THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Financial International Investments Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

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)

(I) PROPOSED SUBSCRIPTION FOR NEW SHARES;
(II) APPLICATION FOR WHITEWASH WAIVER;
AND
(III) NOTICE OF SGM

Financial Adviser to the Company

中國銀河國際
CHINA GALAXY INTERNATIONAL

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 10 to 45 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular.

A letter from the Independent Financial Adviser, Somerley Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 90 of this circular.

A notice convening the SGM to be held at Suites 5704-05, 57/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 6 March 2015 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall deemed be revoked.

15 January 2015

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Amended First Subscription Agreement"	the First Subscription Agreement as amended, modified and varied by the Deed of Novation and the First Subscription Supplemental Agreement
"Announcement"	the announcement dated 4 September 2014 published by the Company relating to, among other things, the Subscriptions and the Whitewash Waiver
"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"CB"	the convertible bond due on 27 December 2015 in an aggregate principal amount of HK$280,000,000 issued by the Company on 27 December 2012 to the holder thereof entitling the holder of the CB to convert into 560,000,000 Shares at the conversion price of HK$0.5 per Share upon exercise of the conversion right attached to the CB and as at the Latest Practicable Date, the CB is wholly and legally held by Grand Nation Global Limited, a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of the CB holder is owned by Huarong (HK) International Holdings Limited, a company incorporated in Hong Kong with limited liability on 2 January 2013, both Grand Nation Global Limited and Huarong (HK) International Holdings Limited and their ultimate beneficial owners are Independent Third Parties

"Company"	China Financial International Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange, under stock code: 0721
"Concert Parties"	has the meaning ascribed to it in the paragraph headed "Information required under the Takeovers Code" in the section headed "Letter from the Board" in this circular
"connected persons"	has the meaning ascribed to it in the Listing Rules and "connected" shall be construed accordingly
"Cooperative Agreements"	23 joint venture agreements and/or acquisition agreements previously entered into by the Group in respect of its investment in small loan companies and guarantee companies in the PRC and have not yet been completed as at the date of the First Subscription Agreement
"Deed of Novation"	a deed of novation, assignment and amendment dated 7 November 2014 and entered into among the Company, Wailianfa, Junjue and the Guarantors, pursuant to which the parties thereto agree, *inter alia*, that Wailianfa shall assign all its rights and novate all its obligations under the First Subscription Agreement to Junjue
"Directors"	the directors of the Company
"Disposals"	the disposals of the Unlisted Company Investments, Listed Company Investments, the termination of the Cooperative Agreements and the collection of the Other Receivables by the Company pursuant to the Amended First Subscription Agreement
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Completion"	completion of the Amended First Subscription Agreement in accordance with the terms therein

"First Guarantor" or "Mr. Du"	Du Lin Dong, an executive Director, chief executive officer of the Company and a substantial Shareholder as at the Latest Practicable Date, one of the guarantors to the Amended First Subscription Agreement
"First Subscription"	the subscription for the First Subscription Shares by the Nominee Subscriber at the nomination of Junjue pursuant to the Amended First Subscription Agreement
"First Subscription Agreement"	the subscription agreement dated 4 September 2014 and entered into among the Company, Wailianfa and the Guarantors in respect of the First Subscription
"First Subscription Price"	the subscription price of HK$0.20 per First Subscription Share
"First Subscription Shares"	the 11,500,000,000 new Shares to be subscribed by the Nominee Subscriber at the nomination of Junjue and to be allotted and issued pursuant to the Amended First Subscription Agreement
"First Subscription Supplemental Agreement"	the supplemental agreement dated 30 December 2014 and entered into among the Company, Junjue and the Guarantors in relation to the amendment and modification of certain terms to the First Subscription Agreement and the Deed of Novation
"Group"	the Company and its subsidiaries
"Guarantors"	together, the First Guarantor and the Second Guarantor
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all the non-executive Directors (other than Mr. Wang) and independent non-executive Directors established in compliance with Rule 2.8 of the Takeovers Code, who have no direct or indirect interest in the Amended First Subscription Agreement or the Whitewash Waiver

"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the First Subscription and the Whitewash Waiver
"Independent Shareholders"	the Shareholders, other than (i) Wailianfa together with parties acting in concert with it; (ii) Junjue together with parties acting in concert with it; (iii) the Nominee Subscriber together with parties acting in concert with it; (iv) the Guarantors and their associates; (v) the Second Subscriber and its associates; (vi) those who are involved in or interested in the Amended First Subscription Agreement or the Whitewash Waiver; and (vii) those who are required to abstain from voting in the SGM to consider and approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares and the Whitewash Waiver under the Listing Rules and the Takeovers Code
"Independent Third Party(ies)"	person(s) and their respective associates or, in the case of companies, their ultimate beneficial owner(s) and their respective associates, who are independent of and not connected with the Company and its subsidiaries and their respective connected persons
"Investment Manager"	China Financial International Investment & Managements Limited, a licensed corporation permitted to carry out type 9 (asset management) regulated activities under the SFO, and investment manager of the Company
"Junjue"	上海君爵投資中心(有限合夥)(Shanghai Junjue Investment Centre (Limited Partnership))#, a limited partnership established in the PRC, the successor to Wailianfa in the First Subscription Agreement pursuant to the Deed of Novation
"Last Trading Day"	11 July 2014, being the last trading day of the Shares immediately prior to the date of the Announcement

"Latest Practicable Date"	12 January 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listed Company Investments"	the investments of the Company in two companies whose shares are listed and traded on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
"Long Stop Date"	30 June 2015 or such other date as the parties to the Amended First Subscription Agreement may agree
"Nominee Subscriber"	United Talents Holdings Limited(聯傑控股有限公司), a company incorporated in the British Virgin Islands, further details of the Nominee Subscriber are set out in the paragraph headed "The Subscriptions – (A) The Amended First Subscription Agreement – The Reorganisation and the Nominee Subscriber" in the section headed "Letter from the Board" in this circular
"Other Receivables"	each of the account receivable of the Company which is more than HK$1,000,000 and arising from the loan advancement made by the Company and/or the dividend receivable from its investment
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Previous Subscription Agreement"	the agreement dated 13 July 2014 and entered into among the Company, Wailianfa, the Second Subscriber, the other subscriber, the First Guarantor and the Second Guarantor in relation to the subscriptions for 11,500,000,000 new Shares by Wailianfa, 880,000,000 new Shares by the Second Subscriber and 800,000,000 new Shares by the other subscriber which was subsequently terminated by a termination agreement dated 4 September 2014

"Relevant Period"	the period commencing on 4 March 2014, being the date falling six months prior to the date of publication of the Announcement, on 4 September 2014, and ending on the Latest Practicable Date
"Reorganisation"	the reorganisation of the group, which comprises Junjue, United Talents Development Limited and the Nominee Subscriber, details of which are set out in the paragraph headed "The Subscriptions – (A) The Amended First Subscription Agreement – The Reorganisation and the Nominee Subscriber" in the section headed "Letter from the Board" in this circular
"Second Completion"	completion of the Second Subscription Agreement in accordance with the terms therein
"Second Guarantor" or "Mr. Wang"	Wang Dehe, a non-executive Director and chairman of the Company, one of the guarantors to the Amended First Subscription Agreement
"Second Subscriber"	Regal Prosper International Limited (誠興國際有限公司), a company incorporated in the British Virgin Islands with limited liability, the subscriber for the Second Subscription Shares
"Second Subscription"	the subscription for the Second Subscription Shares by the Second Subscriber pursuant to the Second Subscription Agreement
"Second Subscription Agreement"	the subscription agreement dated 4 September 2014 (as amended, modified and varied by a supplemental agreement dated 7 November 2014 and second supplemental agreement dated 30 December 2014) and entered into between the Company and the Second Subscriber in respect of the Second Subscription
"Second Subscription Price"	the subscription price of HK$0.20 per Second Subscription Share

"Second Subscription Shares"	the 840,000,000 new Shares to be subscribed by the Second Subscriber and to be allotted and issued by the Company pursuant to the Second Subscription Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571, laws of Hong Kong) as amended and modified from time to time
"SGM"	the special general meeting of the Company to be convened and held at 11:00 a.m. on Friday, 6 March 2015 at Suites 5704-05, 57/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to approve, among other things, the Subscription Agreements, the Specific Mandates and the Whitewash Waiver
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company
"Specific Mandate(s)"	the authority to be sought from the Shareholders and/or Independent Shareholders (as the case may be) to authorise the Board to issue the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	collectively, the Amended First Subscription Agreement and the Second Subscription Agreement
"Subscription Shares"	collectively, the First Subscription Shares and the Second Subscription Shares
"Subscriptions"	collectively, the First Subscription and the Second Subscription
"Supplemental Announcement"	the announcement of the Company dated 7 November 2014, in relation to, *inter alia*, the Deed of Novation and the supplemental agreement to the Second Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Unlisted Company Investments"	the investments of the Company in equity interest of the following eight unlisted companies, which are small loan companies, a guarantee company and an investment and management consultation service company in the PRC, namely: (1) 30% equity interest in Jingdezhen CFI Guosen Microfinance Company Limited# (景德鎮市中金國信小額貸款有限責任公司); (2) 30% equity interest in Ezhou Zhongjinguotou Microfinance Limited# (鄂州市中金國投小額貸款有限責任公司); (3) 30% equity interest in Nanchang Donghu Zhongjincaixin Microfinance Company Limited# (南昌市東湖區中金財信小額貸款股份有限公司); (4) 30% equity interest in Ziyang Yanjiang CFI GuoSen Microfinance Company Limited# (資陽市雁江中金國信小額貸款股份有限公司); (5) 7.2% equity interest in Jiangxi Huazhang Hanchen Guarantee Group Limited# (江西華章漢辰擔保集團有限公司); (6) 30% equity interest in Tianjian Zhongjinxinke Microfinance Limited# (天津中金新科小額貸款有限公司); (7) 30% equity interest in Zhengzhou Economic Technological Development Mingyang Micro-loan Limited# (鄭州經濟技術開發區明陽小額貸款有限公司); and (8) 30% equity interest in Hubei Zhongjin Tech Financial Services Co., Ltd.
"Wailianfa"	Shanghai Wailianfa Industrial Development Limited# (上海外聯發實業發展有限公司), a company established in the PRC with limited liability, the party to the First Subscription Agreement who assigned all its rights and novated all its obligations under the First Subscription Agreement to Junjue pursuant to the Deed of Novation

"Whitewash Waiver"	a waiver from the obligation of the Nominee Subscriber to make a mandatory general offer to the Shareholders in respect of the Shares and other securities issued by the Company not already owned or agreed to be acquired by the Nominee Subscriber and the parties acting in concert with it as a result of the First Subscription in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

\# *the English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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)

Executive Directors:
Mr. Du Lin Dong *(Chief Executive Officer)*
Mr. Pong Po Lam

Non-executive Directors:
Mr. Wang Dehe *(Chairman)*
Mr. Sha Naiping
Mr. Ding Xiaobin

Independent non-executive Directors:
Dr. Cheung Wai Bun Charles, *J.P.*
Mr. Wan Hongchun
Mr. Zeng Xianggao

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 5704-05, 57/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

15 January 2015

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION FOR NEW SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF SGM

INTRODUCTION

On 4 September 2014, the Board announced that the Company entered into the First Subscription Agreement and the Second Subscription Agreement.

On 7 November 2014, the Company, Wailianfa, Junjue and the Guarantors entered into the Deed of Novation, pursuant to which the parties thereto agree, *inter alia*, that Wailianfa shall assign all its rights and novate all its obligations under the First Subscription Agreement to Junjue.

On 30 December 2014, the Company, Junjue and the Guarantors entered into the First Subscription Supplemental Agreement, pursuant to which the parties thereto agree, *inter alia*, (i) to modify the mechanism of the issue of the First Subscription Shares in order to comply with the public float requirement of the Listing Rules; (ii) to extend the Long Stop Date; (iii) to amend the lock-up undertakings given by Junjue in favour of the Company and the Guarantors and the lock up undertakings given by the First Guarantor in favor of Junjue; (iv) to extend the deadlines for the disposal of the Unlisted Company Investments, the termination of the Cooperative Agreements and collection and receipt of the Other Receivables respectively, and to set out the rights of Junjue should the Company fail to meet the new deadlines; and (v) to amend condition (17) in the paragraph headed "Conditions of the First Subscription" below.

On 7 November 2014 and 30 December 2014, the Company and the Second Subscriber entered into a supplemental agreement and second supplemental agreement respectively to modify and vary the Second Subscription Agreement, pursuant to which, the parties thereto agree, *inter alia*, to extend the date of completion of the Second Subscription and the long stop date for the fulfilment of the conditions precedent in the Second Subscription Agreement.

The Independent Board Committee comprises Mr. Sha Naiping and Mr. Ding Xiaobin, being two of the non-executive Directors, Dr. Cheung Wai Bun Charles, Mr. Wan Hongchun and Mr. Zeng Xianggao being all the independent non-executive Directors, all of whom not having direct or indirect interest in the Amended First Subscription Agreement or the Whitewash Waiver, has been established pursuant to Rule 2.8 of the Takeovers Code to consider and make recommendation to the Independent Shareholders in respect of the Amended First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver after taking into account the advice from the Independent Financial Adviser. Mr. Wang, the non-executive Director and chairman of the Board, is a party to the First Subscription Agreement, the Deed of Novation and the First Subscription Supplemental Agreement, respectively and is also involved in the negotiation of the Amended First Subscription Agreement. Mr. Wang is interested in and involved in the Amended First Subscription Agreement and is not eligible to be a member of the Independent Board Committee.

Somerley has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Amended First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The First Subscription involving the Whitewash Waiver and the Second Subscription are subject to a number of conditions as set out in the letter from the Board in this circular including, but not limited to, the passing of the relevant resolutions by the Independent Shareholders at the SGM. The purpose of this circular is to provide you with (i) further information in relation to the First Subscription and the Whitewash Waiver; (ii) the Second Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the First Subscription and the Whitewash Waiver; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders; and (v) the notice of the SGM.

THE SUBSCRIPTIONS

(A) The Amended First Subscription Agreement

(i) The First Subscription Agreement

Date: 4 September 2014

Parties:
(i) the Company;
(ii) Wailianfa;
(iii) the First Guarantor; and
(iv) the Second Guarantor.

(ii) The Deed of Novation

Date: 7 November 2014

Parties:
(i) the Company;
(ii) Wailianfa;
(iii) Junjue;
(iv) the First Guarantor; and
(v) the Second Guarantor.

Pursuant to the Deed of Novation, the parties thereto agree, *inter alia*, that the structure of the Reorganisation be revised, whereby Wailianfa removes itself from the group companies of the Nominee Subscriber and Wailianfa shall assign all its rights and novate all its obligations under the First Subscription Agreement to Junjue and the Long Stop Date be extended from 20 December 2014 to 23 January 2015.

(iii) The First Subscription Supplemental Agreement

Date: 30 December 2014

Parties: (i) the Company;

(ii) Junjue;

(iii) the First Guarantor; and

(iv) the Second Guarantor.

Pursuant to First Subscription Supplemental Agreement which the parties thereto agree, *inter alia*, (i) to modify the mechanism of the issue of the First Subscription Shares in order to comply with the public float requirement of the Listing Rules; (ii) to extend the Long Stop Date to 30 June 2015 or such other date as the parties to the Amended First Subscription Agreement may agree; (iii) to amend the lock-up undertakings given by Junjue in favour of the Company and the Guarantors and the lock up undertakings given by the First Guarantor in favour of Junjue; (iv) to extend the deadlines for the disposal of the Unlisted Company Investments, termination of the Cooperative Agreements and collection and receipt of the Other Receivables respectively, and to set out the rights of Junjue should the Company fail to meet the new deadlines; and (v) to amend condition (17) in the paragraph headed "Conditions of the First Subscription" below.

