounted for using the equity method in these consolidated financial statements.

	2020	2019
	HK$'000	*HK$'000*
Current assets	**3,833**	4,185
Current liabilities	**–**	(210)
Net assets	**3,833**	3,975
Revenue	**951**	1,518
(Loss) profit and total comprehensive (expense) income for the year	**(142)**	430
Dividends received from the associate during the year	**–**	–

18. INTEREST IN AN ASSOCIATE *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2020	2019
	HK$'000	*HK$'000*
Net assets of CFIIM	**3,833**	3,975
Proportion of the Group's ownership interest in CFIIM	**29%**	29%
The Group's share of net assets of CFIIM	**1,112**	1,153

19. FINANCIAL ASSETS AT FVTPL

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Financial assets mandatorily measured at FVTPL:			
Listed securities held for trading			
– Equity securities listed in Hong Kong	*(i)*	**107,372**	214,763
Financial assets classified/designated at FVTPL:			
– Unlisted equity investments	*(ii)*	**635,796**	313,408
Total		**743,168**	528,171
Analysed for reporting purposes as:			
Current assets		**107,372**	214,763
Non-current assets		**635,796**	313,408
		743,168	528,171

19. FINANCIAL ASSETS AT FVTPL *(continued)*

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 2020, in terms of the carrying value of the respective individual investment, are as follows:

China City Infrastructure Group Limited ("China City Infrastructure")
As at 30 June 2020, the Group held 436,079,429 shares (2019: 436,079,429 shares) in China City Infrastructure, representing approximately 13.94% (2019: 13.94%) of the issued share capital of China City Infrastructure. No dividend was declared and received during both years. As at 30 June 2020, the market value of the investment in the shares of China City Infrastructure was HK$55,818,000 (2019: HK$117,741,000).

Sino-Ocean Group Holding Limited ("Sino-Ocean Group")
As at 30 June 2020, the Group held 4,212,500 shares (2019: 8,055,000 shares) in Sino-Ocean Group, representing approximately 0.06% (2019: 0.11%) 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 ended 30 June 2020, dividends of HK$1,096,000 (2019: HK$3,536,000) were declared by and received/receivable from Sino-Ocean Group. As at 30 June 2020, the market value of the investment in the shares of Sino-Ocean Group was HK$7,793,000 (2019: HK$26,662,000).

Hidili Industry International Development Limited ("Hidili Industry")
As at 30 June 2020 and 2019, the Group held 12,369,000 shares in Hidili Industry, representing approximately 0.6% 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 both years. As at 30 June 2020, the market value of the investment in the shares of Hidili Industry was HK$2,053,000 (2019: HK$3,340,000).

China Communications Construction Co. Ltd. ("China Communications")
As at 30 June 2020 and 2019, the Group held 9,588,000 shares in China Communications, representing approximately 0.22% (2019: 0.22%) of the issued share capital of China Communications. China Communications is principally engaged in infrastructure construction, infrastructure design and dredging businesses. During the year ended 30 June 2020, dividends of HK$2,258,000 (2019: HK$2,382,000) were declared by and received/receivable from China Communications. As at 30 June 2020, the market value of the investment in the shares of China Communications was HK$41,708,000 (2019: HK$67,020,000).

19. FINANCIAL ASSETS AT FVTPL *(continued)*

Notes: (continued)

(ii) At the end of the reporting period, the Group had the following unlisted equity investments:

Name	Notes	Place of incorporation/ registration and business	Group's effective interest 2020	Group's effective interest 2019	Principal activities	2020 Fair value HK$'000	2020 Cost HK$'000	2019 Fair value HK$'000	2019 Cost HK$'000
Micro-loan service:									
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	(a)	The PRC	30%	30%	Provision of small loan and financial consultation services	1,055	36,606	1,799	36,606
TIIC RongShun Micro-Loan Company Limited ("TIIC Rongshun")	(b)	The PRC	10%	10%	Provision of small loan and financial consultation services	4,378	12,189	4,344	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(c)	The PRC	30%	30%	Provision of small loan and financial consultation services	–	36,693	–	36,693
Tianjin Binlian Microfinance Limited ("Tianjin Binlian")	(d)	The PRC	3.3%	3.3%	Provision of small loan and financial consultation services	1,131	12,271	1,193	12,271
Ezhou Zhongjinguotou	(e)	The PRC	50%	50%	Provision of small loan and financial consultation services	19,421	185,000	20,439	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	(f)	The PRC	30%	30%	Provision of small loan and financial consultation services	129	73,730	141	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning")	(g)	The PRC	30%	30%	Provision of small loan and financial consultation services	10,173	36,673	11,041	36,673
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	(h)	The PRC	30%	30%	Provision of small loan and financial consultation services	6,382	36,741	10,679	36,741
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	(i)	The PRC	30%	30%	Provision of small loan and financial consultation services	10,959	56,874	13,680	56,874
Clean energy:									
Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(j)	The PRC	30%	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastic and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	180,439	230,763	187,524	230,763
Hunan South China New Energy Limited ("Hunan South China")	(k)	The PRC	30%	30%	New energy technologies development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemicals and precursor chemicals)	50,366	51,200	51,200	51,200
Henan Keyi Huirui Bioenergy Technology Company Limited ("Keyi Huirui")	(l)	The PRC	30%	–	Biotechnology energy technology development, transfer and consultation, research and development, manufacturing and sales of biotechnology energy and chemical equipment	93,995	117,450	–	–
Mengzhou Houyuan Biotechnology Limited ("Mengzhou Houyuan")	(m)	The PRC	30%	–	Biotechnology and ethanol bio-chemical product development and production	131,637	150,065	–	–
Tianguan New Energy Limited ("Tianguan New Energy")	(n)	The PRC	5%	–	Ethanol products transportation, development, trading and consultation service	317	557	–	–
Henan Zhongxin Bioenergy Co., Ltd ("Zhongxin Bioenergy")	(o)	The PRC	30%	–	Production and sales of fuel ethanol and related products	16,455	16,455	–	–
Henan Zhongxin Petrochemical Oil Sales Co., Ltd ("Zhongxin Petrochemical")	(p)	The PRC	30%	–	Operating refined petroleum products	16,455	16,455	–	–

19. FINANCIAL ASSETS AT FVTPL *(continued)*

Notes: (continued)

(ii) *(continued)*

Name	*Notes*	Place of incorporation/ registration and business	Group's effective interest 2020	Group's effective interest 2019	Principal activities	2020 Fair value *HK$'000*	2020 Cost *HK$'000*	2019 Fair value *HK$'000*	2019 Cost *HK$'000*
Others:									
Xi'an Kairong Financial Service Limited ("Xi'an Kairong")	*(q)*	The PRC	**30%**	30%	Provision of financial management services	**5,458**	**18,724**	7,251	18,724
Hubei Zhongjin Tech Financial Services Co., Ltd. ("Hubei Zhongjin")	*(r)*	The PRC	**30%**	30%	Provision of financial management services	**3,677**	**19,030**	4,117	19,030
Liaoyuan Hancheng Economic and Trade Co., Ltd ("Liaoyuan Hancheng")	*(s)*	The PRC	**30%**	–	Food and agriculture products trading and warehouse management	**67,134**	**65,400**	–	–
Nanyang Xinglong Real Estate Co., Ltd ("Nanyang Xinglong")	*(t)*	The PRC	**30%**	–	Property development	**16,235**	**15,364**	–	–
						635,796		313,408	

(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.