Junjue is a limited partnership established in the PRC on 17 March 2014. As at the Latest Practicable Date as a result of the completion of the Reorganisation, Junjue has six limited partners and a general partner. The six limited partners are (i) Shandong Xinneng New Materials Limited# (山東信能新材料有限公司) who has agreed to contribute 45.35% of the capital of Junjue and which in turn is owned as to 70% by Zhang Gang# (張剛), 10% by Sun Peilian# (孫培蓮), 10% by Zhou Huifang# (周輝放), 5.5% by Zhai Lu# (翟璐) and 4.5% by Yuan Zhigang# (袁志剛); (ii) Zhongqilian Holding Group Limited# (中企聯控股集團有限公司) who has agreed to contribute 22.68% of the capital of Junjue and which in turn is wholly owned by Ma Jun# (馬鈞); (iii) Shanghai Zhifu Kechuang Investment Limited# (上海智富科創投資有限公司) who has agreed to contribute 13.60% of the capital of Junjue and which in turn is owned as to 49% by Yan Yuewen# (嚴悅文) (also known as Yan Guangling# (嚴廣玲)) and 51% by Zhifu Enterprise Development (Group) Limited# (智富企業發展(集團)有限公司) which in turn is owned as to 80% by Ding Qinfu# (丁勤富) and 20% by Yan Yuewen# (嚴悅文) (also known as Yan Guangling# (嚴廣玲)); (iv) Shanghai Guangtong Shenzhou Network Communication Development Limited# (上海光通神洲網路通信發展有限公司) who has agreed to contribute 9.07% of the capital of Junjue and which in turn is wholly owned by Yuan Feng# (袁峰); (v) Shanxi Anze Investment Limited# (陝西安澤投資有限公司) who has agreed to contribute 4.53% of the capital of Junjue and which in turn is owned as to 51% by Wang Wenjun# (王文軍) and 49% by Chen Hong# (陳紅); and (vi) Shanghai Shengjin Investment Company Limited# (上海聖金投資有限公司) who has agreed to contribute 2.04% of the capital of Junjue and which in turn is wholly owned by Shanghai Hemiao Investment Company Limited# (上海河苗投資有限公司) which in turn is owned as to 58.33% by Chen Yue# (陳越) and 41.67% by Chen Hui# (陳輝). The general partner is Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司) who has agreed to contribute 2.73% of the capital of Junjue and which in turn is owned as to 55% by Dian Guohua# (典國華), 35% by Zhu Zemin# (朱澤民) and 10% by Hu Dehua# (胡德華).

Junjue is a limited partnership solely established for the purpose of investing in the Company. The permitted business scope of Junjue includes, *inter alia*, asset management, enterprise investment, investment consultancy, financial consultancy, etc. As at the Latest Practicable Date, Junjue has not made any investment.

As confirmed by Junjue, (i) it and its ultimate beneficial owners as at the Latest Practicable Date, did not know the Second Subscriber and/or its ultimate beneficial owner prior to entering into the Previous Subscription Agreement; (ii) it will finance the subscription money payable by it under the Amended First Subscription Agreement by its own funding or borrowings and is not related to the Second Subscriber and its ultimate beneficial owner; (iii) it, its ultimate beneficial owners and parties acting in concert with any of them have no agreement, arrangement or understanding (whether formal or informal) with the Second Subscriber and/or its ultimate beneficial owner in relation to the Previous Subscription Agreement, the Subscriptions and/or otherwise; and (iv) it is not actively co-operating with the Second Subscriber and/or its ultimate beneficial owner and parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

Junjue, the Nominee Subscriber and their respective ultimate beneficial owners do not own or have control or direction over any Shares as at the date of the First Subscription Agreement and as at the Latest Practicable Date and Junjue, the Nominee Subscriber and their respective ultimate beneficial owners upon completion of the Reorganisation are parties independent of the Company and the connected persons of the Company and as confirmed by Junjue and the Nominee Subscriber, each of Junjue and the Nominee Subscriber is a high net worth professional investor under the Securities and Futures (Professional Investor) Rules respectively.

Number of First Subscription Shares

Pursuant to the Amended First Subscription Agreement, Junjue has conditionally agreed to procure the Nominee Subscriber to subscribe for and the Company has conditionally agreed to allot and issue 11,500,000,000 new Shares (representing (i) approximately 246.75% of the entire issued share capital of the Company as at the date of the First Subscription Agreement, (ii) approximately 246.17% of the entire issued share capital of the Company as at the Latest Practicable Date; (iii) approximately 71.11% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the First Subscription Shares; and (iv) approximately 67.60% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Subscription Shares).

The First Subscription Price

The First Subscription Price of HK$0.2 per First Subscription Share represents (i) a discount of approximately 66.67% to the closing price of HK$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 65.40% to the average of the closing prices of HK$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 13.44% over the audited net asset value per Share of HK$0.1763 as at 30 June 2014; and (iv) a discount of approximately 75.31% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The First Subscription Price is the same as the Second Subscription Price. The First Subscription Price was arrived at after arm's length negotiations between the Company and Wailianfa with reference to *inter alia*, the liquidity, the recent trading performance of the Shares and the volume of the First Subscription Shares to be subscribed for under the First Subscription Agreement. The Directors (including the non-executive Directors and the independent non-executive Directors) consider that the First Subscription Price and the terms of the Amended First Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the First Subscription

The completion of the First Subscription is conditional upon:

(1) the Company and/or the Guarantors not having breached any of the undertakings and warranties given by the Company and the Guarantors in the Amended First Subscription Agreement and such undertakings and warranties remaining true and accurate in all respects and not misleading;

(2) the Company is in compliance with all its undertakings given in favour of Junjue pending completion as set out in the paragraph headed "Undertakings pending First Completion" below;

(3) the Executive granting the Whitewash Waiver (in connection with the First Subscription) to the Nominee Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(4) if applicable, the Disposals having been approved by the Stock Exchange;

(5) the obtaining of all necessary consent and approval by the Company, including but not limited to passing by the Board and the Independent Shareholders at the SGM, among other things, the necessary resolutions to approve the Amended First Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver);

(6) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the First Completion);

(7) the Bermuda Monetary Authority granting consent to (if required) the issue of the First Subscription Shares (and such consent not being subsequently revoked prior to the First Completion);

(8) the obtaining of a Bermuda legal opinion (in such form as agreed between Junjue and the Company) in relation to the Amended First Subscription Agreement and the transactions contemplated thereunder, at the cost and expense of the Company;

(9) the obtaining of a PRC legal opinion (in such form as agreed between Junjue and the Company) in relation to the Disposals and the business of the Company in the PRC, at the cost and expense of the Company;

(10) all parties to the Amended First Subscription Agreement having signed all relevant documents in connection with the First Subscription;

(11) fulfillment of all the terms and conditions and there is no breach of the Amended First Subscription Agreement;

(12) the establishment of the Nominee Subscriber by Junjue and obtaining of all necessary consent and approval (including but not limited to the foreign-exchange approval) by Junjue;

(13) Junjue has legally transferred all the necessary funding in respect of the First Subscription to the designated bank account of the Nominee Subscriber which can be freely applied;

(14) the obtaining of all necessary consent and approval by Junjue, including but not limited to passing by the partners of Junjue the necessary resolutions to approve the Amended First Subscription Agreement and the transactions contemplated thereunder;

(15) the obtaining of all necessary consent and approval by Junjue from the relevant PRC competent authorities (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the foreign exchange department and/or other relevant local authorities in the PRC);

(16) the completion of the Disposals in accordance with applicable laws, regulations, government policies, the Listing Rules and the terms of the Amended First Subscription Agreement;

(17) First Guarantor having created a share charge to charge 500,000,000 Shares, representing approximately 10.70% of the entire issued share capital of the Company as at the Latest Practicable Date, indirectly owned by him in favour of Junjue on or before the day immediately preceding the date of despatch of this circular; and 160,384,830 Shares, representing approximately 3.44% of the entire issued share capital of the Company as at the Latest Practicable Date, directly owned by him in favour of Junjue on or before 6 March 2015 to guarantee the performance of obligations of the Company and the Guarantors under the Amended First Subscription Agreement and has delivered to Junjue the relevant instrument(s) of transfer and sold note(s) signed in blank; and

(18) completion of the Reorganisation.

Junjue has the right to waive the conditions numbered (1), (2), (8), (9), (10), (11), (16) and/or (17) above, save as the aforesaid, none of the above conditions can be waived by any parties to the Amended First Subscription Agreement. All parties to the Amended First Subscription Agreement shall use all endeavours to procure the fulfillment (or waiver as the case may be) of all the conditions above by the Long Stop Date or such other date as the parties to the Amended First Subscription Agreement may agree.

In the event that the Company fails to perform its obligations in accordance with the sub-paragraph headed “The Unlisted Company Investments” under the paragraph headed “The Disposals” below, or Mr. Du fails to fulfill condition (17) above, according to the time and manner provided in the Amended First Subscription Agreement, Junjue has the right to terminate the Amended First Subscription Agreement forthwith and claim damages against the Company and/or Mr. Du.

Subject to the aforesaid, if the other conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date and the parties to the Amended First Subscription Agreement have not agreed to extend the Long Stop Date within 15 days after the expiry of the Long Stop Date, the Amended First Subscription Agreement will terminate and cease to be effective, upon which neither party shall have obligations and liabilities thereunder save for any antecedent breach.

As at the Latest Practicable Date, condition (18) has been fulfilled. Other than the aforesaid, none of the conditions have been fulfilled.

The Amended First Subscription Agreement and the Second Subscription Agreement are not inter-conditional.

Obligation of the Guarantors

Pursuant to the Amended First Subscription Agreement, each of the Guarantors has undertaken to Junjue the due and punctual performance by the Company (including but not limited to the fulfillment of the conditions by the Company and due performance of the Disposals) under the Amended First Subscription Agreement and further undertakes to compensate and indemnify Junjue against all liabilities, losses, costs and expenses suffered or incurred by Junjue in connection with any default of the Company in the performance of such obligations.

The parties to the Amended First Subscription Agreement further agree that Junjue shall have the right to engage an international accounting firm to perform audit review on the financial statements of the Group as of the Business Day immediately before the date of the First Completion (or the date of the first tranche of the First Completion should the First Completion take place in two tranches).

Pursuant to the Deed of Novation, Mr. Du undertakes to Junjue that in the event that the audited net asset value per Share on the Business Day immediately before the First Completion is lower than the unaudited net asset value per Share of HK$0.19 as at 30 June 2014 as disclosed by the Company on 10 July 2014, Mr. Du would compensate the Company on a dollar-to-dollar basis which is calculated based on the following formula:

> *the product of (i) the number of issued Shares of 4,660,634,030 Shares as at the date of the First Subscription Agreement (i.e. 4 September 2014); and (ii) the difference between the audited net asset value per Share on the Business Day immediately before the date of the First Completion (or the date of the first tranche of the First Completion should the First Completion take place in two tranches) and the unaudited net asset value per Share of HK$0.19 as at 30 June 2014 as disclosed by the Company on 10 July 2014*

For the avoidance of doubt, Mr. Du needs not to take into account the First Subscription Shares or the Second Subscription Shares for calculating the compensation as none of the Subscription Shares have been in issue as at 4 September 2014.

In case that Mr. Du is required to compensate the Company, Mr. Du shall pay the said compensation to the Company within 10 Business Days from the date of Junjue's notice.

Without prejudice to the foregoing, the Company and the Guarantors are liable to compensate Junjue (i) all costs and expenses incurred by Junjue in connection with the Amended First Subscription Agreement; and (ii) other damages incurred by Junjue, if:

(1) there is any antecedent breach by the Company and/or the Guarantors under the Amended First Subscription Agreement;

(2) the Company contacts or enters into any negotiation (either verbally or in writing) with other third party(ies) (save and except the Second Subscriber) about subscription of Shares;

(3) there is intentional delay in convening the SGM by the Company; and/or

(4) the non-fulfillment of any conditions due to the default of the Company and/or the Guarantors.

Completion of the First Subscription

The First Completion will take place within ten Business Days after the conditions of the First Subscription have been fulfilled or waived (as the case may be). At the First Completion, if the issue of the entire First Subscription Shares will result in the public float of the Shares falling below 25% of the then total issued share capital of the Company as required under the Listing Rules, the First Completion shall take place in two tranches, whereby the first tranche of 11,000,000,000 new Shares will be allotted and issued to the Nominee Subscriber at the total consideration of HK$2,200,000,000 at HK$0.2 per First Subscription Share, while the second tranche of 500,000,000 new Shares will be allotted and issued to the Nominee Subscriber at the total consideration of HK$100,000,000 at HK$0.2 per First Subscription Share on the day of the completion of the below event (a), (b) or (c); or on the third day from the date of event (d), whichever date is earlier,

(a) the Second Subscription is completed;

(b) if the Second Completion does not take place on or before 29 July 2015, the Company shall arrange for the placement (the "**Placing**") of 130,000,000 new Shares within three months from the date of the first tranche of the First Completion;

(c) if the Second Subscription and the Placing cannot be completed within three months from the date of the first tranche of the First Completion, Junjue shall release the charge of 130,000,000 Shares directly or indirectly owned by the First Guarantor created in favour of Junjue and the First Guarantor undertakes to sell or procure his controlled corporation, namely Rightfirst Holdings Limited, to sell such 130,000,000 Shares to Independent Third Parties within one month from the date of release of the said charge; or

(d) any reason not relating to items (a), (b) or (c) above, but in the event there is not less than 25% shareholdings of the Company being held by the public immediately upon the allotment and issue of the remaining 500,000,000 new Shares.

At each tranche of the First Completion, Junjue shall effect payment of the respective First Subscription Price in full, and the Company shall simultaneously, among other things, allot and issue the respective First Subscription Shares to the Nominee Subscriber and deliver the relevant share certificate(s) to the Nominee Subscriber.

The Reorganisation and the Nominee Subscriber

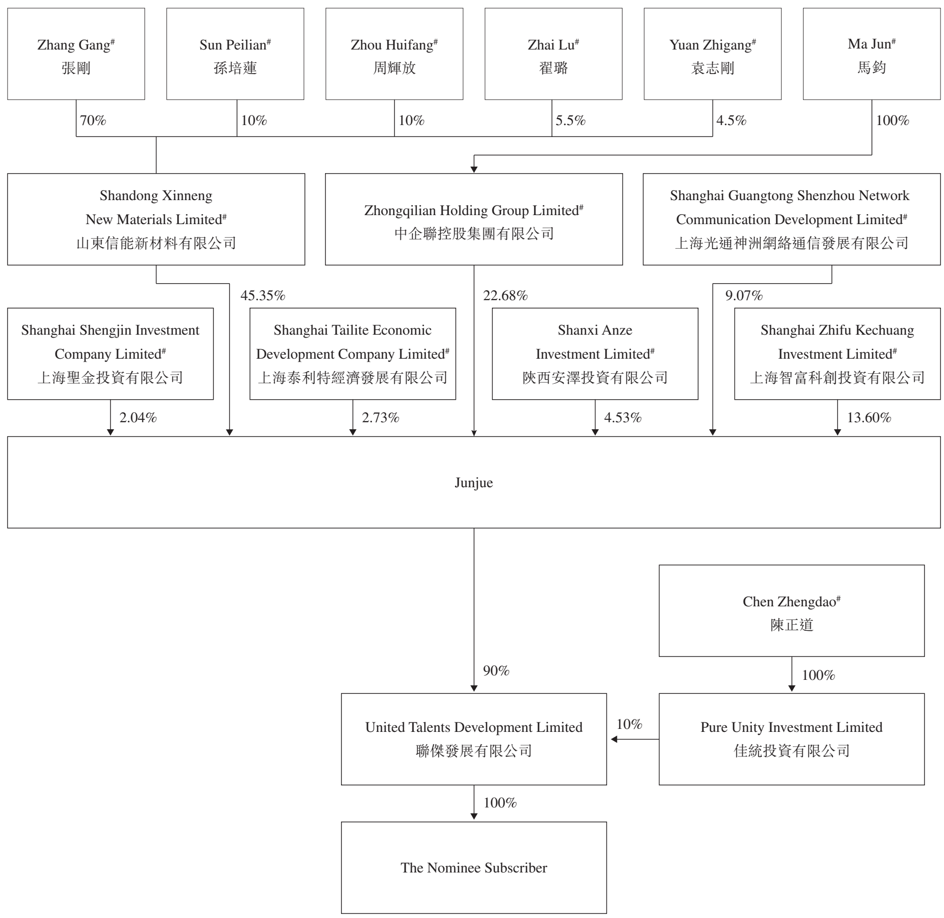
The Nominee Subscriber, namely United Talents Holdings Limited (聯傑控股有限公司), is an investment holding company incorporated under the laws of the British Virgin Islands on 28 July 2014.