(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.

(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.

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 Renminbi ("RMB") 25,000,000. A deposit of HK$2,500,000 was received and still included as receipt in advance in "other payables and accruals" as at 30 June 2019 and 2020. As at 30 June 2020, in the opinion of the directors of the Company, the disposal transaction has yet been completed after 12 months from the date of the disposal agreement but the transaction is still considered as valid.

(d) 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 was reduced to 3.3% on 22 January 2014, as the registered capital of 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.

(e) 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 was reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in registered capital, the shareholding of the Company in Ezhou Zhongjinguotou inevitably increased from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquish the voting rights beyond 30%.

19. FINANCIAL ASSETS AT FVTPL *(continued)*

Notes: (continued)

(ii) *(continued)*

(e) *(continued)*

After the voluntarily relinquished the voting rights beyond 30%, the Group remained to hold 30% voting power in Ezhou Zhongjinguotou, which is not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in this investment. In the opinion of the directors, the Group has no significant influence over Ezhou Zhongjinguotou since the Group and each of the investee entered into relevant written agreement to conclude the followings: (i) the Group will/did not have any representative on the board of directors or equivalent governing body of this investment; (ii) the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and (iii) the Group will/did not interchange any managerial personnel with this investment. Therefore, the directors of the Company considered that there is no significant influence on Ezhou Zhongjinguotou. Hence, Ezhou Zhongjinguotou is not considered as associate of the Group. The investment in Ezhou Zhongjinguotou is treated as a financial asset at FVTPL.

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

The Company is continually 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%.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) On 11 May 2018, the Group invested in a 30% equity interest of Henan Tianguan, a joint venture established in the PRC. Henan Tianguan is principally engaged in production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastic and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production.

(k) On 23 January 2019, Keyi (Shanghai) Investment Limited ("Keyi (Shanghai)"), a wholly-owned subsidiary of the Company, invested in a 30% equity interest of Hunan South China with the capital contribution of RMB45,000,000. Hunan South China is engaged in new energy technologies development, transfer and consultation, research and development, manufacturing and sales of chemical products, chemical reagents and auxiliaries (excluding hazardous chemical and precursor chemicals).

19. FINANCIAL ASSETS AT FVTPL *(continued)*

Notes: (continued)

(l) In August 2019, Keyi (Shanghai) entered into an agreement with three partners in relation to the formation of Keyi Huirui. The registered capital of Keyi Huirui is RMB350,000,000. Keyi (Shanghai) injected RMB105,000,000 for acquiring 30% of Keyi Huirui's equity interest. Keyi Huirui is engaged in biotechnology energy technology development, transfer and consultation research and development, manufacturing and sales of biotechnology energy and chemical equipment. On 5 September 2019, Keyi Huirui was officially set up.

(m) On 17 October 2019, the Group entered into an agreement with Hollys (China) Limited ("Hollys") to obtain repayment of outstanding principal and interests accrued of the bonds issued by Hollys in return of the 30% equity interest investment in Mengzhou Houyuan. (note 21(a) and note 39(i))

Mengzhou Houyuan is principally engaged in development and production of biotechnology and ethanol bio-chemical products in Henan Province, the PRC.

(n) In October 2019, the Group invested in a 5% equity interest of Tianguan New Energy, a joint venture established in the PRC. Tianguan New Energy is principally engaged in ethanol products transportation, development and relevant consultation services in Huizhou, Guangdong Province, the PRC.

(o) On 16 March 2020, the Group invested in a 30% equity interest of Zhongxin Bioenergy, a joint venture established in the PRC. Zhongxin Bioenergy is principally engaged in production and sales of fuel ethanol and related products, the production and supply of electricity and heat, and the research, development and technical services of fuel ethanol and denatured fuel ethanol.

(p) On 16 March 2020, the Group invested in a 30% equity interest of Zhongxin Petrochemical, a joint venture established in the PRC. Zhongxin Petrochemical is principally operating refined petroleum products (such as vehicle ethanol gasoline, kerosene, diesel, natural gas) without storage facilities, selling food and chemical products, retail medicine and road cargo transport.

(q) 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.

(r) 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 small and medium enterprises ("SMEs") in Wuhan, Hubei Province, the PRC.

(s) On 11 June 2020, the Group invested in a 30% equity interest of Liaoyuan Hancheng, which is principally engaged in food and agriculture products trading and warehouse management in Jilin Province, PRC.

(t) On 2 April 2020, the Group entered into an agreement with Xing Yue Investment Limited ("Xing Yue") and the sole shareholder of Xing Yue, Ms. Dong Lili to obtain the repayment of outstanding principal and interests accrued of the bonds issued by Xing Yue in return of the 30% equity interest investment in Nanyang Xinglong. (note 21(d) and note 39(ii))

Nanyang Xinglong is principally engaged in property development in Henan Province, PRC.

19. FINANCIAL ASSETS AT FVTPL *(continued)*

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.

At the end of the reporting period, the Group held more than 20% of the effective shareholding interest in the above investee companies. The investments in these companies are not accounted for as associates as the Group had no significant influence over these companies. In accordance with the relevant written agreement/declaration signed between the Group and these investee companies as well as the other shareholders of the investee companies, the Group does not have the right to participate in its policy-making processes, to appoint directors nor management and to interchange of managerial personnel. Hence, 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 2020 and 2019.

20. EQUITY INSTRUMENTS AT FVTOCI

	2020 ***HK$'000***	2019 *HK$'000*
Listed investments:		
– Equity securities listed in Hong Kong *(note i)*	**33,536**	70,740
Unlisted investments:		
– Equity securities *(note ii)*	**28,507**	25,718
Total	**62,043**	96,458

Notes:

(i) The fair values of listed equity 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 2020, in terms of the carrying value of the listed investment, are as follows:

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 2020, the 262,000,000 shares (2019: 262,000,000 shares) representing approximately 8.4% (2019: 8.4%) 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. As at 30 June 2020, the fair value of the Group's interest in China City Infrastructure was HK$33,536,000 (2019: HK$70,740,000).

20. EQUITY INSTRUMENTS AT FVTOCI *(continued)*

Notes: *(continued)*

(ii) Unlisted equity investments

As at 30 June 2020, the Group held the following unlisted equity investments:

Name	*Notes*	Place of incorporation/ registration and business	Group's effective interest 2020	Group's effective interest 2019	Principal activities	2020 Fair value HK$'000	2020 Cost HK$'000	2019 Fair value HK$'000	2019 Cost HK$'000
Micro-loan services:									
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	*(a)*	The PRC	**40%**	40%	Provision of small loan and financial consultation services	**–**	**188,690**	516	188,690
Others:									
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	*(b)*	The PRC	**2.98%**	2.98%	Provision of financing guarantees to SMEs	**28,507**	**43,150**	25,202	43,150
Shenzhen Zhongtoujinxin Asset Management Company Limited ("Zhongtoujinxin")	*(c)*	The PRC	**30%**	30%	Provision of consultation services on project investments	**–**	**18,350**	–	18,350
						28,507		25,718	

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

Given that the reduction in the registered capital of Jingdezhen CFI Guosen is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Jingdezhen CFI Guosen. The Company has relinquished of the voting rights beyond 30% and it still possesses other rights such as the rights to receive dividends based on the shareholding. The directors of the Company consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders as a whole.

After the voluntarily relinquished the voting rights beyond 30%, the Group remained to hold 30% voting power in Jingdezhen CFI Guosen, which is not classified as an associate nor accounted for using the equity method, even though the Group owns or potentially owns more than 20% ownership interest in this investment. In the opinion of the directors, the Group has no significant influence over Jingdezhen CFI Guosen since the Group and each of the investee entered into relevant written agreement/declaration to conclude the followings: (i) the Group will/did not have any representative on the board of directors or equivalent governing body of this investment; (ii) the Group will/did not participate in policy-making processes, including participation in decisions about dividends or other distributions; and (iii) the Group will/did not interchange any managerial personnel with this investment. Therefore, the directors of the Company considered that there is no significant influence on Jingdezhen CFI Guosen. Hence, Jingdezhen CFI Guosen is not considered as associate of the Group. Jingdezhen CFI Guosen is treated as equity instruments at FVTOCI.

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%.

20. EQUITY INSTRUMENTS AT FVTOCI *(continued)*

Notes: *(continued)*

(ii) Unlisted equity investments *(continued)*

(b) 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 dropped to 2.98% on 19 August 2016, as the registered capital of 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.

(c) 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.

The fair values of all of 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.

At the end of the reporting period, the Group held more than 20% of the effective shareholding interest in these above investee companies. The investments in these companies are not accounted for as associates as the Group had no significant influence over these companies. In accordance with the relevant written agreement/declaration signed between the Group and these investee companies as well as the other shareholders of the investee companies, the Group does not have the right to participate in its policy-making processes, to appoint directors nor management and to interchange of managerial personnel. Hence, all of these investments are not regarded as associates of the Group and are accounted for as equity instruments at FVTOCI for the year ended 30 June 2020 and 2019.

21. DEBT INSTRUMENTS AT FVTOCI

	2020 ***HK$'000***	2019 *HK$'000*
Unlisted investments, at fair value	**–**	302,234

At the end of the reporting period, the Group held the following secured unlisted bond investments:

Name of company	*Notes*	**Business nature**	**2020** **Fair value** ***HK$'000***	**2020** **Cost** ***HK$'000***	**2019** **Fair value** *HK$'000*	**2019** **Cost** *HK$'000*
Hollys	*(a)*	Engaged in coffee shop franchise in the PRC	–	–	124,200	200,000
Pure Unity Investments Limited ("Pure Unity")	*(b)*	Investment holding	–	–	84,584	190,000
Talent Trend Global Limited ("Talent Trend")	*(c)*	Investment holding	–	–	74,425	160,000
Xing Yue	*(d)*	Investment holding	–	–	19,025	20,000
			–		302,234	

21. DEBT INSTRUMENTS AT FVTOCI *(continued)*

Notes:

(a) On 18 October 2016, Joy State Holdings Limited ("Joy State"), a wholly-owned subsidiary of the Company, subscribed a three-year bond with nominal value of HK$200,000,000 issued by Hollys. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears.

At the end of the year ended 30 June 2019, Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interest in Hollys pledged to the Group by Mr. Xiao Yan.

During the year ended 30 June 2020, the Group entered into an agreement with Hollys to get the repayment of the outstanding principal and interests of the bond in return of the 30% equity interest investment in Mengzhou Houyuan (note 19(ii)(m) and note 39(i)). The disposal consideration was based on the fair value of the equity interest in Mengzhou Houyuan. There was fair value gain of HK$8,063,000, which was attributable to reversal of expected credit loss and recognised in profit or loss. The net gain, taking into account the release of financial assets at FVTOCI reserve gain of HK$5,490,000 to profit or loss, amounting to HK$13,553,000 has been recognised in profit or loss into current year.

(b) On 21 November 2016, China Financial International Investments (Nanchang) Limited ("CFII (Nanchang)"), 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 ended 30 June 2017, accordingly, the nominal value of the bond was reduced to HK$190,000,000.

During the year ended 30 June 2020, Pure Unity was not able to repay the outstanding principal and interests, with the fair value of HK$86,913,000. The Group disposed of the secured 760,000,000 shares of the Company and obtained the proceeds of HK$60,800,000.

(c) 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.

During the year ended 30 June 2020, Talent Trend was not able to repay the outstanding principal and interests, with the fair value of HK$73,083,000. The Group disposed of the secured 640,000,000 shares of the Company and obtained the proceeds of HK$51,200,000.

(d) On 8 March 2018, the Company entered into a subscription agreement to subscribe a three-month bond issued by Xing Yue. The nominal value of the bond is HK$20,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group on the bond maturity date.

The principal and interest of the bond had been past due for repayment as at 30 June 2019. Upon application of HKFRS 9 on 1 July 2018, the bond was considered as credit-impaired.

As at 30 June 2019, Ms. Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by (1) 100% unlisted equity interests in Xing Yue pledged to the Group by Ms. Dong Lili and (2) 200,000,000 shares of the Company, with a market value of HK$26,200,000 of which 100,000,000 shares held by Xing Yue and another 100,000,000 shares held by Rightfirst Holdings Limited, which is beneficially owned by Mr. Du Lin Dong, the executive director and a shareholder of the Company. The bond was already overdue since 8 June 2018.