As at the date of the First Subscription Agreement, the Nominee Subscriber was wholly owned by United Talents Development Limited, which was, in turn, held as to 90% by Junjue and 10% by Pure Unity Investment Limited. The capital of Junjue was agreed to be contributed as to 97.5% by its limited partner, Wailianfa, and 2.5% by its general partner, Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司).

Pursuant to the Amended First Subscription Agreement, the group, which comprises Junjue, United Talents Development Limited and the Nominee Subscriber, has carried out the Reorganisation. According to the Reorganisation, Wailianfa has transferred all its committed capital contribution in Junjue to its then two shareholders, namely Shanghai Shengjin Investment Company Limited# (上海聖金投資有限公司) and Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司) and five other independent investors, namely (i) Shandong Xinneng New Materials Limited# (山東信能新材料有限公司); (ii) Zhongqilian Holding Group Limited# (中企聯控股集團有限公司); (iii) Shanghai Zhifu Kechuang Investment Limited# (上海智富科創投資有限公司); (iv) Shanghai Guangtong Shenzhou Network Communication Development Limited# (上海光通神洲網路通信發展有限公司); and (v) Shanxi Anze Investment Limited# (陝西安澤投資有限公司). Upon completion of the Reorganisation, Wailianfa no longer has interest in Junjue.

As at the Latest Practicable Date, the Reorganisation has been completed and as a result of the Reorganisation, Junjue has six limited partners and a general partner. The six limited partners are (i) Shandong Xinneng New Materials Limited# (山東信能新材料有限公司) who has agreed to contribute 45.35% of the capital of Junjue and which in turn is owned as to 70% by Zhang Gang# (張剛), 10% by Sun Peilian# (孫培蓮), 10% by Zhou Huifang# (周輝放), 5.5% by Zhai Lu# (翟璐) and 4.5% by Yuan Zhigang# (袁志剛); (ii) Zhongqilian Holding Group Limited# (中企聯控股集團有限公司) who has agreed to contribute 22.68% of the capital of Junjue and which in turn is wholly owned by Ma Jun# (馬鈞); (iii) Shanghai Zhifu Kechuang Investment Limited# (上海智富科創投資有限公司) who has agreed to contribute 13.60% of the capital of Junjue and which in turn is owned as to 49% by Yan Yuewen# (嚴悦文) (also known as Yan Guangling# (嚴廣玲)) and 51% by Zhifu Enterprise Development (Group) Limited# (智富企業發展(集團)有限公司) which in turn is owned as to 80% by Ding Qinfu# (丁勤富) and 20% by Yan Yuewen# (嚴悦文) (also known as Yan Guangling# (嚴廣玲)); (iv) Shanghai Guangtong Shenzhou Network Communication Development Limited# (上海光通神洲網路通信發展有限公司) who has agreed to contribute 9.07% of the capital of Junjue and which in turn is wholly owned by Yuan Feng# (袁峰); (v) Shanxi Anze Investment Limited# (陝西安澤投資有限公司) who has agreed to contribute 4.53% of the capital of Junjue and which in turn is owned as to 51% by Wang Wenjun# (王文軍) and 49% by Chen Hong# (陳紅); and (vi) Shanghai Shengjin Investment Company Limited# (上海聖金投資有限公司) who has agreed to contribute 2.04% of the capital of Junjue and which in turn is wholly owned by Shanghai Hemiao Investment Company Limited# (上海河苗投資有限公司) which in turn is owned as to 58.33% by Chen Yue# (陳越) and 41.67% by Chen Hui# (陳輝). The general partner is Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司) who has agreed to contribute 2.73% of the capital of Junjue and which in turn is owned as to 55% by Dian Guohua# (典國華), 35% by Zhu Zemin# (朱澤民) and 10% by Hu Dehua# (胡德華). The shareholdings of the Nominee Subscriber and United Talents Development Limited remain unchanged.

The corporate chart of the group comprising the Nominee Subscriber upon completion of the Reorganisation as at the Latest Practicable Date is shown below:



Zhongqilian Holding Group Limited# (中企聯控股集團有限公司) is a limited liability company established in the PRC on 4 November 2010 and is wholly owned by Ma Jun# (馬鈞), an Independent Third Party. Zhongqilian Holding Group Limited# (中企聯控股集團有限公司) is principally engaged in project investment, investment management and asset management.

Shandong Xinneng New Materials Limited# (山東信能新材料有限公司) is a limited liability company established in the PRC on 21 August 2006 and is owned as to 70% by Zhang Gang# (張剛), 10% by Sun Peilian# (孫培蓮), 10% by Zhou Huifang# (周輝放), 5.5% by Zhai Lu# (翟璐) and 4.5% by Yuan Zhigang# (袁志剛), who are all Independent Third Parties. Shandong Xinneng New Materials Limited# (山東信能新材料有限公司) is principally engaged in the manufacture, process and sale of aluminum products and is a leading company in the aluminium industry in the PRC. It also carries out active investment activities using the revenue generated from its principal business.

As confirmed by Junjue, the Nominee Subscriber, the direct and indirect shareholders of the Nominee Subscriber and their respective ultimate beneficial owners are Independent Third Parties.

Undertakings pending First Completion

The Company shall from the date of the First Subscription Agreement until the First Completion sufficiently consult with Junjue in relation to any matters which may have material effect upon the Company or its operation and financial position, in particular, the Company shall:

(1) continue to carry on its business in the ordinary course in accordance with all applicable laws, regulations, rules, standards and other lawful requirements;

(2) settle all debts incurred in the ordinary course of business within applicable credit periods;

(3) inform Junjue forthwith any change in the business of the Company with full particulars of such change;

(4) disclose to Junjue forthwith all relevant information relating to the occurrence of any event or circumstance (whether existing at or prior to the date of the First Subscription Agreement or occurring thereafter) that may result in breaching any of the provision of the Amended First Subscription Agreement or any of the warranties thereunder;

(5) allow Junjue or its authorised persons to inspect the books and records of the Company with reasonable prior notice and provide copies of the books and records of the Company at the request of Junjue, and instruct its Directors and employees to promptly provide all such information and examinations as requested by such authorised persons of Junjue; and

(6) duly observe all the undertakings given by the Company and the Guarantors under the Amended First Subscription Agreement.

The Company shall not, from the date of the First Subscription Agreement until the First Completion, except with the prior written consent of Junjue,

(a) carry out any investment or undertake or sign any agreement or document to invest in any new projects;

(b) change, widen or decrease the scope of the current business of the Company;

(c) waive or relinquish any right in any debt or guarantee;

(d) create encumbrance on any asset, property or investment of the Company;

(e) provide any guarantee in favour of any third party;

(f) alter its memorandum of association or bye-laws;

(g) increase or reduce the capital of the Company or create any related scheme;

(h) enter into demerger, amalgamation or merger with any other company or any related scheme;

(i) wind up, liquidate or terminate the operation of the Company;

(j) declare, make and pay any dividend or distribution to the Shareholders;

(k) change the composition or members of the Board;

(l) sell or offer to sell any securities of the Company, including but not limited to bonds, convertible bonds or option to any individuals, corporations, organizations or entities;

(m) set up any share incentive scheme;

(n) provide any financial assistance to any individuals, corporations, organizations or entities;

(o) borrow moneys from any individuals, corporations, organizations or entities;

(p) lend moneys to any individuals, corporations, organizations or entities;

(q) formulate any budget, plan, arrangement and scheme resulting in any one-off or accumulative expenditure exceeding HK$500,000;

(r) lease, acquire, dispose of or sub-lease of any asset and property;

(s) conduct any placing, rights issue, share issue or issue of convertible securities;

(t) alter its authorised share capital;

(u) conduct any share consolidation, sub-division or capitalisation issue;

(v) alter the rights attaching to any retirement scheme or employee compensation scheme of the Company including conferring or setting up or declaration of conferring or setting up any scheme that provides additional payment to the retirement scheme or employee compensation scheme;

(w) commence, defend or settle or agree to settle any legal, administrative or arbitration proceedings;

(x) do any act resulting in breach of the Amended First Subscription Agreement or causing the Company to incur any liabilities;

(y) do or not do or allowing any third party doing or not doing any act which results in breach of the warranties and other terms of the Amended First Subscription Agreement;

(z) transfer or sub-licence any qualification, permit, licence to any third party(ies) save and except for Junjue; and

(aa) alter the organization of the Company.

The Disposals

The Unlisted Company Investments

Pursuant to the Amended First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Unlisted Company Investments, for a total cash consideration of not less than HK$608,000,000 (the "**Total Unlisted Company Investments Consideration**") and shall have received the cash consideration on or before 6 March 2015; the Company shall, in respect of the disposal of the Unlisted Company Investments, perform and complete the registration of the respective share transfer of the Unlisted Company Investments with the relevant Administration of Industry and Commerce in the PRC, which in total, represent (a) not less than 90% of Total Unlisted Company Investments Consideration on or before 30 April 2015; and (b) the entire Total Unlisted Company Investments Consideration by 31 May 2015 (except with written consent from Junjue for the extension).

The disposals of 30% interests in each of Zhengzhou Economic Technological Development Mingyang Micro-loan Limited# (鄭州經濟技術開發區明陽小額貸款有限公司) and Tianjin Zhongjinxinke Microfinance Limited# (天津中金新科小額貸款有限公司) has been completed as at the Latest Practicable Date. On 25 November 2014, the Company entered into disposal agreements for five Unlisted Company Investments (save for Hubei Zhongjin Tech Financial Services Co., Ltd.), and on 23 December 2014, the Company entered into a disposal agreement for Hubei Zhongjin Tech Financial Services Co., Ltd.. Completion of those six disposal agreements will be subject to obtaining the approval from and having completed the registration with the relevant government authorities. Each of the purchasers to the disposal agreements and its respective ultimate beneficial owners are Independent Third Parties and each of the purchasers and its ultimate beneficial owners are not connected with any other purchasers to the disposal agreements. As advised by the Company's PRC legal adviser, there is no legal impediment in obtaining such approvals and completing the registration with the relevant government authorities subject to compliance with the relevant PRC laws and regulations. The total consideration for the disposal of the Unlisted Company Investments amounts to HK$603.26 million and therefore the Guarantors shall compensate Junjue the difference of HK$4.74 million pursuant to the Amended First Subscription Agreement. Further announcement(s) will be made by the Company should there be any material changes to the terms of the disposal agreements or the disposal agreements have not been completed.

None of the disposal agreements in relation to the disposal of the Unlisted Company Investments constituted (i) "special deals" under Rule 25 of the Takeovers Code; or (ii) notifiable transactions and/or connected transactions under the Listing Rules on the part of the Company. At at the Latest Practicable Date, none of the said disposal agreements have been completed.

The Listed Company Investments

Pursuant to the Amended First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Listed Company Investments for a total cash consideration of not less than HK$138,000,000. Such disposal shall be completed before the date of SGM. The Guarantors shall compensate Junjue the difference on dollar to dollar basis in the event that the total cash consideration received from the disposal of the Listed Company Investments is less than HK$138,000,000.

On 25 November 2014, the Company entered into separate agreements to dispose of (i) 12,369,000 shares of Hidili Industry International Development Limited at HK$0.72 per share, representing a discount of 10% to the 5-day average closing price before the date of signing; and (ii) a total of 196,735,429 shares of China City-Infrastructure Group Limited (formerly known as China Water Property Group Limited) held by the Group at HK$0.71 each, representing a discount of 9.7% to the 5-day average closing price before the date of signing. The total consideration for the disposal of the Listed Company Investments amounts to HK$148.6 million and therefore the Guarantors are not required to compensate Junjue pursuant to the Amended First Subscription Agreement. Each of the purchasers to the disposal agreements and its respective ultimate beneficial owners are Independent Third Parties and each of the purchasers and its ultimate beneficial owners are not connected with any other purchasers to the disposal agreements. Further announcement(s) will be made by the Company should there be any material changes to the terms of the disposal agreements or the disposal agreements have not been completed.

None of the disposal agreements in relation to the disposal of the Listed Company Investments constituted (i) "special deals" under Rule 25 of the Takeovers Code; or (ii) notifiable transactions and/or connected transactions under the Listing Rules on the part of the Company. As at the Latest Practicable Date, none of the said disposal agreements have been completed.

The Cooperative Agreements

Pursuant to the Amended First Subscription Agreement, the Company shall terminate and the Guarantors shall procure the Company to terminate 23 Cooperative Agreements by 30 April 2015. As at the Latest Practicable Date, all the Cooperative Agreements are no longer legally enforceable except for 3 Cooperative Agreements which are in the process of being terminated, and are expected to be terminated on or before 30 April 2015. The Company has entered into termination agreements for 12 Cooperative Agreements, and 8 Cooperative Agreements, as advised by the PRC legal adviser, are no longer legally enforceable and are deemed to have been terminated as the required approvals from the relevant government authorities have not been obtained within the agreed timeframe. Further announcement(s) will be made by the Company if the Cooperative Agreements have not been terminated.

The Other Receivables

Pursuant to the Amended First Subscription Agreement, the Company shall collect and receive and the Guarantors shall procure the Company to collect and receive the Other Receivables in a total sum of not less than HK$49,581,191.46 by 30 April 2015. The Guarantors shall compensate Junjue the difference on dollar to dollar basis in the event that the total cash received from the Other Receivables is less than HK$49,581,191.46. As at the Latest Practicable Date, the Company had collected and received HK$31,874,578.39 of the Other Receivables, and the outstanding balance of Other Receivables as at the Latest Practicable Date is as follows:

	HK$
Receivable from an Independent Third Party	4,199,354.00
Dividend receivables	13,507,259.07
	17,706,613.07

Further announcement(s) will be made by the Company if the Other Receivables have not been collected and received.

Pursuant to the Amended First Subscription Agreement, the Company shall not dispose of any of the assets under the Disposals to any parties to the Amended First Subscription Agreement or their respective directors or shareholders or any of their respective associates or to any Shareholder and party that may render such disposal a "special deal" under Rule 25 of the Takeovers Code. Pursuant to the Amended First Subscription Agreement, Junjue shall or shall procure its directors or shareholders or its associates or the Nominee Subscriber and the parties acting in concert with it not to acquire any assets under the Disposals or shall procure any party not to acquire any assets under the Disposals if the said acquisition under the Disposals may constitute a "special deal" under Rule 25 of the Takeovers Code. The Company has entered into disposal agreements with Independent Third Parties relating to the disposal of the Unlisted Company Investments and the Listed Company Investments respectively.

Lock-up undertakings

(A) Junjue agreed that from the date of the first tranche of the First Completion until the second anniversary thereof, Junjue warrants and undertakes the Nominee Subscriber not to dispose of any of the 11,500,000,000 First Subscription Shares in the secondary market, namely on the Stock Exchange, without the prior consent of the Guarantors. If the Nominee Subscriber has disposed of any of the First Subscription Shares off the Stock Exchange, Junjue warrants and undertakes that the relevant transferee not to dispose of any of the 11,500,000,000 First Subscription Shares on the Stock Exchange; and

(B) The First Guarantor agreed that from the date of the first tranche of the First Completion until the second anniversary thereof, he shall in any event not dispose of any of the Shares directly or indirectly owned by him (no less than 660,384,830 Shares, representing approximately 14.14% of the entire issued share capital of the Company as at the Latest Practicable Date) save and except (a) the disposal of up to 130,000,000 Shares by the First Guarantor for the purpose of maintaining the public float in compliance with the Listing Rules; and (b) the disposal of Shares upon enforcement of the share charge created by the First Guarantor and Rightfirst Holdings Limited in favour of Junjue.