During the year ended 30 June 2020, the Group entered into an agreement with Xing Yue to obtain the repayment of the outstanding principal and interests of the bonds in return of the equity investment in Nanyang Xinglong (note 19(ii)(t) and note 39(ii)). The disposal consideration was based on the fair value of the equity interest in Nanyang Xinglong. There was fair value loss of HK$4,057,000, which was attributable to expected credit loss and recognised in profit or loss.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Deposits paid for potential investments	(i)	**30,000**	38,475
Rental and utilities deposits		**510**	827
Dividends receivable	(ii)	**2,407**	10,691
Consideration receivable for disposal of an investment	(iii)	**–**	113,792
Other receivables	(iv)	**1,808**	56,482
		34,725	220,267
Less: loss allowance		**(7,500)**	(19,069)
		27,225	201,198
Prepayments		**368**	363
		27,593	201,561
Analysed for reporting purposes as:			
Current assets		**27,287**	201,364
Non-current assets		**306**	197
		27,593	201,561

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Deposits paid for potential investments

	2020	2019
	HK$'000	*HK$'000*
Shenzhen Xinyu Tianfan Mining Development Company Limited *(note (a))*	**–**	18,475
Mr. Peng Kexi ("Mr. Peng") *(note (b))*	**20,000**	20,000
Mr. Zhang Gui Qing ("Mr. Zhang") *(note (c))*	**10,000**	–
	30,000	38,475
Less: loss allowance	**(7,500)**	(3,013)
	22,500	35,462

(a) During the year ended 30 June 2018, Keyi (Shanghai) entered into an agreement ("Agreement 1") with an independent third party, Shenzhen Xinyu Tianfan Mining Development Company Limited (深圳市新宇天帆礦業開發有限公司) ("Xinyu Tianfan")). Pursuant to Agreement 1, Xinyu Tianfan is responsible for assisting to seek and recommend potential investments to the Company with a term of two years, the Company agreed to provide the deposit to Xinyu Tianfan amounted to RMB16,235,700 (equivalent to HK$18,475,000 as at 30 June 2019), the deposit will be refunded after the period expired and is interest free.

During the year ended 30 June 2019, the provision for ECL in respect of the deposit paid to Xinyu Tianfan was HK$1,233,000. During the year ended 30 June 2020, the deposit has been fully recovered and refunded to the Group. The provision for ECL was reversed.

(b) During the year ended 30 June 2018, the Company entered into an agreement ("Agreement 2") with an independent third party, Mr. Peng. Pursuant to Agreement 2, Mr. Peng is responsible for assisting to seek and recommend potential investments in the PRC to the Company with a term of two years, and the Company agreed to provide the deposit to Mr. Peng amounted to HK$20,000,000 during the period as agreed, the deposit is refundable after the period expired and is interest free. As at 30 June 2020 and 2019, the deposit remained unutilised.

At 1 July 2019 and 30 June 2020, the provision for ECL in respect of the deposit paid to Mr. Peng was HK$1,780,000 and HK$5,000,000 respectively.

(c) During the year ended 30 June 2020, the Company entered into an agreement ("Agreement 3") with an independent third party, Mr. Zhang. Pursuant to Agreement 3, Mr. Zhang is responsible for assisting to seek and recommend potential investments in the PRC to the Company with a term of three years, and the Company agreed to provide the deposit to Mr. Zhang amounted to HK$10,000,000 during the period as agreed, the deposit is refundable after the period expired and is interest free. As at 30 June 2020, the deposit remained unutilized.

At 30 June 2020, the provision for ECL in respect of the deposit paid to Mr. Zhang was HK$2,500,000.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(ii) Dividends receivable represents dividends declared by the Group's from financial assets at FVTPL which are scheduled for payment after the end of the reporting period. As at the date of approval of these consolidated financial statements, all such dividends have been received by the Group.

(iii) As at 30 June 2018, deposits of RMB100,000,000 were paid for the potential investment of 25% equity interest in Liaoyuan Jufeng Biochemistry Science and Technology Co, Limited ("Liaoyuan Jufeng"). Pursuant to the investment agreement signed on 28 June 2018, the investment in Liaoyuan Jufeng by the Group would be effective upon the legal title of such 25% equity interests was successfully transferred to the Group.

In April 2019, due to management's further diversifying the Group's investments and to comply with Rules 21.04(3)(a) of the Listing Rules, the 25% equity interest in Liaoyuan Jufeng was disposed to a third party at cash consideration equivalent to the investment cost of RMB100,000,000. No gain or loss was resulted from the disposal.

The cash consideration of RMB100,000,000 had been received in full by the Group during the year ended 30 June 2020.

(iv) As at 30 June 2019, other receivables mainly comprise interest receivables on debt instruments at FVTOCI of HK$24,511,000 (net of loss allowance of HK$15,160,000) and sundry receivables.

During the year ended 30 June 2020, the Group has disposed of all the debt instruments and no such interest receivables noted at the year end.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0% to 1.97% (2019: 0% to 0.30%) per annum.

For the year ended 30 June 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

24. OTHER PAYABLES AND ACCRUALS

	2020 ***HK$'000***	2019 *HK$'000*
Receipts in advance	**7,985**	2,500
Accruals	**1,150**	638
Other payables	**381**	380
	9,516	3,518

25. AMOUNT DUE TO AN ASSOCIATE

CFIIM is the investment manager of the Group and provides investment management services to the Group in relation to the Group's investments. The amount represents the balance due to CFIIM that is unsecured, interest-free and at a credit term of 30 days from the invoice date.

26. BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Bonds (unsecured)	**62,975**	62,975
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	**52,978**	9,990
Within a period of more than one year but not exceeding two years	**9,997**	52,985
	62,975	62,975
Analysed for reporting purposes as:		
Current liabilities	**52,978**	9,990
Non-current liabilities	**9,997**	52,985
	62,975	62,975

As at 30 June 2020 and 2019, 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 seven years' maturity from the date of issue.

Notes:

(a) As at 9 April 2020, the Group has entered into an extension agreement for the bond of HK$5,000,000 to extend the maturity date from 8 July 2020 to 7 July 2021.

(b) As at 9 April 2020, the Group has entered into an extension agreement for the bond of HK$5,000,000 to extend the maturity date from 12 November 2020 to 11 November 2021.

(c) As at 7 May 2020, the Group has entered into an extension agreement for the bond of HK$10,000,000 to extend the maturity date from 28 June 2020 to 27 June 2021.

27. LEASE LIABILITIES

	2020 *HK$'000*
Lease liabilities payable:	
Within one year	**2,361**
Within a period of more than one year but not more than two years	**681**
Within a period of more than two years but not more than five years	**416**
	3,458
Less: amount due for settlement within 12 months shown under current liabilities	**(2,361)**
Amount due for settlement after 12 months shown under non-current liabilities	**1,097**

The Group's lease liabilities are denominated in the functional currency of the relevant group entities.

28. FINANCIAL GUARANTEE CONTRACTS

The movements of provision for financial guarantee contracts during the current and prior years are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**10,679**	33,986
Decrease in fair value of financial guarantee contract	**(4,297)**	(3,307)
Release of financial guarantee contract	**–**	(20,000)
At end of the year	**6,382**	10,679

In 2012, the Company provided irrevocable guarantee to Tianjin XEDA and Tianjin Rongyang to secure the loans granted to certain customers (the "Customers") of Tianjin XEDA and Tianjin Rongyang referred by Nanjing Xinning Guangdian Zidonghua Limited（南京新寧光電自動化有限公司）("Xinning Guangdian"), an independent third party, using the Company's entire equity interests in TianJin XEDA and Tianjin Rongyang.

The maximum exposure of the Group associated to such financial guarantees is limited to the fair value of the collaterals offered by the Group, i.e. the Group's entire equity in TianJin XEDA and Tianjin Rongyang.

At 30 June 2020, the loans granted to the Customers of Tianjin Rongyang under such guarantees were approximately RMB25,000,000 (equivalent to approximately HK$27,425,000) (2019: RMB25,000,000 (equivalent to approximately HK$28,699,000)).

During the year ended 30 June 2019, the Group disposed of its entire interest in TianJin XEDA and the related guarantee was released.

The Group holds 30% equity interest in Tianjin Rongyang (note 19(ii)(h)) as at 30 June 2020.

For the year ended 30 June 2020, a reversal of provision for financial guarantees of HK$4,297,000 was recognised due to decrease in fair value of the Group's investment in TianJin Rongyang to HK$6,382,000.

29. SHARE CAPITAL OF THE COMPANY

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2018, 30 June 2019 and 30 June 2020	30,000,000	300,000
Issued and fully paid:		
At 1 July 2018, 30 June 2019 and 30 June 2020	10,971,634	109,717

30. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of HK$815,717,000 (2019: HK$1,084,706,000) and 10,971,634,000 (2019: 10,971,634,000) issued and fully paid ordinary shares as at 30 June 2020.

31. SHARE-BASED PAYMENT TRANSACTIONS

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.

On 15 December 2017, the Scheme was terminated and the new share option scheme (the "New Scheme") was approved by the Shareholders of the Company at the annual general meeting to replace the Scheme. The New Scheme shall be valid and effective for a period of 10 years ending on 14 December 2027. The exercise price of the options under the New Scheme is determinable by the board of 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 on the offer date.

31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

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 under the New Scheme may be accepted within 21 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.

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

The maximum number of the shares available for issue upon exercise of all share options which may be further granted under the New Scheme is 1,097,163,403 shares, representing 10% of the total number of issued shares of the Company on 15 December 2017.

No share options were granted under the New Scheme since its adoption.

32. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme (subject to a maximum of HK$1,500 per month per employee) which contribution is matched by employees.

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$145,000 (2019: HK$133,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

33. OPERATING LEASES

The Group as lessee

	2019
	HK$'000
Minimum lease payments paid under operating leases during the year	4,187

At 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019
	HK$'000
Within one year	3,813
In the second to fifth years inclusive	2,495
	6,308

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of two to three years and rentals are fixed throughout the lease period.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Mandatorily measured at FVTPL		
– Held-for-trading	**743,168**	528,171
Financial assets at amortised cost	**92,136**	237,322
Equity instruments at FVTOCI	**62,043**	96,458
Debt instruments at FVTOCI	**–**	302,234
	897,347	1,164,185
Financial liabilities		
Amortised cost	**63,414**	63,469
Financial guarantee contracts	**6,382**	10,679
Lease liabilities	**3,458**	–
	73,254	74,148

b. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, deposits and other receivables, bank balances and cash, other payables, amount due to an associate, borrowings, financial guarantee contracts and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in Hong Kong and the PRC, with certain of their purchases and disposals of investments being settled in HK$ and RMB. The Group has foreign currency bank balances, other receivables, financial assets at FVTPL, equity instruments at FVTOCI and financial guarantee contracts. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily United States Dollars ("US$") and RMB, against the functional currency of the relevant group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged to US$, the Group does not have material exchange rate risk on such currency.

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk (continued)

(i) Currency risk *(continued)*

The Group's exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entities within the Group into the Group's presentation currency are excluded.

	2020		2019	
	US$	**RMB**	US$	RMB
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets at FVTPL	**–**	**167,072**	–	148,000
Equity instruments at FVTOCI	**–**	**28,507**	–	25,718
Bank balances	**25**	**12**	43	464
Other receivables	**–**	**–**	–	25,189
Financial guarantee contracts	**–**	**(6,382)**	–	(10,679)
Overall exposure to currency risk	**25**	**189,209**	43	188,692

Sensitivity analysis

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the HK$ exchange rate against RMB for group entities with RMB or HK$ as functional currencies, with all other variables held constant, of the Group's loss for the year and accumulated losses.

		(Decrease) increase in loss for the year and accumulated losses
	%	*HK$'000*
2020		
If HK$ weakens against RMB	5	(9,460)
If HK$ strengthens against RMB	(5)	9,460
2019		
If HK$ weakens against RMB	5	(9,435)
If HK$ strengthens against RMB	(5)	9,435

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk (continued)

(i) Currency risk *(continued)*

Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss for the year and accumulated losses measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group, including intra-group balances with foreign operations within the Group denominated in a currency other than the functional currency of the foreign operations, which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for year ended 30 June 2019.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 26 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23 for details). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest revenue/income from financial assets that are measured at amortised cost or at FVTPL or at FVTOCI is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest revenue		
Financial assets at FVTPL	**–**	1,144
Financial assets at FVTOCI	**18,259**	39,471
	18,259	40,615
Other income		
Financial assets at amortised cost	**694**	2,964
Total interest income	**18,953**	43,579

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk (continued)

(ii) Interest rate risk *(continued)*

Interest expense on financial liabilities not measured at FVTPL:

	2020 HK$'000	2019 HK$'000
Financial liabilities at amortised cost	**3,159**	3,150
Leases liabilities	**196**	–
	3,355	3,150

No sensitivity analysis is performed as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL and FVTOCI. For equity securities measured at FVTPL quoted in the Stock Exchange, the management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities for investees operating in various industry sectors for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 35c.

If the prices of the respective equity instruments had been 5% (2019: 5%) higher/lower, the loss for the year ended 30 June 2020 would decrease/increase by HK$7,045,000 (2019: decrease/increase by HK$14,275,000) as a result of the changes in fair value of equity investments at FVTPL by HK$5,368,000 (2019: HK$10,738,000) and equity instruments at FVTOCI by HK$1,677,000 (2019: HK$3,537,000).