Nomination of Directors

Pursuant to the Amended First Subscription Agreement, upon the First Completion, the Company shall procure the change in the constitution of the Board in compliance with the Listing Rules so that the new Board will comprise 9 members of which 3 are executive Directors, 3 are non-executive Directors and 3 are independent non-executive Directors. Junjue shall have the right to nominate a majority of the executive Directors and the non-executive Directors. The appointment of the Directors nominated by Junjue shall be carried out in accordance with the normal procedures of the Company for appointment of Directors.

Termination of the Amended First Subscription Agreement

Junjue has the right to terminate the Amended First Subscription Agreement upon Junjue becoming aware of any of the following events before the First Completion (whether such event exists on or prior to the date of the First Subscription Agreement or occurring thereafter):

1. the Company and/or the Guarantors is/are in breach of any term of the Amended First Subscription Agreement;

2. there is any material adverse change in the business, financial position and prospect of the Company;

3. the warranty(ies) is/are found untrue, inaccurate and/or incomplete; and

4. in the opinion of Junjue, the occurrence of any event that will hinder the realisation of its commercial purpose for entering into the Amended First Subscription Agreement.

In the event that the Company fails to perform its obligations in accordance with the paragraph headed "The Disposals – The Unlisted Company Investments" in this letter above, or Mr. Du fails to fulfill condition (17) set out in the paragraph headed "Conditions of the First Subscription" above relating to the creation of share charge by Mr. Du and/or Rightfirst Holdings Limited in favour of Junjue according to the time and manner provided in the Amended First Subscription Agreement, Junjue has the right to terminate the Amended First Subscription Agreement and claim damages against the Company and/or Mr. Du.

Save for Junjue having the right to terminate the Amended First Subscription Agreement, the other parties to the Amended First Subscription Agreement do not have such right of termination.

Source of funds

The Nominee Subscriber will finance the total subscription price payable under the First Subscription by bank borrowings and capital contributions by its ultimate shareholders.

(B) The Second Subscription Agreement

Date: a subscription agreement dated 4 September 2014 and amended, modified and varied by a supplemental agreement dated 7 November 2014 and a second supplemental agreement dated 30 December 2014

Parties: (i) the Company; and

(ii) the Second Subscriber.

The Second Subscriber is a company incorporated in the British Virgin Islands on 15 April 2014. The Second Subscriber is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Yu Huayong (余華勇). As at the date of the Second Subscription Agreement and as at the Latest Practicable Date, the Second Subscriber and parties acting in concert with it do not own or have control or direction over any Shares.

As confirmed by the Second Subscriber, (i) it and its ultimate beneficial owner did not know Junjue, the Nominee Subscriber and/or their respective ultimate beneficial owners prior to entering into the Previous Subscription Agreement; (ii) it and its ultimate beneficial owner are independent of Junjue, the Nominee Subscriber and/or their respective ultimate beneficial owners; (iii) it will finance the subscription money payable by it under the Second Subscription Agreement by its own funding or borrowings and are not related to Junjue, the Nominee Subscriber and their respective ultimate beneficial owners; (iv) it, its ultimate beneficial owner and parties acting in concert with any of them have no agreement, arrangement or understanding (whether formal or informal) with Junjue, the Nominee Subscriber and/or their respective ultimate beneficial owners in relation to the Previous Subscription Agreement, the Subscriptions and/or otherwise; and (v) it is not actively co-operating with Junjue, the Nominee Subscriber and/or their respective ultimate beneficial owners and parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Second Subscriber and its ultimate beneficial owner do not own or have control or direction over any Shares as at the date of the Second Subscription Agreement and as at the Latest Practicable Date and the Second Subscriber and its ultimate beneficial owner are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company and as confirmed by the Second Subscriber, it is a high net worth professional investor under the Securities and Futures (Professional Investor) Rules.

Number of Second Subscription Shares

Pursuant to the Second Subscription Agreement, the Second Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 840,000,000 new Shares (representing (i) approximately 18.02% of the entire issued share capital of the Company as at the date of the Second Subscription Agreement; (ii) approximately 17.98% of the entire issued share capital of the Company as at the Latest Practicable Date; (iii) approximately 15.24% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Second Subscription Shares; and (iv) approximately 4.94% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Subscription Shares) at the Second Subscription Price of HK$0.2 per Second Subscription Share.

The Second Subscription Price

The Second Subscription Price of HK$0.2 per Second Subscription Share represents (i) a discount of approximately 66.67% to the closing price of HK$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 65.40% to the average of the closing prices of HK$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 13.44% over the audited net asset value per Share of HK$0.1763 as at 30 June 2014; and (iv) a discount of approximately 75.31% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Second Subscription Price is the same as the First Subscription Price. The Second Subscription Price was arrived at after arm's length negotiations between the Company and the Second Subscriber with reference, *inter alia*, to the liquidity, the recent trading performance of the Shares and the volume of Second Subscription Shares to be subscribed for under the Second Subscription Agreement. The Directors consider that both the Second Subscription Price and the terms of the Second Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Second Subscription

The completion of the Second Subscription is conditional upon:

(1) the passing by the Shareholders at the SGM, among other things, an ordinary resolution to approve the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate in respect of the Second Subscription Shares);

(2) the Stock Exchange granting an approval for the listing of and permission to deal in the Second Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion of the Second Subscription);

(3) the warranties given by the Second Subscriber in the Second Subscription Agreement remaining true, accurate and not misleading in all respects; and

(4) the Bermuda Monetary Authority granting consent to (if required) the issue of the Second Subscription Shares.

None of the conditions in the Second Subscription Agreement can be waived. If any of the conditions to the Second Subscription cannot be fulfilled by 30 June 2015 (or such other date and time as the parties to the Second Subscription Agreement may agree), all rights and obligations of the parties under the Second Subscription Agreement shall be terminated.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

The Second Subscription Agreement and the Amended First Subscription Agreement are not inter-conditional.

Completion of the Second Subscription

Completion of the Second Subscription will take place at 4:00 p.m. on the twentieth Business Day after the conditions of the Second Subscription have been fulfilled (or such other date and time as may be agreed between the Company and the Second Subscriber).

SPECIFIC MANDATES TO ISSUE THE SUBSCRIPTION SHARES

The issue of the Subscription Shares is subject to approval by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM. Ordinary resolutions will be proposed at the SGM to seek, among other things, the Specific Mandates to issue the respective Subscription Shares under the respective Subscription Agreements.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares. The Subscription Shares shall be entitled to all dividends and other distributions.

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Company is an investment company under Chapter 21 of the Listing Rules and is principally engaged in the investments in listed securities for short term and unlisted investments for medium and long term.

The Company has incurred losses for the past few years. Over the past few years, the slowdown in the global economic growth and the expected exit of the quantitative easing monetary policy by the United States of America has cast considerable uncertainties in the capital markets. Under such adverse conditions, the market value of the Group's listed securities portfolio had been declining. The Group's unlisted investments, which are mainly concentrated in small loan companies and guarantee companies in the PRC, were difficult to be realised due to the uncertainty in the capital market. Due to the difficulty to realise the investment in the unlisted companies, the Group's cash in hand has been maintained at a relatively low level. As of 30 June 2014, the cash and cash equivalent of the Group was HK$6.8 million.

The Directors are of the view that the Subscriptions represent a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position for the Company's future development and expansion and introduce strategic investors to the Company. The Directors also consider that by entering into the Subscription Agreements, the Company shall be able to raise a substantial amount of funds for the Company to invest in new opportunities, with an aim to improve the overall performance of the Group. The Directors believe that the introduction of the Nominee Subscriber and/or Junjue as strategic investors will generate synergy to the Company in future and achieve a win-win situation. The Board considers that Junjue has the edge of resources and networking in the investment market in the PRC. Junjue will offer quality projects in the PRC, especially in Shanghai, and will introduce investment opportunities to the Company. On the other hand, Junjue, through the listing status of the Company, will be able to leverage Hong Kong's position as the international financial center and embrace the international investment horizon.

The Directors (including the non-executive Directors and the independent non-executive Directors) are therefore of the view that the First Subscription is in the interest of the Company and the Shareholders as a whole.

The Directors are also of the view that the Second Subscription is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

The gross proceeds of the Subscriptions is approximately HK$2,468 million (comprising HK$2,300 million from the First Subscription and HK$168 million from the Second Subscription) and the net proceeds of the Subscriptions is approximately HK$2,464 million (comprising approximately HK$2,296.3 million from the First Subscription and approximately HK$167.7 million from the Second Subscription).

The Company currently intends to use the net proceeds from the Subscriptions as follows:

Approximate total amount from the First Subscription and the Second Subscription	Approximate percentage of total net proceeds from the First Subscription and the Second Subscription	Approximate amount from the First Subscription	Approximate percentage of net proceeds from the First Subscription	Approximate amount from the Second Subscription	Approximate percentage of net proceeds from the Second Subscription	Purposes
HK$1,000 million	40.58%	HK$850 million	37.02%	HK$150 million	89.45%	Invest in specialised funds: – Approximately HK$225 million is expected to be invested in a fund established by experienced and well-known professionals, which specialises in merger and acquisition funds management and investment and is based in Shanghai and Beijing. – Approximately HK$125 million is expected to be invested in a logistics fund established by a well-known state-owned enterprise and certain leading private companies in the Changjiang River Delta area in the PRC. – Approximately HK$250 million is expected to be invested in a real estate fund which specialises in investing in sizeable real estate project developments and relevant new and high technology business. – Approximately HK$400 million is expected to be invested in the Hong Kong and PRC capital markets either directly or through specialised funds with capital market investment experience.
HK$800 million	32.47%	HK$800 million	34.84%	–	–	Invest in two to three financial institutions holding PRC finance licenses

Approximate total amount from the First Subscription and the Second Subscription	Approximate percentage of total net proceeds from the First Subscription and the Second Subscription	Approximate amount from the First Subscription	Approximate percentage of net proceeds from the First Subscription	Approximate amount from the Second Subscription	Approximate percentage of net proceeds from the Second Subscription	Purposes
HK$500 million	20.29%	HK$482.30 million	21.00%	HK$17.70 million	10.55%	Invest in wealth management companies, investment management companies, asset management companies and equity investment funds in Shanghai Free Trade Zone – Approximately HK$87.5 million is expected to be invested in an asset management company which involves in the sale of onshore and offshore securities products; and a wealth management company involved in the sale of asset management products. – Approximately HK$412.5 million is expected to be invested in companies established in and around the Shanghai Free Trade Zone, including Free Trade Zone funds, investments management companies and various financial services institutions in providing financing investment funding.
HK$164 million	6.66%	HK$164 million	7.14%	–	–	General working capital

As at the Latest Practicable Date, no letter of intent or agreement has been entered into for the above intended investments.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Subscriptions are as follows:

	As at the Latest Practicable Date and immediately before completion of the Subscriptions assuming no options have been exercised and no CB been converted		Scenario (1) Immediately after the issue of 11 billion First Subscription Shares but before the Second Completion assuming no options have been exercised and no CB have been converted		Scenario (2) Immediately after the Second Completion but before the First Completion assuming no options have been exercised and no CB have been converted		Scenario (3) Immediately after completion of the Subscriptions assuming no options have been exercised and no CB have been converted		Scenario (4) Immediately after the First Completion but before the Second Completion assuming full exercise of the outstanding options and full conversion of CB		Scenario (5) Immediately after the Second Completion but before the First Completion assuming full exercise of the outstanding options and full conversion of CB		Scenario (6) Immediately after completion of the Subscriptions assuming full exercise of the outstanding options and full conversion of CB		Scenario (7) Immediately after the First Completion, the Second Completion does not take place and the completion of the Placing of 130,000,000 new Shares assuming no options have been exercised and no CB have been converted		Scenario (8) Immediately after the First Completion, the Second Completion does not take place and the disposal of 130,000,000 Shares by Mr. Du and his associates assuming no options have been exercised and no CB have been converted	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Directors and its associates																		
Rightfirst Holdings Limited (note 1)	500,000,000	10.70	500,000,000	3.19	500,000,000	9.07	500,000,000	2.94	500,000,000	2.91	500,000,000	7.67	500,000,000	2.78	500,000,000	3.07	500,000,000	3.09
Liu Zan (note 1)	34,400,000	0.74	34,400,000	0.22	34,400,000	0.63	34,400,000	0.20	34,400,000	0.20	34,400,000	0.53	34,400,000	0.19	34,400,000	0.21	34,400,000	0.21
Mr. Du (note 1)	185,914,830	3.98	185,914,830	1.19	185,914,830	3.37	185,914,830	1.09	190,614,830	1.11	190,614,830	2.93	190,614,830	1.06	185,914,830	1.14	55,914,830	0.35
Ding Xiaobin (note 2)	1,300,000	0.03	1,300,000	0.01	1,300,000	0.02	1,300,000	0.01	1,300,000	0.01	1,300,000	0.02	1,300,000	0.01	1,300,000	0.01	1,300,000	0.01
Zeng Xianggao (note 2)	1,000,000	0.02	1,000,000	0.01	1,000,000	0.02	1,000,000	0.00	1,000,000	0.01	1,000,000	0.02	1,000,000	0.00	1,000,000	0.00	1,000,000	0.01
Mr. Wang	–	–	–	–	–	–	–	–	40,000,000	0.23	40,000,000	0.61	40,000,000	0.22	–	–	–	–
Sub-total	722,614,830	15.47	722,614,830	4.62	722,614,830	13.11	722,614,830	4.24	767,314,830	4.47	767,314,830	11.78	767,314,830	4.26	722,614,830	4.43	592,614,830	3.67
The Subscribers																		
The Nominee Subscriber (note 3) and parties acting in concert with it	–	–	11,000,000,000	70.19	–	–	11,500,000,000	67.60	11,500,000,000	66.95	–	–	11,500,000,000	63.83	11,500,000,000	70.54	11,500,000,000	71.11
The Second Subscriber (note 4)	–	–	–	–	840,000,000	15.24	840,000,000	4.94	–	–	840,000,000	12.89	840,000,000	4.66	–	–	–	–
Sub-total	–	–	11,000,000,000	70.19	840,000,000	15.24	12,340,000,000	72.54	11,500,000,000	66.95	840,000,000	12.89	12,340,000,000	68.49	11,500,000,000	70.54	11,500,000,000	71.11
Sino Day Financial International Holdings Limited ("**Sino Day**") (note 4)	470,640,000	10.07	470,640,000	3.00	470,640,000	8.54	470,640,000	2.77	470,640,000	2.74	470,640,000	7.22	470,640,000	2.61	470,640,000	2.89	470,640,000	2.91
Other public Shareholders (note 5)	3,478,379,200	74.46	3,478,379,200	22.19	3,478,379,200	63.11	3,478,379,200	20.45	4,438,379,200	25.84	4,438,379,200	68.11	4,438,379,200	24.64	3,478,379,200	21.34	3,608,379,200	22.31
Placing Shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	130,000,000	0.80	–	–
Total	4,671,634,030	100.00	15,671,634,030	100.00	5,511,634,030	100.00	17,011,634,030	100.00	17,176,334,030	100.00	6,516,334,030	100.00	18,016,334,030	100.00	16,301,634,030	100.00	16,171,634,030	100.00

Notes:

1. The 34,400,000 Shares were held by Ms. Liu Zan, who is the spouse of Mr. Du, an executive Director and chief executive officer of the Company, and the entire issued capital of Rightfirst Holdings Limited is beneficially owned by Mr. Du. Therefore, in addition to the 185,914,830 Shares personally owned by Mr. Du, Mr. Du is deemed to be interested in the 500,000,000 Shares held by Rightfirst Holdings Limited and the 34,400,000 Shares held by Ms. Liu Zan. Mr. Du also holds 4,700,000 share options of the Company which confer him the right to subscribe for 4,700,000 Shares upon exercise of the subscription rights attached to such share options. Mr. Du, who is one of the guarantors to the Amended First Subscription Agreement, is interested and involved in the First Subscription. Mr. Du is required to abstain from voting on the relevant resolutions to be proposed to approve the Amended First Subscription Agreement, the First Subscription, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver at the SGM.