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

As at 30 June 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantee contracts provided by the Group is disclosed in note 28. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts, except that the credit risks associated with debt instruments at FVTOCI are mitigated because they are secured over certain collaterals.

Deposits and other receivables

The Group has a policy for assessing the impairment on deposits and other receivables (including dividends receivable and sundry receivables) on an individual basis. The assessment includes evaluation of collectability and aged analysis of the receivables and on management's judgment on creditworthiness, collateral and past collection history of each counterparty.

Bank balances

The Group has concentration of credit risk on liquid funds which are deposited with several banks. The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Financial guarantee contracts

As disclosed in note 28 of the consolidated financial statements, the Group has provided an irrecoverable guarantee to an independent third party of the Group. In the opinion of the directors of the Company, the maximum exposure of credit risk associated to the financial guarantee is limited to the fair value of the collaterals offered by the Group.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**All financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2020	*Notes*	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount** *HK$'000*
Financial assets at amortised cost					
Deposits and other receivables	*22*	N/A	(note a)	12m ECL	34,725
Bank balances	*23*	AA	N/A	12m ECL	64,904
Other item					
Financial guarantee contracts *(note b)*	*28*	N/A	Loss	Lifetime ECL – credit-impaired	6,382

2019	*Notes*	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount** *HK$'000*
Debt instruments at FVTOCI					
Investments in unlisted bonds	*21*	CCC	Loss	Lifetime ECL – credit-impaired	302,234
Financial assets at amortised cost					
Deposits and other receivables (other than interest receivables from debt instruments at FVTOCI)	*22*	N/A	(note a)	12m ECL	180,267
Interest receivables from debt instruments at FVTOCI (included in other receivables)	*22*	CCC	Loss	Lifetime ECL – credit-impaired	40,000
Bank balances	*23*	Aa3 to A3	N/A	12m ECL	36,114
Other item					
Financial guarantee contracts *(note b)*	*28*	N/A	Loss	Lifetime ECL – credit-impaired	10,679

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2020	**Past due**	**Not past due/no fixed repayment terms**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deposits and other receivables	–	34,725	34,725

2019	**Past due**	**Not past due/no fixed repayment terms**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deposits and other receivables (other than interest receivables from debt instruments at FVTOCI)	–	180,267	180,267

(b) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed (i.e. fair value of the collaterals offered by the Group) under the respective contracts.

The following tables show reconciliation of loss allowances that have been recognised for other receivables.

	12m ECL	**Lifetime ECL (credit-impaired)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 July 2018 (restated)	2,889	200	3,089
Impairment loss recognised	136	–	136
New financial assets originated	902	14,960	15,862
Foreign exchange gain	(18)	–	(18)
At 30 June 2019	3,909	15,160	19,069
Impairment loss recognised	5,720	–	5,720
Disposal of financial assets	(2,147)	(15,160)	(17,307)
Foreign exchange loss	18	–	18
At 30 June 2020	7,500	–	7,500

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for financial guarantee contracts.

	Lifetime ECL (credit-impaired)
	HK$'000
At 1 July 2018 (restated)	33,986
Impairment loss reversed	(23,307)
At 30 June 2019	10,679
Impairment loss reversed	(4,297)
At 30 June 2020	6,382

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

35. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity table

	Weighted average effective interest rate	On demand or less than 1 month *HK$'000*	1 month to 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 30 June *HK$'000*
2020							
Other payables	**–**	**381**	**–**	**–**	**–**	**381**	**381**
Amount due to an associate	**–**	**58**	**–**	**–**	**–**	**58**	**58**
Borrowings	**5%**	**10,246**	**44,303**	**10,097**	**–**	**64,646**	**62,975**
Financial guarantee contracts *(note 28)*	**–**	**6,382**	**–**	**–**	**–**	**6,382**	**6,382**
Lease liabilities	**5.75%**	**152**	**1,674**	**726**	**363**	**2,915**	**3,458**
		17,219	**45,977**	**10,823**	**363**	**74,382**	**73,254**
2019							
Other payables	–	380	–	–	–	380	380
Amount due to an associate	–	114	–	–	–	114	114
Borrowings	5%	475	12,675	54,096	–	67,246	62,975
Financial guarantee contracts *(note 28)*	–	10,679	–	–	–	10,679	10,679
		11,648	12,675	54,096	–	78,419	74,148

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy at 30 June 2020

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Equity instruments at FVTOCI:				
– Listed investments	33,536	–	–	33,536
– Unlisted investments	–	–	28,507	28,507
Financial assets at FVTPL:				
– Listed securities	107,372	–	–	107,372
– Unlisted equity investments	–	–	635,796	635,796
	140,908	–	664,303	805,211

Fair value hierarchy at 30 June 2019

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Equity instruments at FVTOCI:				
– Listed investments	70,740	–	–	70,740
– Unlisted investments	–	–	25,718	25,718
Debt instruments at FVTOCI:				
– Unlisted bond investments	–	–	302,234	302,234
Financial assets at FVTPL:				
– Listed securities	214,763	–	–	214,763
– Unlisted equity investments	–	–	313,408	313,408
	285,503	–	641,360	926,863

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (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 2020 and 2019:

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity investments classified as equity instruments at FVTOCI				
Micro-loan service	Market comparable companies	Price to book ratio ("PB ratio")	30 June 2020: 0.1846 to 1.0084 30 June 2019: 0.3247 to 0.9161	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 2020, the Group's OCI would have no impact (2019: increased by HK$226,000). Had the lowest PB ratio among the comparables been used as at 30 June 2020, the Group's OCI would have no impact (2019: decreased by HK$238,000).
		Lack of marketability discount ("LOMD")	30 June 2020: 28% 30 June 2019: 30%	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2020, the Group's OCI would have no impact (2019: increased by HK$37,000). Had the LOMD increased by 5% as at 30 June 2020, the Group's OCI would have no impact (2019: decreased by HK$37,000).

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity investments classified as equity instruments at FVTOCI				
Others	Market comparable companies	PB ratio	30 June 2020: 0.1846 to 1.0084 30 June 2019: 0.3247 to 0.9161	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 2020, the Group's OCI would have increased by HK$23,297,000 (2019: HK$12,982,000). Had the lowest PB ratio among the comparables been used as at 30 June 2020, the Group's OCI would have decreased by HK$19,024,000 (2019: HK$11,667,000).
		LOMD	30 June 2020: 28% 30 June 2019: 30%	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2020, the Group's OCI would have increased by HK$1,980,000 (2019: HK$1,800,000). Had the LOMD increased by 5% as at 30 June 2020, the Group's OCI would have decreased by HK$1,980,000 (2019: HK$1,800,000).