2. Each of Mr. Ding Xiaobin and Mr. Zeng Xianggao is a non-executive Director and an independent non-executive Director, respectively. Each of Mr. Ding Xiaobin and Mr. Zeng Xianggao is not involved in the negotiation of the Subscription Agreements nor interested in the Subscription Agreements and they are not required to abstain from voting at the SGM to approve the Subscription Agreements, the Specific Mandates and the Whitewash Waiver.

3. Pursuant to the Amended First Subscription Agreement, on the First Completion, the Company shall allot and issue the First Subscription Shares to the Nominee Subscriber.

4. 50% of the issued capital of Sino Day is beneficially owned by Ms. Peng Ying. Ms. Peng Ying is therefore deemed to be interested in the 470,640,000 Shares held by Sino Day. As at the Latest Practicable Date, Sino Day is a substantial Shareholder holding 10.07% of entire issued share capital of the Company. Upon the First Completion and/or the Second Completion, Sino Day will only hold less than 10% of the entire issued share capital of the Company and be regarded as a public Shareholder and the Second Subscriber will become a public shareholder upon completion of the Subscriptions.

5. In scenario (1), approximately 25.19% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (2), approximately 71.65% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (3), approximately 28.16 % of the entire issued share capital of the Company will be held by public Shareholders; in scenario (4), approximately 28.58% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (5), approximately 75.33% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (6), approximately 31.91% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (7), approximately 25.03% of the entire issued share capital of the Company will be held by public Shareholders; and in scenario (8), approximately 25.22% of the entire issued share capital of the Company will be held by public Shareholders.

As at the Latest Practicable Date, the Company has a total of 444,700,000 outstanding share options which entitle the holders of the share options to subscribe for 444,700,000 new Shares. The Company issued the CB with a nominal value of HK$280,000,000 on 27 December 2012. The CB is convertible at the option of holder of the CB into Shares at an initial conversion price of HK$0.50 per Share which entitles the holder of the CB to subscribe for approximately 560,000,000 new Shares. The initial conversion price is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date. No such adjustments on the initial conversion price have been made before or as a result of the Subscriptions. The Company has the right to notify the bondholder to redeem the CB at any time prior to the maturity date at an amount equal to the principal amount then outstanding plus interest accrued thereon up to the actual date of redemption. As at the Latest Practicable Date, the holder of the CB has confirmed that it currently has no intention to convert the CB into Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of the Announcement.

INTENTION OF JUNJUE AND THE NOMINEE SUBSCRIBER

As the partners of Junjue are either leaders in their respective business or experienced investors in the PRC, Junjue will be able to bring an extensive network to the Company and allow the Company to invest in new industries and enhance the Company's investment in the PRC (in particular, Shanghai). The Company and its Shareholders will benefit as a whole through investments with potential to generate returns and the competitive edge of the PRC.

In anticipation of, and in conjunction with, recent market developments and opportunities such as the Shanghai-Hong Kong Stock Connect under which the Shanghai Stock Exchange and the Stock Exchange allow investors to trade eligible shares listed on the other's market, Junjue and the Nominee Subscriber will seek to leverage the access to the Hong Kong capital market provided by the Company to enhance investment returns. Junjue and the Nominee Subscriber also believe that the subscription of Shares in the Company would strengthen the Company's position to capitalise on, and enter the rapidly growing offshore RMB market.

Following completion of the First Subscription, Junjue, the Nominee Subscriber and the parties acting in concert with them intend to continue the existing business of the Company and have no intention to introduce any major changes to the business (including redeployment of fixed assets of the Company). Junjue, the Nominee Subscriber and the parties acting in concert with them may terminate the employment of some of the employees of the Company.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of Junjue, the Nominee Subscriber and the parties acting in concert with each of them has confirmed that neither it nor any persons acting in concert with it:

(a) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the Relevant Period;

(b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company as at the Latest Practicable Date;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of Junjue and/or the Nominee Subscriber and which might be material to the transactions contemplated under the Amended First Subscription Agreement and/or the Whitewash Waiver;

(d) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the Amended First Subscription Agreement and/or the Whitewash Waiver;

(e) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Amended First Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and

(f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Nominee Subscriber has confirmed that it, its minority shareholder and all parties acting in concert with it (i) has not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company (save for the First Subscription Shares) within the six months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company (which would include informal discussions) in relation to the proposed issue of new securities; (ii) will not make any acquisitions or disposals of voting rights in the Company in the period between the Announcement and the completion of the First Subscription; and (iii) at the time of incorporation of the Nominee Subscriber, did not own any voting rights and rights over Shares, options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company.

The persons acting in concert with Junjue include Shanghai Shengjin Investment Company Limited# (上海聖金投資有限公司), Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司), Shandong Xinneng New Materials Limited# (山東信能新材料有限公司), Zhongqilian Holding Group Limited# (中企聯控股有限公司), United Talents Development Limited (collectively, the "**Concert Parties**") and the Nominee Subscriber. On the other hand, the persons acting in concert with the Nominee Subscriber include Junjue and the Concert Parties. In respect of Shandong Xinneng New Materials Limited# (山東信能新材料有限公司) and Zhongqilian Holding Group Limited# (中企聯控股有限公司), which has agreed to contribute 45.35% and 22.68% of the capital of Junjue respectively, they are presumed to be acting in concert with Junjue under the Takeovers Code, however, Junjue reserves the right to rebut such presumption.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Sha Naiping and Mr. Ding Xiaobin, being two of the non-executive Directors, Dr. Cheung Wai Bun Charles, Mr. Wan Hongchun and Mr. Zeng Xianggao, being all the independent non-executive Directors, all of whom not having direct or indirect interest in the Amended First Subscription Agreement or the Whitewash Waiver, has been established pursuant to Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the terms of the Amended First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Mr. Wang, the non-executive Director and chairman of the Board, is a party to the Amended First Subscription Agreement and is also involved in the negotiation of the Amended First Subscription Agreement. Mr. Wang is interested in and involved in the Amended First Subscription Agreement and is not eligible to be a member of the Independent Board Committee. None of the members of the Independent Board Committee have any interest or involvement in the transactions contemplated under the Amended First Subscription Agreement or the Whitewash Waiver.

Pursuant to Rule 2.1 of the Takeovers Code, the Company has, with the approval of the Independent Board Committee, appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Amended First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver and give their recommendation on how to vote in respect of the Amended First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver, and the transactions contemplated thereunder. The appointment of Independent Financial Adviser has been approved by the Independent Board Committee.

WHITEWASH WAIVER

As at the date of the First Subscription Agreement, Junjue, the Nominee Subscriber and parties acting in concert with each of them do not own or have control or direction over any Shares. Upon the first tranche of the First Completion, 11,000,000,000 new Shares will be allotted and issued to the Nominee Subscriber, the Nominee Subscriber and its Concert Parties will be interested in approximately 70.19% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the first tranche of the First Subscription Shares from the Latest Practicable Date and up to the first tranche of the First Completion).

Upon the second tranche of the First Completion, an additional 500,000,000 new Shares will be allotted and issued to the Nominee Subscriber, the Nominee Subscriber and its Concert Parties will be, in aggregate, interested in 11,500,000,000 new Shares, representing (i) approximately 67.60% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares from the Latest Practicable Date and up to completion of both the First Subscription and the Second Subscription); (ii) approximately 66.95% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the issue of Shares upon full exercise of the options and full conversion of the CB from the Latest Practicable Date and up to the First Completion); and (iii) approximately 63.83% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares, the Second Subscription Shares and the issue of Shares upon full exercise of the options and full conversion of the CB from the Latest Practicable Date and up to the First Completion and the Second Completion); (iv) approximately 70.54% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the issue of 130,000,000 new Shares under the Placing from the Latest Practicable Date and up to the First Completion); and (v) approximately 71.11% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares from the Latest Practicable Date and up to the First Completion and Mr. Du and/or his associates having disposed of 130,000,000 Shares to Independent Third Party(ies)).

Accordingly, the Nominee Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares has been made on behalf of the Nominee Subscriber. The Amended First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders on a vote by way of poll at the SGM. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Amended First Subscription Agreement will lapse.

Wailianfa, Junjue, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with Rightfirst Holdings Limited and Ms. Liu Zan, the associates of the First Guarantor), the Second Subscriber and their associates and any other Shareholders who are involved or interested in the Amended First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution(s) approving the Amended First Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver.

SGM

There is set out on page SGM-1 to page SGM-4 of this circular a notice convening the SGM to be held at Suites 5704-05, 57/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on Friday, 6 March 2015 at 11:00 a.m., at which resolutions will be proposed to approve (i) the Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the Specific Mandates; and (iii) the Whitewash Waiver.

The voting in relation to the Subscription Agreements, the Specific Mandates and the Whitewash Waiver at the SGM will be conducted by way of a poll where Wailianfa, Junjue, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with Rightfirst Holdings Limited and Ms. Liu Zan, the associates of the First Guarantor), the Second Subscriber and their respective associates and other Shareholders who are interested or involved in the Amended First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Amended First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. Save for Mr. Du, Ms. Liu Zan, spouse of Mr. Du, and Rightfirst Holdings Limited in aggregate holding 720,314,830 Shares, representing approximately 15.42% of the entire issued share capital of the Company as at the Latest Practicable Date, none of Wailianfa, Junjue, the Nominee Subscriber, the Second Subscriber, and the Second Guarantor and their respective associates is interested in the Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are interested or involved in the Second Subscription and no Shareholder is required to abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Second Subscription Agreement and the Specific Mandate in respect of the Second Subscription Shares.

A form of proxy for use at the SGM is enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The Subscriptions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions, as set out in the letter from the Board in this circular and, accordingly, the Subscriptions may or may not proceed and are possibilities only. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

RECOMMENDATION

The Independent Board Committee, after taking into account the advice of the Independent Financial Adviser, consider that the First Subscription, the Specific Mandate in relation to the First Subscription Shares and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

Independent Shareholders are strongly advised to consider the "Letter from the Independent Board Committee" set out on pages 46 to 47 of this circular which contains its recommendation to the Independent Shareholders in respect of the First Subscription, the Specific Mandate in relation to the First Subscription Shares and the Whitewash Waiver, and the "Letter from the Independent Financial Adviser" set out on pages 48 to 90 of this circular which contains its recommendation and opinions in respect of the First Subscription and the Whitewash Waiver and the principal factors and reasons taken into consideration before deciding to vote in favour of or against the resolutions to be proposed at the SGM.

The Directors consider that the Second Subscription and the Specific Mandate in relation to the Second Subscription Share are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the SGM.

By order of the Board
China Financial International Investments Limited
Du Lin Dong
Chief Executive Officer

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the First Subscription and the Whitewash Waiver:

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)

15 January 2015

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION FOR NEW SHARES;
AND
APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to the circular of the Company dated 15 January 2015 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; whether the terms of the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and whether the Independent Shareholders should vote in favour of the resolutions to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder at the SGM.

Somerley has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to opine on whether the terms of the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; whether the terms of the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; and whether the Independent Shareholders should vote in favour of the resolutions to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder at the SGM.

We wish to draw your attention to the letter from Somerley set out on pages 48 to 90 of the Circular which contain, among other things, its advice and recommendations regarding the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder and the principal factors and reasons taken into consideration for its advice and recommendations.

We also wish to draw your attention to the letter from the Board set out on pages 10 to 45 of the Circular and the additional information set out in the appendices to the Circular.

RECOMMENDATION

Having taken into account the advice and recommendations of Somerley and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
China Financial International Investments Limited

Mr. Sha Naiping	**Mr. Ding Xiaobin**	**Dr. Cheung Wai Bun Charles**	**Mr. Zeng Xianggao**	**Mr. Wan Hongchun**
Non-executive Director	*Non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

15 January 2015

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) PROPOSED SUBSCRIPTION FOR NEW SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the First Subscription and the related Specific Mandate pursuant to the Amended First Subscription Agreement entered into between, amongst others, the Company and Junjue; and (ii) the Whitewash Waiver. Details of the First Subscription, the Specific Mandate and the Whitewash Waiver are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 15 January 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Upon completion of the Subscriptions, the interests of Junjue and its concert parties in the voting rights of the Company will be approximately 67.60% (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Under Rule 26.1 of the Takeovers Code, the Nominee Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Nominee Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares. The granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM are part of the conditions of the First Subscription which cannot be waived. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Amended First Subscription Agreement will not become unconditional and the First Subscription will not proceed.

The Independent Board Committee comprising two non-executive Directors, namely Mr. Sha Naiping and Mr. Ding Xiaobin, and all of the three independent non-executive Directors, namely Dr. Cheung Wai Bun Charles, Mr. Wan Hongchun and Mr. Zeng Xianggao, has been established to advise the Independent Shareholders on (1) whether the terms of the Amended First Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (2) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; (3) whether the First Subscription, the related Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (4) the voting action that should be taken by the Independent Shareholders at the SGM. Mr. Wang Dehe, the non-executive Director, is excluded from the Independent Board Committee as he is a party to the First Subscription Agreement, the Deed of Novation and the First Subscription Supplemental Agreement, respectively and is also involved in the negotiations of the Amended First Subscription Agreement. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, the Nominee Subscriber, Junjue or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Amended First Subscription Agreement, the related Specific Mandate and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Nominee Subscriber, Junjue or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Circular; and (ii) the annual reports of the Company for the years ended 30 June 2012, 2013 and 2014 (the "**2012, 2013 and 2014 Annual Reports**"). We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Nominee Subscriber, Junjue or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering (1) whether the terms of the Amended First Subscription Agreement (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (2) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; (3) whether the First Subscription, the related Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (4) the voting action that should be taken by the Independent Shareholders at the SGM, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Amended First Subscription Agreement

The Company is an investment company under Chapter 21 of the Listing Rules and is principally engaged in the investments in listed securities for short term and unlisted investments for medium and long term.

The Company has incurred losses for the past few years. Over the past few years, the slowdown in the global economic growth and the expected exit of the quantitative easing monetary policy by the United States of America has cast considerable uncertainties in the capital markets. Under such adverse conditions, the market value of the Group's listed securities portfolio had been declining. The Group's unlisted investments, which are mainly concentrated in small loan companies and guarantee companies in the PRC, were difficult to be realised due to the uncertainty in the capital market. Due to the difficulty to realise the investment in the unlisted companies, the Group's cash in hand has been maintained at a relatively low level. As of 30 June 2014, the cash and cash equivalent of the Group was HK$6.82 million.

The Directors are of the view that the First Subscription represents a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position for the Company's future development and expansion and introduce strategic investors to the Company. The Directors also consider that by entering into the Amended First Subscription Agreement, the Company shall be able to raise a substantial amount of funds for the Company to invest in new opportunities, with an aim to improve the overall performance of the Group. The Company currently intends to use the net proceeds from the Subscriptions as follows:

Approximate Amount	**Purposes**
HK$1,000 million	Invest in specialised funds
HK$800 million	Invest in two to three financial institutions holding PRC finance licenses
HK$500 million	Invest in wealth management companies, investment management companies, asset management companies and equity investment funds in Shanghai Free Trade Zone
HK$164 million	General working capital

As stated in the "Letter from the Board" in the Circular, no letter of intent or agreement has been entered into for the above intended investments as at the Latest Practicable Date. Further details of the use of proceeds from the Subscriptions are set out in the section headed "Use of proceeds from the Subscriptions" in the "Letter from the Board" contained in the Circular. The Directors are also of the view that the First Subscription represents an opportunity for the Group to bring in a solid strategic investor, namely Junjue, the ultimate beneficial owners of which have extensive investment experience and business network in the financial sector in the PRC. The Directors will explore the opportunity for the Group to generate synergy with Junjue in the future.

Having considered that the ultimate beneficial owners have extensive investment experience and business network in the financial sector in the PRC, and the majority of the net proceeds are intended to be used for investments in the financial sector, which is also in line with the Group's current investment strategy, we concur with the Directors' views that the First Subscription represents a good opportunity for the Company to bring in and to generate synergy with a solid strategic investor, and will be beneficial to the Company's future development and expansion.

2. Principal terms of the Amended First Subscription Agreement

Set out below is a summary of principal terms of the Amended First Subscription Agreement. Further details of terms of the Amended First Subscription Agreement are set out in the "Letter from the Board" contained in the Circular.

(a) The First Subscription Agreement

Date: 4 September 2014

Issuer: The Company

Subscriber: Wailianfa

Guarantors:
(1) Mr. Du, an executive Director, chief executive officer of the Company and the substantial Shareholder; and

(2) Mr. Wang, a non-executive Director and chairman of the Company

Pursuant to the First Subscription Agreement, Wailianfa has conditionally agreed to subscribe for 11,500,000,000 new Shares at HK$0.20 per Subscription Share.

The First Subscription Price of HK$0.20 per Share is the same as the Second Subscription Price under the Second Subscription Agreement dated 4 September 2014, as amended, modified and varied by a supplemental agreement dated 7 November 2014 and second supplemental agreement dated 30 December 2014, in relation to the subscription for 840,000,000 new Shares by the Second Subscriber. As stated in the "Letter from the Board" contained in the Circular, the First Subscription Price was arrived at after arm's length negotiations between the parties with reference to, inter alia, the liquidity, the recent trading performance of the Shares and the volume of the First Subscription Shares to be subscribed for under the First Subscription Agreement.

The First Subscription Shares represent (i) approximately 246.17% of the entire issued share capital of the Company as at the Latest Practicable Date, (ii) approximately 71.11% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the First Subscription Shares; and (iii) approximately 67.60% of the entire issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Subscription Shares. The First Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the First Subscription Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the First Subscription Shares. The First Subscription Shares will be allotted and issued pursuant to the related Specific Mandate, of which approval will be sought from the Independent Shareholders at the SGM.

(b) The Deed of Novation

On 7 November 2014, Wailianfa, Junjue, the Company and the Guarantors entered into the Deed of Novation, pursuant to which Wailianfa shall assign all its rights and novate all its obligations under the First Subscription Agreement to Junjue.

Pursuant to the Deed of Novation, in the event that the audited net asset value (the "**NAV**") per Share on the Business Day immediately before the First Completion is lower than the unaudited NAV per Share of HK$0.19 as at 30 June 2014 as disclosed by the Company on 10 July 2014, Mr. Du would compensate the Company on a dollar-for-dollar basis which is calculated based on the following formula: the product of (i) the number of issued Shares as at the date of the First Subscription Agreement (i.e. 4 September 2014); and (ii) the difference between the audited NAV per Share on the Business Day immediately before the First Completion and the unaudited NAV per Share of HK$0.19 as at 30 June 2014 as disclosed by the Company on 10 July 2014.

(c) The First Subscription Supplemental Agreement

On 30 December 2014, the Company, Junjue and the Guarantors entered into the First Subscription Supplemental Agreement, pursuant to which the parties thereto agree, inter alia, (i) to modify the mechanism of the issue of the First Subscription Shares in order to comply with the public float requirement of the Listing Rules; (ii) to extend the Long Stop Date; (iii) to amend the lock-up undertakings given by the Junjue in favour of the Company and the Guarantors and the lock-up undertakings given by the First Guarantor in favour of Junjue; (iv) to extend the deadline for the disposal of the Unlisted Company Investments, termination of the Cooperative Agreements and collection and receipt of the Other Receivables and to set out the rights of Junjue should the Company fail to meet the new deadlines; and (v) to amend condition (17) in the paragraph headed "Conditions of the First Subscription" in the "Letter from the Board" in the Circular.

(d) Conditions precedent and other terms of the First Subscription

The First Completion will take place on the tenth Business Day after the conditions of the First Subscription have been fulfilled or waived (as the case may be). At the First Completion, if the issue of the entire First Subscription Shares will result in the public float of the Shares falling below 25% of the then total issued share capital of the Company as required under the Listing Rules, the First Completion shall take place in two tranches, whereby the first tranche of 11,000,000,000 new Shares will be allotted and issued to the Nominee Subscriber at the total consideration of HK$2,200,000,000 at HK$0.2 per First Subscription Share, while the second tranche of 500,000,000 new Shares will be allotted and issued to the Nominee Subscriber at the total consideration of HK$100,000,000 at HK$0.2 per First Subscription Share on the day of the completion of the below event (a), (b) or (c); or on the third day from the date of event (d), whichever date is earlier,

(a) the Second Subscription is completed;

(b) if the Second Completion does not take place on or before 29 July 2015, the Company shall arrange for the placement (the "**Placing**") of 130,000,000 new Shares within three months from the date of the first tranche of the First Completion;

(c) if the Second Subscription and the Placing cannot be completed within three months from the date of the first tranche of the First Completion, Junjue shall release the charge of 130,000,000 Shares directly or indirectly owned by the First Guarantor created in favour of Junjue and the First Guarantor undertakes to sell or procure his controlled corporation, namely Rightfirst Holdings Limited, to sell such 130,000,000 Shares to Independent Third Parties within one month from the date of release of the said charge; or

(d) any reason not relating to item (a), (b) or (c) above, but in the event there is not less than 25% shareholdings of the Company being held by the public immediately upon the allotment and issue of the remaining 500,000,000 new Shares.

At each tranche of the First Completion, Junjue shall effect payment of the respective First Subscription Price in full, and the Company shall simultaneously, among other things, allot and issue the respective First Subscription Shares to the Nominee Subscriber and deliver the relevant share certificate(s) to the Nominee Subscriber.

Under the Amended First Subscription Agreement, the Company has undertaken during the period from the date of the First Subscription Agreement until the First Completion to either consult sufficiently with Junjue or refrain from doing so (except with prior written consent of Junjue) regarding certain matters which may have material effect upon the Company or its operation and financial position. For details of the undertakings, please refer to the sub-section headed "Undertakings pending First Completion" in the "Letter from the Board" in the Circular.

Junjue agreed that from the date of the first tranche of the First Completion and until the second anniversary thereof, Junjue warrants and undertakes the Nominee Subscriber not to dispose of any of the 11,500,000,000 First Subscription Shares in the secondary market, namely on the Stock Exchange, without the prior consent of the Guarantors. If the Nominee Subscriber has disposed of any of the First Subscription Shares off the Stock Exchange, Junjue warrants and undertakes that the relevant transferee not to dispose of any of the First Subscription Shares on the Stock Exchange.

In addition, pursuant to the Amended First Subscription Agreement, upon the First Completion, the Company shall procure the change in the constitution of the Board in compliance with the Listing Rules so that the new Board will comprise 9 members of which 3 are executive Directors, 3 are non-executive Directors and 3 are independent non-executive Directors. Junjue shall have the right to nominate a majority of the executive Directors and the non-executive Directors.

We consider that the conditions precedent and other terms of the Amended First Subscription Agreement are normal items for the transactions similar to this type.

3. Future intention of Junjue and the Nominee Subscriber regarding the Group

Junjue is a limited partnership established in the PRC on 17 March 2014 solely for the purpose of investing in the Company. The permitted business scope of Junjue includes, inter alia, asset management, enterprise investment, investment consultancy, financial consultancy, etc. As at the Latest Practicable Date, Junjue has not made any investment. Shareholders are advised to refer to the background information of Junjue set out in the section headed "The Subscriptions – (A) The Amended First Subscription Agreement" in the "Letter from the Board" in the Circular.

As stated in the "Letter from the Board" in the Circular, as the partners of Junjue are either leaders in their respective business or experienced investors in the PRC, Junjue will be able to bring an extensive network to the Company and allow the Company to invest in new industries and enhance the Company's investment in the PRC (in particular, Shanghai). The Company and its Shareholders will benefit as a whole through investments with potential to generate returns and the competitive edge of the PRC.

In anticipation of, and in conjunction with, recent market developments and opportunities such as the Shanghai-Hong Kong Stock Connect under which the Shanghai Stock Exchange and the Stock Exchange will allow investors to trade eligible shares listed on the other's market, Junjue and the Nominee Subscriber will seek to leverage the access to the Hong Kong capital market provided by the Company to enhance investment returns. Junjue and the Nominee Subscriber also believe that the subscription of Shares in the Company would strengthen the Company's position to capitalize on, and enter into the rapidly growing offshore RMB market.

Following the First Completion, Junjue, the Nominee Subscriber and the parties acting in concert with them intend to continue the existing business of the Company and have no intention to introduce any major changes to the business (including redeployment of fixed assets of the Company). Junjue, the Nominee Subscriber and the parties acting in concert with them may terminate the employment of some of the employees of the Company.

4. Financial information and prospects of the Group

(a) Investment portfolio

The Company invests in listed securities for short term and unlisted investments for medium and long term and a summary of the investment portfolio of the Group as at 30 June 2012, 2013 and 2014 as extracted from the 2012, 2013 and 2014 Annual Reports is set out below:

Table 1: The Group's investment portfolio

Listed company investments (Note 1)

	2014			2013			2012		
	No. of shares held	**Market value** *(HK$'000)*	**Dividend income** *(HK$'000)*	**No. of shares held**	**Market value** *(HK$'000)*	**Dividend income** *(HK$'000)*	**No. of shares held**	**Market value** *(HK$'000)*	**Dividend income** *(HK$'000)*
V1 Group Limited (formerly known as VODone Limited) (stock code: 0082)		DISPOSED		11,944,000	6,450	561	11,944,000	7,525	1,259
Hidili Industry International Development Limited (stock code: 1393) ("**Hidili Industry**")	12,369,000	11,132	–	15,009,000	21,163	1,250	15,009,000	31,969	–
China City Infrastructure Group Limited (formerly known as China Water Property Group Limited (stock code: 2349) ("**China City**")	196,735,429	88,531	–	194,259,429	145,694	–	194,259,429	184,547	–
Other listed securities	–	–	–	–	–	–	–	–	1,077
TOTAL		**99,663**	**–**		**173,307**	**1,811**		**224,041**	**2,336**

Unlisted company investments

			2014		2013		2012	
Micro-loan service	**Classification**	**Cost** *HK$'000*	**Fair value** *HK$'000*	**Dividend income** *HK$'000*	**Fair value** *HK$'000*	**Dividend income** *HK$'000*	**Fair value** *HK$'000*	**Dividend income** *HK$'000*
1. Jingdezhen CFI Guosen Microfinance Co., Ltd. ("**Jingdezhen CFI Guosen**")	Available-for-sale financial assets	188,690	188,786	–	201,906	–	146,545	4,583
2. TianJin XEDA Microfinance Co., Ltd.	Available-for-sale financial assets	72,450	83,096	9,805	87,084	–	76,275	–
3. Tianjin Rongshun Microfinance Limited	Financial assets at fair value through profit or loss ("**FVTPL**")	36,606	39,054	6,367	41,242	–	37,821	–
4. TIIC RongShun Micro-Loan Company Limited	Financial assets at FVTPL	12,189	14,358	675	14,451	1,002	12,597	–

Micro-loan service	Classification	Cost	2014 Fair value	2014 Dividend income	2013 Fair value	2013 Dividend income	2012 Fair value	2012 Dividend income
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
5. Zhengzhou Economic Technological Development Mingyang Micro-loan Limited ("**Zhengzhou Mingyang**")	Available-for-sale financial assets		DISPOSED		39,000	–	38,858	2,218
6. Harbin Zhongjinguoxin Microfinance Co., Ltd.	Financial assets at FVTPL	36,693	43,639	–	44,858	–	38,318	–
7. Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("**Nanchang Donghu**")	Financial assets at FVTPL	36,901	37,846	4,237	42,525	3,937	38,071	–
8. Tianjin Binlian Microfinance Limited	Financial assets at FVTPL	12,271	13,364	–	13,955	454	12,317	–
9. Nanjing NingGangRongTong Technology Microfinance Co., Ltd.	Financial assets at FVTPL	36,870	32,522	–	38,568	–	37,437	–
10. Ezhou Zhongjinguotou Microfinance Limited ("**Ezhou Zhongjinguotou**")	Financial assets at FVTPL	185,000	188,199	–	199,560	–	37,020	–
11. Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("**Ziyang Yanjiang**")	Financial assets at FVTPL	73,730	78,030	5,840	82,862	–	–	–
12. Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Financial assets at FVTPL	36,673	38,522	–	41,136	–	–	–
13. Tianjin Zhongjinxinke Tianjin Microfinance Limited ("**Tianjin Zhongjinxinke**")	Financial assets at FVTPL		DISPOSED		40,309	–	–	–
14. Tianjin Rongyang Micro-Loan Limited	Financial assets at FVTPL	36,741	38,560	1,465	40,216	–	–	–
15. Zhenjiang CFI Guosen Technology Microfinance Corporation Limited	Financial assets at FVTPL	56,874	58,687	–	–	–	–	–
		821,688	854,663	28,389	927,672	5,393	475,259	6,801
Guarantee service								
16. Jiangxi Huazhang Hanchen Guarantee Group Limited (formerly known as "Jiangxi Zhongjin Hanchen Guarantee Company Limited") ("**Jiangxi Huazhang**")	Available-for-sale financial assets	43,150	57,308	–	50,300	–	48,289	–
Investment and management consultation service								
17. Shenzhen Zhongtoujinxin Asset Management Company Limited	Available-for-sale financial assets	18,350	6,581	–	10,876	–	13,427	–
18. Xi'an Kairong Investment Management Limited	Financial assets at FVTPL	18,724	19,327	1,424	21,037	–	–	–
19. Zhenjiang Financial Industry Development Limited	Financial assets at FVTPL	18,591	19,034	–	18,591	–	–	–
Sub-total		55,665	44,942	1,424	50,504	–	13,427	–

Micro-loan service	Classification	Cost	2014 Fair value	2014 Dividend income	2013 Fair value	2013 Dividend income	2012 Fair value	2012 Dividend income
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Information system service and mining								
20. Globe Capital Resources Investment Limited ("**Globe Capital**")	Available-for-sale financial assets	–	–	–	15,157	–	13,942	–
TOTAL		920,503	956,913	29,813	1,043,633	5,393	550,917	6,801

Notes:

(1) All listed company investments are classified as the Group's financial assets at FVTPL.

(2) Pursuant to the Amended First Subscription Agreement, the First Completion is conditional upon, amongst others, completion of the disposal of all the listed investments and unlisted investments numbered 1, 5, 7, 10, 11, 13 and 16. The disposal of Unlisted Company Investments also includes the disposal of Hubei Zhongjin Tech Financial Services Co., Ltd. ("**Hubei Zhongjin**"), which was established in September 2014 and does not constitute part of the Group's investment portfolio as at 30 June 2014. Details of such disposals (including the disposal of Hubei Zhongjin) are set out in sub-section headed "7. The Disposals" below.

All the listed securities are classified as financial assets at FVTPL in the Company's balance sheet and the major component of the Group's listed investment portfolio comprised of China City, which is principally engaged in property investment and property development in the PRC. The Group's unlisted investments are mainly concentrated in small loan companies and guarantee companies in the PRC which are classified as either financial assets at FVTPL or available-for-sale financial assets depending on whether the assets are held for trading/acquired for the purpose of sale in the near term or not.