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity investments classified as financial assets at FVTPL				
Micro-loan service	Market comparable companies	PB ratio	30 June 2020: 0.1846 to 1.0084 30 June 2019: 0.3247 to 0.9161	The fair value is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used, the carrying amount would have increased by HK$43,825,000 (2019: HK$38,471,000). Had the lowest PB ratio among the comparables been used, the carrying amount would have decreased by HK$35,789,000 (2019: HK$34,575,000).
		LOMD	30 June 2020: 28% 30 June 2019: 30%	The fair value is negatively correlated to the LOMD. Had the LOMD decreased by 5%, the carrying amount would have increased by HK$3,724,000 (2019: HK$5,335,000). Had the LOMD increased by 5%, the carrying amount would have decreased by HK$3,724,000 (2019: HK$5,335,000).
Others	Market comparable companies	PB ratio	30 June 2020: 0.1846 to 2.1626 30 June 2019: nil	The fair value is positively correlated to the PB ratios. Had the highest PB ratio among the comparables been used, the carrying amount would have increased by HK$34,679,000 (2019: nil). Had the lowest PB ratio among the comparables been used, the carrying amount would have decreased by HK$13,796,000 (2019: nil).
		LOMD	30 June 2020: 9.6% to 28% 30 June 2019: nil	The fair value is negatively correlated to the LOMD. Had the LOMD decreased by 5%, the carrying amount would have increased by HK$1,453,000 (2019: nil). Had the LOMD increased by 5%, the carrying amount would have decreased by HK$1,453,000 (2019: nil).

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity investments classified as financial assets at FVTPL				
Others	Market comparable companies	Ratio of enterprise value over earnings before interest, tax depreciation and amortization ("EV/EBITD ratio")	30 June 2020: 0.37 to 19.21 30 June 2019: 1.10 to 11.60	The fair values of companies are also determined with reference to multiples of comparable listed companies, using average of the EV/EBITDA ratios of comparables. The fair value measurement is positively correlated to the EV/EBITDA ratios. Had the highest EV/EBITDA ratio amount the comparables been used as at 30 June 2020, the Group's profit or loss would have increased by HK$183,055,000 (2019: HK$63,362,000). Had the lowest EV/EBITDA ratio among the comparables been used as at 30 June 2020, the Group's profit or loss would have decreased by HK$79,527,000 (2019: HK$114,682,000)
		LOMD	30 June 2020: 24.4% to 28.6% 30 June 2019: 30%	The fair values of companies are also determined with reference to LOMD. The fair value measurement is negatively correlated to the LOMD. Had the LOMD decreased by 5% as at 30 June 2020, the Group's profit or loss would have increased by HK$28,084,000 (2019: HK$13,395,000). Had the LOMD increased by 5% as at 30 June 2020, the Group's profit or loss would have decreased by HK$28,084,000 (2019: HK$13,395,000).

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted bond investments classified as debt instruments at FVTOCI				
Hollys	Hull-White-One-Factor interest rate model	Credit spread	30 June 2020: nil 30 June 2019: 13.86%	The fair value measurement is negatively correlated to the credit spread. Had the credit spread decreased by 5% as at 30 June 2019, the Group's profit or loss would have increased by HK$2,491,000 (2020: nil). Had the credit spread increased by 5% as at 30 June 2019, the Group's profit or loss would have decreased by HK$2,352,000 (2020: nil).
Pure Unity, Talent Trend & Xing Yue	Hull-White-One-Factor interest rate model	Volatility	30 June 2020: nil 30 June 2019: 47.90%	The fair value is negatively correlated to the volatility. Had the volatility decreased by 5% as at 30 June 2019, the Group's profit or loss would have increased by HK$546,000 (2020: nil). Had the volatility increased by 5% as at 30 June 2019, the Group's profit or loss would have decreased by HK$518,000 (2020: nil).

There were no transfers between Level 1 and 2 during both years.

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(ii) Reconciliation of Level 3 fair value measurements

For the year ended 30 June 2020

	Financial assets at FVTPL (unlisted) *HK$'000*	Equity instruments at FVTOCI (unlisted) *HK$'000*	Debt instruments at FVTOCI (unlisted) *HK$'000*	Total *HK$'000*
Opening balance	313,408	25,718	302,234	641,360
Total losses:				
– in profit or loss	(48,962)	–	(55,471)	(104,433)
– in OCI	–	2,789	(55,471)	(52,682)
– reclassified from OCI to profit or loss	–	–	55,471	55,471
– exchange realignment	(10,396)	–	–	(10,396)
Purchases	381,746	–	–	381,746
Disposals	–	–	(246,763)	(246,763)
Closing balance	635,796	28,507	–	664,303

For the year ended 30 June 2019

	Financial assets at FVTPL (unlisted) *HK$'000*	Equity instruments at FVTOCI (unlisted) *HK$'000*	Debt instruments at FVTOCI (unlisted) *HK$'000*	Total *HK$'000*
Opening balance	266,694	48,006	458,568	773,268
Total losses:				
– in profit or loss	(128,589)	–	(161,824)	(290,413)
– in OCI	–	(10,909)	(156,334)	(167,243)
– reclassified from OCI to profit or loss	–	–	161,824	161,824
Purchases	175,303	–	–	175,303
Disposals	–	(11,379)	–	(11,379)
Closing balance	313,408	25,718	302,234	641,360

35. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

(ii) Reconciliation of Level 3 fair value measurements (continued)

Of the total losses for the year included in profit or loss, HK$48,962,000 (2019: HK$128,589,000) relates to financial assets at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL are included in "fair value loss on financial assets at FVTPL".