(b) Financial performance

The following is a summary of the audited consolidated results of the Group for the three years ended 30 June 2012, 2013 and 2014 as extracted from the 2013 and 2014 Annual Reports. Further details of the results and other financial information of the Group are set out in Appendix I to the Circular.

Table 2: The Group's financial performance

	For the year ended 30 June		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	29,813	7,204	9,137
Other income and gains	800	13	2,458
Net change in fair value of financial assets at fair value through profit or loss	(97,558)	5,609	(37,039)
Impairment loss of available-for-sale financial assets	(4,295)	(7,474)	–
Impairment loss of other receivables	(29,406)	–	–
Finance costs	(24,424)	(12,953)	–
Administrative expenses	(91,176)	(30,316)	(37,621)
Share of (loss)/profit of an associate	(32)	53	138
Loss before tax	(216,278)	(37,864)	(62,927)
Income tax credit/(expense)	3,398	(5,658)	(732)
Loss for the year	(212,880)	(43,522)	(63,659)

(i) Revenue

For the year ended 30 June 2014, the Group recorded dividend income from investments of HK$29.81 million, representing an increase of approximately 314.03% as compared to HK$7.20 million in 2013. For the year ended 30 June 2013, the Group recorded dividend income from investments of HK$7.20 million, representing a decrease of approximately 21.23% as compared to HK$9.14 million in 2012. Dividend from the unlisted investments contributed 74.4%, 74.9% and 100% of the Group's total revenue for the three years ended 30 June 2012, 2013 and 2014 respectively. Details of the dividend contribution from the Group's investments are set out in Table 1 above.

(ii) Net change in fair value of financial assets at FVTPL

The breakdown in net change of financial assets at FVTPL for the three years ended 30 June 2014 are set out below:

Table 3: Breakdown of net fair value change of financial assets at FVTPL

	For the year ended 30 June		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Listed company investments	(60,690)	(51,113)	(45,379)
Unlisted company investments	(36,868)	56,722	8,340
Total	(97,558)	5,609	(37,039)

The Group's net changes in fair value of financial assets at FVTPL were a decrease of HK$37.04 million, an increase of HK$5.61 million and a decrease of HK$97.56 million for the three years ended 30 June 2012, 2013 and 2014 respectively. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized as revenue above.

Listed investments showed significant decreases in fair value in the last three years. Over the last three years, the slowdown in the global economic growth, the problem of the tight liquidity in the PRC, the expected exit of the quantitative easing monetary policy by the United States and the uncertain impact created from the proposal to exit the stimulus economic program by the United States has cast considerable uncertainties and created high volatility in the stock markets. Under such adverse conditions, the market value of the Group's listed securities portfolio had declined and the Group recorded decreases in fair value of HK$45.38 million, HK$51.11 million and HK$60.69 million for the years ended 30 June 2012, 2013 and 2014 respectively.

The Group's unlisted investments are mainly concentrated in small loan companies and guarantee companies in the PRC. After several years of high speed development of the small loan industry in the PRC, operating environment begins to slip, the interest rate of private lending is gradually decreasing, market demand declines and operation risks increase, resulting in certain small loan companies starting to generate bad loans and incur losses. As a result, the Group recorded a decrease in fair value for unlisted investments of financial assets at FVTPL of HK$36.87 million for the year ended 30 June 2014 after increases in fair value for the two years ended 30 June 2012 and 2013.

(iii) Impairment loss of other receivables

The Group recorded an impairment loss of HK$29.41 million for year ended 30 June 2014 in relation to a loan of HK$40.61 million to an investee, which was in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over this loan balance.

(iv) Finance costs

Finance costs of HK$12.95 million for the year ended 30 June 2013 mainly represents interest expenses in relation to the CB with a nominal value of HK$280 million issued by the Company on 27 December 2012 which carries interest at a rate of 7% per annum. The increase in finance costs to HK$24.42 million for the year ended 30 June 2014 mainly due to the full-year effect of interest expenses in relation to the CB.

(v) Administrative expenses

Administrative expenses increased from HK$30.32 million for the year ended 30 June 2013 to HK$91.18 million for the year ended 30 June 2014 as the Group recognised equity-settled share option expenses of HK$60.07 million in relation to an aggregate of 400 million share options granted on 7 April 2014.

(vi) Loss for the year

For the year ended 30 June 2013, net loss decreased to HK$43.52 million as compared to HK$63.66 million in 2012. The decrease in net loss was primarily due to the increase in fair value by HK$48.38 million for unlisted investments of financial assets at FVTPL despite (i) the decrease in dividend income by HK$1.93 million; (ii) impairment loss of available-for-sale financial assets of HK$7.47 million; and (iii) finance costs of HK$11.1 million incurred for the CB issued during the year.

Although the Group's dividend income increased by HK$22.61 million, net loss increased to HK$212.88 million in 2014 from HK$43.52 million in 2013, mainly due to (i) the net loss for financial assets at FVTPL of HK$97.56 million in 2014 compared to net gain of HK$5.61 million in 2013; (ii) impairment loss of other receivables amounted to HK$29.41 million; (iii) increase in finance costs by HK$11.47 million; and (iv) increase in administrative expenses by HK$60.86 million.

(c) Financial position

Set out below are the summarised consolidated balance sheets of the Group as at 30 June 2012, 2013 and 2014 extracted from the 2013 and 2014 Annual Reports. Further details of the financial position of the Group as at those dates and other financial information of the Group, including the indebtedness statement, are set out in Appendix I to the Circular.

Table 4: Financial position of the Group

		As at 30 June	
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	206	1,511	3,872
Investment in an associate	429	461	407
Available-for-sale financial assets	335,770	400,872	334,027
Financial assets at fair value through profit or loss	621,143	639,310	213,581
Other receivable	–	40,606	10,000
	957,548	1,082,760	561,887
Current assets			
Financial assets at fair value through profit or loss	99,663	176,758	227,350
Loan receivable	–	–	35,894
Prepayments, deposits and other receivables	107,385	27,659	53,075
Cash and cash equivalents	6,818	7,944	32,110
	213,866	212,361	348,429
Current liabilities			
Other payables and accruals	887	1,664	1,164
Due to a related company	–	7	950
Due to an associate	64	111	143
Tax payable	4,199	4,199	4,199
	5,150	5,981	6,456
Net current assets	208,716	206,380	341,973
Total assets less current liabilities	1,166,264	1,289,140	903,860

	As at 30 June		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Interest bearing loans	62,965	9,979	–
Convertible bond	276,301	273,707	–
Deferred tax liabilities	5,253	10,841	3,448
	344,519	294,527	3,448
Net assets	821,745	994,613	900,412
Equity			
Issued capital	46,607	46,599	44,179
Reserves	775,138	948,014	856,233
Total equity	821,745	994,613	900,412
	HK cents	*HK cents*	*HK cents*
NAV per Share	17.63	21.34	20.38

During the review period, the assets of the Group mainly comprised of available-for-sale financial assets, financial assets at FVTPL, and prepayments, deposits and other receivables, and the liabilities of the Group mainly consisted of interest bearing loans and convertible bonds.

(i) Available-for-sale financial assets

The Group's available-for-sale financial assets consist of unlisted investments which are mainly concentrated in small loan companies and guarantee companies in the PRC.

The balance increased from HK$334.03 million as at 30 June 2012 to HK$400.87 million as at 30 June 2013, mainly due to additional investment in 6.67% equity interests of Jingdezhen CFI Guosen, which is engaged in provision of small loan and financial consultation services, and the fair value of the Group's equity interest in Jingdezhen CFI Guosen increased by HK$55.36 million.

Decrease in the balance to HK$335.77 million as at 30 June 2014 was mainly due to (i) disposal of the 30% equity interest in Zhengzhou Mingyang on 13 September 2013 to Independent Third Parties for a cash consideration of HK$39 million; and (ii) decrease in fair value of the 30% equity interest in Globe Capital by HK$15.16 million as Globe Capital recorded an unaudited net liability of HK$16.83 million as at 30 June 2014 compared to net asset of HK$9.33 million as at 30 June 2013.

(ii) Financial assets at FVTPL (non-current portion)

The non-current portion of financial assets at FVTPL consists of unlisted investments mainly in small loan companies.

The balance increased from HK$213.58 million as at 30 June 2012 to HK$639.31 million as at 30 June 2013, mainly due to (i) investment in the equity interests of six companies engaged in provision of small loan and financial consultation services or financial management services with the aggregate fair value of HK$244.15 million as at 30 June 2013; and (ii) the increase in fair value of the 30% equity interest in Ezhou Zhongjinguotou by HK$162.54 million as the unaudited NAV of Ezhou Zhongjinguotou increased from RMB100.10 million as at 30 June 2012 to RMB498.63 million as at 30 June 2013.

Decrease in the balance to HK$621.14 million as at 30 June 2014 was mainly due to (i) disposal of the 30% equity interest in Tianjin Zhongjinxinke on 4 June 2014 to an Independent Third Party for a cash consideration of RMB30 million; and (ii) overall decrease in fair value for the remaining portfolio of small loan companies by approximately HK$35.28 million due to operating difficulties for the industry which are partially offset by investment in a 30% equity interest of Zhenjiang CFI Guosen Technology Microfinance Corporation Limited on 22 November 2013 which has a fair value of HK$58.69 million as at 30 June 2014.

(iii) Financial assets at FVTPL (current portion)

The current portion of financial assets at FVTPL represents the Group's listed securities portfolio.

The balance decreased from HK$227.35 million as at 30 June 2012 to HK$176.76 million as at 30 June 2013, mainly attributable to the decline in market value of the Group's equity interests in (i) China City by HK$38.85 million as the share price dropped from HK$0.95 to HK$0.75 during the year; and (ii) Hidili Industry by HK$10.81 million as the share price dropped from HK$2.14 to HK$1.40 during the year.

The balance declined further to HK$99.66 million as at 30 June 2014, as the share prices of China City and Hidili Industry dropped to HK$0.45 and HK$0.90 as at 30 June 2014 and the market value of the Group's equity interests decreased to HK$88.53 million and HK$11.13 million respectively.

(iv) Prepayments, deposits and other receivables

The aggregate non-current and current balances as at 30 June 2012 and 2013 mainly consist of a loan to an investee of HK$40.61 million, which is unsecured, interest-free and repayable by end of 2016.

The increase in the aggregate balance from HK$68.27 million as at 30 June 2013 to HK$107.39 million as at 30 June 2014 mainly represents (i) the outstanding consideration receivables of HK$19 million and HK$37.48 million in relation to the disposals of equity interests in Zhengzhou Mingyang and Tianjin Zhongjinxinke respectively during the year; (ii) increase in dividend receivable by HK$10.25 million; mitigated by (iii) impairment of HK$29.41 million in relation to the loan to an investee as discussed above.

(v) Interest bearing loans

The balance consists of bonds issued to Independent Third Parties at 5% interest rate per annum with 7 years' maturity from the date of issue. A bond of HK$10 million was initially issued on 28 June 2013, with the total nominal amount of bonds issued rising to HK$63 million as at 30 June 2014.

(vi) Convertible bond

The balances as at 30 June 2013 and 2014 represents the amortised cost of the CB issued by the Company on 27 December 2012 (the "**Issue Date**") with a nominal value of HK$280 million. The CB carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. At any time on and after 27 December 2015 (the "**Maturity Date**"), the bondholder may demand immediate redemption of the CB at an amount equal to the outstanding principal amount of the CB plus interest accrued thereon up to the actual date of redemption.

The CB is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK$0.01 each of the Company at an initial conversion price of HK$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the Issue Date up to the Maturity Date. As confirmed by management, no such adjustments on the initial conversion price have been made before or as a result of the Subscriptions. The Company has the right to notify the bondholder to redeem the CB at any time prior to the Maturity Date at an amount equal to the principal amount then outstanding plus interest accrued thereon up to the actual date of redemption.

As advised by management, as at the Latest Practicable Date, the holder of the CB has confirmed that it currently has no intention to convert the CB into Shares.

(vii) NAV per Share

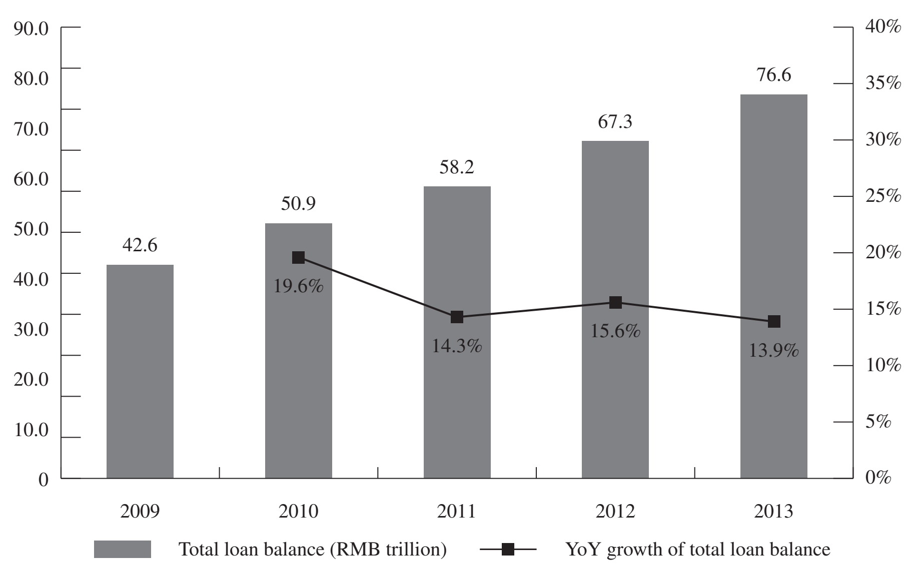
As at 30 June 2014, the audited consolidated NAV per Share was approximately HK$17.63 cents per Share, calculated by dividing the net assets of approximately HK$821.75 million by the 4,660,634,000 Shares in issue as at 30 June 2014. On 11 December 2014, the Company announced that the unaudited consolidated NAV per Share as at 30 November 2014 was approximately HK$0.18.

(c) Prospects of the Group

The segment assets for the reportable segment of micro-loan services amounted to HK$854.66 million as at 30 June 2014, representing approximately 80.89% of the Group's total segment assets. However, as set out in the 2014 Annual Report, the operating environment of the small loan industry is deteriorating after several years of high speed development. The interest rate of private lending is gradually decreasing as market demand is declining and operation risks are increasing, which resulted in certain small loan companies starting to generate bad loans.

China's financing industry has experienced rapid growth in the past decade along with China's overall economic growth. According to the People's Bank of China (the "**PBOC**"), the total outstanding loan balance for all PRC financial institutions has increased at a compound annual growth rate ("**CAGR**") of 15.84% between 2009 and 2013, rising from RMB42.6 trillion as of 31 December 2009 to RMB76.6 trillion as of 31 December 2013 as illustrated below:

Figure 1: Total loans issued by financial institutions in Mainland China (in RMB trillion)

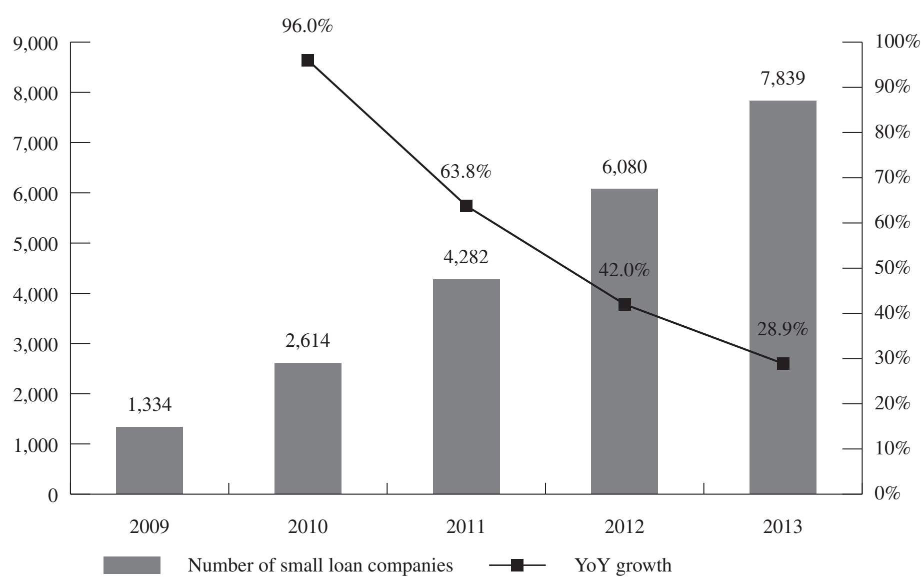


Source: PBOC

Loans to small and micro enterprises ("**SMEs**") have grown faster than any other loans during this period. In China, non-governmental organizations, city or rural banks and small loan companies are approved institutions to provide microfinance services. In general, a small loan company is prohibited from taking deposits from the public and its capital must come from its shareholders or bank loans not exceeding 50% of its paid-in capital from no more than two banking financial institutions. A small loan company mainly generates revenue from interest earnings and handling charges, as it typically offers unsecured, uncollateralised loans to SMEs and individuals, with a loan amount to a single client generally not exceeding 5% of its paid-in capital, unless otherwise indicated by local regulators.