Included in OCI are gain of HK$2,789,000 and impairment loss of HK$55,471,000 (2019: loss of HK$10,909,000 and loss of HK$156,334,000) relating to unlisted equity securities classified as equity instruments at FVTOCI and unlisted bond investments classified as debt instruments at FVTOCI, respectively, held at the end of the current reporting period and are reported as changes of "financial assets at FVTOCI reserve".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in financial statements approximate their fair values due to short maturity.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *(note 26)* *HK$'000*	**Lease liabilities** *(note 27)* *HK$'000*	**Total** *HK$'000*
At 1 July 2018	62,975	–	62,975
Financing cash outflows	(3,150)	–	(3,150)
Finance costs	3,150	–	3,150
At 30 June 2019	62,975	–	62,975
Adjustment upon application of HKFRS 16	–	3,464	3,464
At 1 July 2019 (restated)	62,975	3,464	66,439
Financing cash outflows	(3,159)	(1,662)	(4,821)
Finance costs	3,159	196	3,355
New leases entered	–	1,997	1,997
Reversal of lease liabilities	–	(428)	(428)
Foreign exchange translation	–	(109)	(109)
At 30 June 2020	62,975	3,458	66,433

37. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2020	2019
	HK$'000	*HK$'000*
Investment management fee paid/payable to CFIIM *(note i)*	**951**	1,518
Legal advisory fees paid/payable to Michael Li & Co *(note ii)*	**141**	200

Notes:

(i) An investment management agreement (the "Investment Management Agreement") was entered into between the Company and 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 "2nd 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 2nd 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 2nd Investment Management Agreement expired on 28 April 2020 and a new investment management agreement (the "3rd Investment Management Agreement") was entered into accordingly on 27 April 2020 to renew the appointment of CFIIM as the investment manager of the Company for a further period of three years effective from 29 April 2020 to 28 April 2023. Pursuant to the 3rd 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.

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 in the annual report.

(ii) Michael Li & Co is a company controlled by the company secretary of the Company, Mr. Li Chi Chung, and provided various legal advisory services to the Group. Such transaction does not fall under the definitions of "connected transaction" or "continuing connected transaction" under the Listing Rules.

Compensation of key management personnel

The remuneration of directors of the Company who are considered as key management during the year is set out in note 12.

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Paid up issued/ registered capital	Proportion of ownership interest and voting power held directly by the Company		Principal activities and place of operation
			2020	2019	
Best Joy Asia Investment Limited	British Virgin Islands ("BVI")	US$1,000	**100%**	100%	Investment holding, Hong Kong
CFII (Nanchang)	BVI	US$10,000	**100%**	100%	Inactive
China Financial International Investments (Haerbin) Limited	BVI	US$10,000	**100%**	100%	Inactive
China Financial International Investments (Henan) Limited	BVI	US$10,000	**100%**	100%	Inactive
China Financial International Investments (Jiangxi) Limited	BVI	US$10,000	**100%**	100%	Investment holding, Hong Kong
Joy State	Hong Kong	HK$1	**100%**	100%	Investment holding, Hong Kong
Keyi (Shanghai)	PRC (as limited liability company (solely invested by a foreign legal person))	RMB200,000,000	**100%**	100%	Investment holding, PRC

39. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 30 June 2020, the Group entered into an agreement with Hollys to get the repayment of the outstanding principal and interests of the bond in return of the 30% equity interest investment in Mengzhou Houyuan with fair value of HK$150,065,000 on the swap date, with reference to the professional valuation carried out by an independent valuer.

(ii) During the year ended 30 June 2020, the Group entered into an agreement with Xing Yue to obtain the repayment of the outstanding principal and interests of the bonds in return of the equity investment in Nanyang Xinglong with fair value of HK$15,364,000 on the swap date, with reference to the professional valuation carried out by an independent valuer.

40. EVENT AFTER THE REPORTING PERIOD

On 7 September 2020, the Company injected another RMB30,000,000 to Zhongxin Bioenergy to fulfill its capital commitment to Zhongxing Bioenergy. The equity interest held by the Company remains 30%.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**89**	491
Right-of-use assets	**1,720**	–
Investments in subsidiaries	**245,149**	245,149
Interest in an associate	**290**	290
Financial assets at FVTPL	**95,989**	74,684
Equity instruments at FVTOCI	**62,043**	96,458
Amounts due from subsidiaries	**312,770**	164,881
Deposits	**306**	–
	718,356	581,953
CURRENT ASSETS		
Prepayments, deposits and other receivables	**26,509**	48,724
Financial assets at FVTPL	**107,372**	214,763
Debt instruments at FVTOCI	**–**	302,234
Amounts due from subsidiaries	**454**	443
Bank balances and cash	**979**	11,844
	135,314	578,008
CURRENT LIABILITIES		
Other payables and accruals	**3,662**	3,149
Amounts due to subsidiaries	**3,563**	3,563
Amount due to an associate	**58**	114
Tax payable	**4,200**	4,200
Borrowings	**52,978**	9,990
Lease liabilities	**643**	–
Financial guarantee contracts	**6,382**	10,679
	71,486	31,695
NET CURRENT ASSETS	**63,828**	546,313
TOTAL ASSETS LESS CURRENT LIABILITIES	**782,184**	1,128,266
NON-CURRENT LIABILITIES		
Lease liabilities	**1,097**	–
Borrowings	**9,997**	52,985
	11,094	52,985
NET ASSETS	**771,090**	1,075,281
CAPITAL AND RESERVES		
Share capital	**109,717**	109,717
Reserves	**661,373**	965,564
TOTAL EQUITY	**771,090**	1,075,281

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movements in the Company's reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note (i))*	Capital reserve *HK$'000* *(note (ii))*	Financial assets at FVTOCI reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2018 (restated)	2,067,672	278,979	2,766	(25,888)	(975,996)	1,347,533
Loss for the year	–	–	–	–	(342,490)	(342,490)
Other comprehensive expense for the year	–	–	–	(39,479)	–	(39,479)
Total comprehensive expense for the year	–	–	–	(39,479)	(342,490)	(381,969)
Transfer on disposal of equity instruments at FVTOCI	–	–	–	61,071	(61,071)	–
At 30 June 2019	2,067,672	278,979	2,766	(4,296)	(1,379,557)	965,564
Loss for the year	–	–	–	–	(264,286)	(264,286)
Other comprehensive expense for the year	–	–	–	(39,905)	–	(39,905)
Total comprehensive expense for the year	–	–	–	(39,905)	(264,286)	(304,191)
At 30 June 2020	**2,067,672**	**278,979**	**2,766**	**(44,201)**	**(1,643,843)**	**661,373**

Notes:

(i) The contribution surplus represents 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.

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

Five Year Financial Summary

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				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**21,613**	68,845	66,797	41,234	5,548
Loss before tax	**(218,500)**	(326,783)	(72,547)	(183,547)	(491,207)
Income tax (expense)/credit	**–**	(780)	(295)	(1,434)	1,678
Loss for the year	**(218,500)**	(327,563)	(72,842)	(184,981)	(489,529)
Other comprehensive income for the year, net of tax	**(50,489)**	(44,725)	(46,062)	(21,120)	25,732
Total comprehensive income for the year	**(268,989)**	(372,288)	(118,904)	(206,101)	(463,797)

ASSETS AND LIABILITIES

	As at 30 June				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**902,306**	1,166,192	1,586,175	1,672,103	1,855,766
Total liabilities	**(86,589)**	(81,486)	(126,092)	(93,116)	(70,678)
Total equity	**815,717**	1,084,706	1,460,083	1,578,987	1,785,088