Pursuant to the *Guiding Opinions* jointly issued by the PBOC and the China Banking Regulatory Commission (the "**CBRC**") in May 2008, small loan companies were granted legal status and became a platform to serve SMEs, microenterprises and individuals. Subsequently, the small loan industry experienced a rapid expansion from 2008 to 2010 before transitioning into a more steady growth from 2011 onwards. The number of registered small loan companies in China expanded at a CAGR of 55.70% from 2009 to 2013, and reached a total of 7,839 as of 31 December 2013 compared to 6,080 as of 31 December 2012, representing a year-on-year growth of 28.93%. The following diagram sets out the number of small loan companies and year-on-year growth rates during this period:

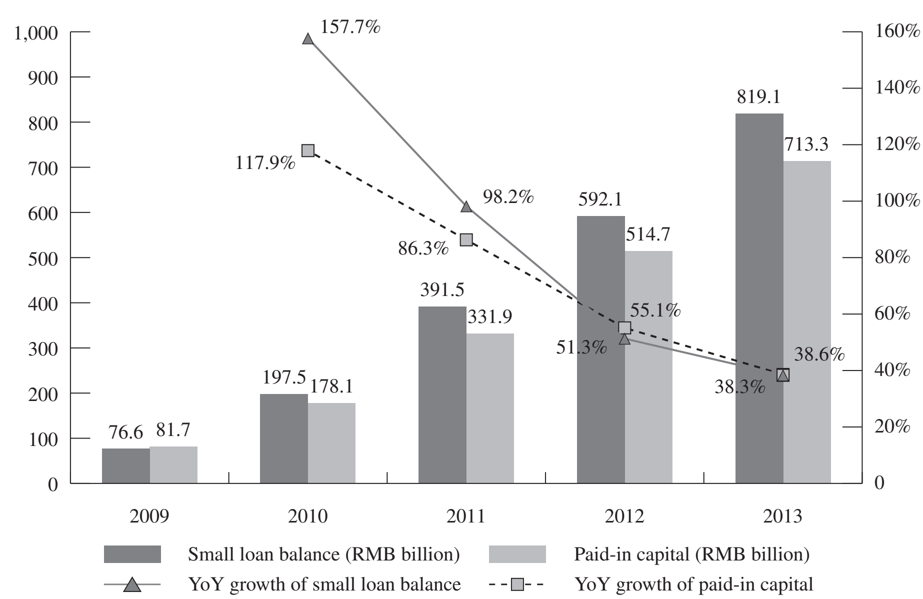
Figure 2: Number of small loan companies in China



Source: PBOC

According to the PBOC, the small loan industry in China recorded substantial growth in outstanding loans at a CAGR of 80.81% during the period from 2009-2013. The balance of outstanding loans as of 31 December 2013 amounted to RMB819.13 billion, which represented RMB226.99 billion of additional loans compared to the balance of RMB592.14 billion as of the end of 2012. As mentioned above, a small loan company in China is generally allowed to have a maximum leverage ratio of up to only 50% of its paid-in capital financed by bank borrowings, hence the lending ability of a small loan company highly depends on its paid-in capital. The paid-in capital of small loan companies in China grew at a CAGR of 71.89% during 2009 to 2013 and reached RMB713.3 billion as of 31 December 2013, representing a year-on-year increase of 38.59% compared to RMB514.7 billion as of 31 December 2012. The following diagram illustrates the development of the small loan industry in China from 2009 to 2013 in terms of small loan balance and paid-in capital and the respective year-on-year growth rates:

Figure 3: Loan balance and paid-in capital of the small loan industry in China (in RMB billion)



Source: PBOC

The growth for small loan balance and paid-in capital skyrocketed from 2009 to 2010 at a year-on-year increase of 157.70% and 117.93% respectively. After expanding in such an extraordinary pace since 2008, the small loan industry in China has been saturating from 2011 onwards as the available private lending capital had already been invested to the small loan companies and the growth of the key indicators for China's small loan industry, namely number of companies, paid-in capital and small loan balance, slowed to an average year-on-year growth rate of approximately 28.9%, 38.6% and 38.3% respectively in 2013, as illustrated in Figures 2 and 3 above.

In view of the slowing growth of the small loan industry, the Company has decided to no longer focus on developing its small loan business but to identify potential investors and downscale this segment. During the year ended 30 June 2014, the Group has disposed of its equity interests in Zhengzhou Mingyang and Tianjin Zhongjinxinke as mentioned above. As a condition precedent to the First Subscription, the Group shall also further dispose of its equity interest in four small loan companies, an investment and management consultation service company and a guarantee company in the PRC and receive the cash consideration by 6 March 2015.

Based on our analysis above on the small loan industry, which is experiencing slowing growth as the year-on-year growth rates of the number of small loan companies, paid-in capital and small loan balance ranged from 96.0% to 157.7% in 2010 have reduced significantly to 28.9% to 38.6% in 2013, and the unattractive dividend pay-out from the Unlisted Company Investments yielding between only 0.60% and 2.20% in the past three years, the Group's decision to divest its interests in small loan companies and downscale the segment is considered to be reasonable given the recent development of the industry.

5. Analysis of the historical price performance of the Shares

(a) Comparison of the First Subscription Price to recent share prices

The First Subscription Price of HK$0.20 per Share represents:

(i) a discount of approximately 66.67% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 65.40% to the average of the closing price of HK$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 63.93% to the average of the closing price of HK$0.5545 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

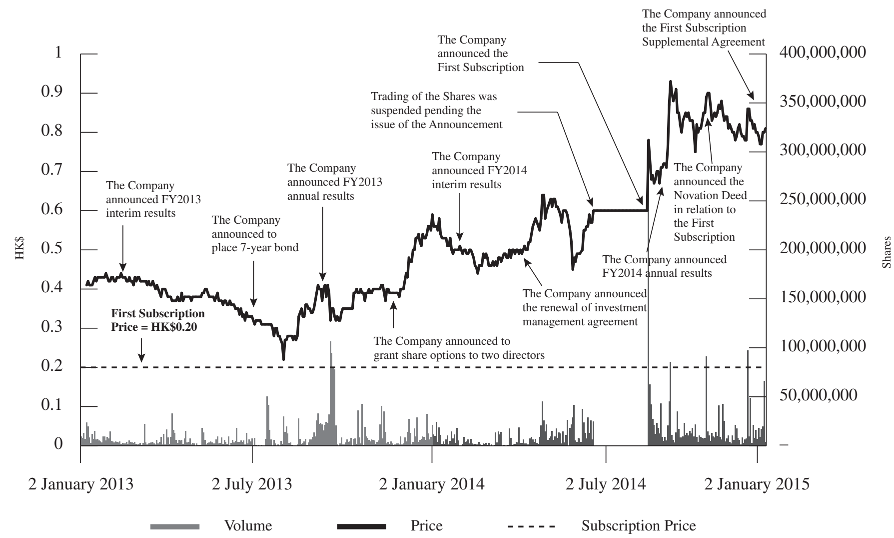
(iv) a premium of approximately 5.26% over the unaudited NAV per Share of HK$0.19 as at 30 June 2014 as disclosed by the Company on 10 July 2014; and

(v) a premium of approximately 11.11% over the unaudited NAV per Share of HK$0.18 as at 30 November 2014 as disclosed by the Company on 11 December 2014.

(b) Share price performance

The chart below shows the First Subscription Price and the closing price of the Shares during the period starting from 2 January 2013 up to and including the Latest Practicable Date (the "**Review Period**"):

Figure 4: Share price chart

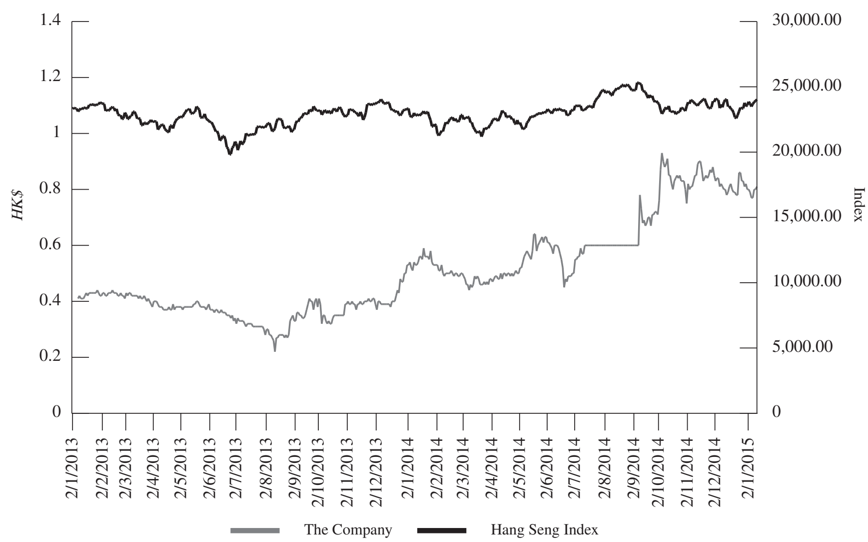


The Shares have been closed above the First Subscription Price throughout the Review Period. During 2013, the Shares closed between HK$0.22 and HK$0.53 with over half of time closed below HK$0.40. Despite the Group recorded net losses for two consecutive years since financial year of 2012, the NAV per Share had been stable at HK$0.20 for the year ended 30 June 2012 and HK$0.21 for the year ended 30 June 2013. The Share price dropped to HK$0.22 in August 2013 after the Company placed a 7-year bond carrying a coupon of 5% to Independent Third Parties. The net proceeds were used for investing in unlisted investments and for general working capital of the Group. In only two out of 244 trading days in 2013 the Shares closed above HK$0.50.

The momentum of the Share price started to pick up since the end of 2013 despite the gradual decrease in NAV per Share from HK$0.21 for the year ended 30 June 2013 to HK$0.18 for the year ended 30 June 2014. The Share price fluctuated between HK$0.40 and HK$0.60 preceding the date of the Announcement with most of the time above HK$0.50. Trading of the Shares was suspended during the period from 14 July 2014 to 4 September 2014 pending the release of the Announcement. Although the Company announced on 14 August 2014 that a loss of HK$195 million for the year ended 30 June 2014 was expected, the Share closed higher at HK$0.78 and the trading volume rose substantially when trading was resumed on 5 September 2014.

The surge in Share price might be due to the market expectation over the benefits to be brought about to the Group as a result of the Subscriptions. There is no assurance that the closing price of the Shares will remain at such high level if the Subscriptions do not proceed or cannot be completed for any reason. Thereafter, the Shares closed between HK$0.67 and HK$0.93 during the period from the date of Announcement to the Latest Practicable Date.

FIGURE 5: SHARE PRICE VS. HANG SENG INDEX



We have compared the Share price with the movements of Hang Seng Index during the Review Period as shown in Figure 5 above. We have noted that the Share price has been generally in line with the movements of Hang Seng Index in 2013 but has outperformed the Hang Seng Index since the beginning of 2014. As advised by the management of the Company, they are unaware of the reasons for the increase in Share price since the beginning of 2014 other than the proposed Subscriptions.

6. Comparable issues

For the purpose of our analysis, we have performed an analysis of comparable issues by searching the website of the Stock Exchange on a best efforts basis for all share issues (the "**Comparable Issues**") announced since 1 January 2013 and up to the date immediately prior to the Latest Practicable Date by companies listed on the Stock Exchange involving (i) subscription of new shares of the listed companies by subscribers; (ii) the application of whitewash waivers by the subscribers having been approved by independent shareholders; and (iii) the increase of the issued share capital by over 100% upon completion of the share subscription. Share subscription of listed companies which were under prolonged suspension, are excluded in our analysis as they are usually made at substantial discounts. It should be noted that as there were no share issues announced by investment companies under Chapter

21 of the Listing Rules since 1 January 2013 and up to the date immediately prior to the Latest Practicable Date which met the said criteria above, the subject companies involved in the Comparable Issues all have different principal activities, market capitalization and profitability as compared with those of the Company. However, as the Comparable Issues fulfill the above criteria and have similar deal structures to the First Subscription, we consider them to be an appropriate basis to assess the fairness of the First Subscription Price. To the best of our knowledge, the Comparable Issues represent an exhaustive list of all subscriptions/issues meeting the said criteria above. The table below illustrates the details of the Comparable Issues:

Table 5: Comparable Issues

Date of announcement	Company name	Share issue/ existing issued share capital	Premium/(discount) of issue price over/(to) the closing/average closing price on or before the relevant date of the announcement			Premium/ (discount) of issue price over/(to) the NAV per share	Lock-up period
			Last trading day	5 trading days	10 trading days		
26-Jun-13	New Focus Auto Tech Holdings Limited (stock code: 360)	202.2%	(41.2)%	(46.4)%	(45.3)%	(47.8)%	Nil
10-Oct-13	China New Town Development Company Limited ("**China New Town**") (stock code: 1278)	118.9%	(46.0)% *(note 1)*	(44.8)% *(note 1)*	(41.0)% *(note 1)*	(63.4)%	3 years
20-Nov-13	GR Properties Limited (formerly known as Buildmore International Limited) (stock code: 108)	300.0%	(55.0)%	(54.1)%	(55.2)%	n.a. *(note 2)*	Nil
23-Jan-14	Alibaba Health Information Technology Ltd. (formerly known as CITIC 21 CN Company Ltd) (stock code: 241)	119.0%	(63.9)%	(61.8)%	(61.2)%	218.6%	Nil
13-Feb-14	GCL New Energy Holdings Ltd. (formerly known as Same Time Holdings Limited) (stock code: 451)	418.9%	(47.1)% *(note 3)*	(44.0)% *(note 3)*	(42.3)% *(note 3)*	(21.0)%	Nil
11-Mar-14	Alibaba Pictures Group Ltd. (formerly known as ChinaVision Media Group Ltd.) ("**Alibaba Pictures**") (stock code: 1060)	150.0%	(20.6)%	0.4%	16.7%	181.6%	2 years
10-Jun-14	Kong Sun Holdings Ltd. ("**Kong Sun**") (stock code: 295)	370.4%	(1.4)% *(note 4)*	(6.3)% *(note 4)*	3.3% *(note 4)*	119.2%	Nil
13-Jun-14	KuangChi Science Ltd. (formerly known as Climax International Company Limited) ("**KuangChi**") (stock code: 439)	300.1%	(76.1)%	(74.9)%	(75.2)%	(44.1)%	2 years
	Maximum		**(1.4)%**	**0.4%**	**16.7%**	**218.6%**	
	Minimum		**(76.1)%**	**(74.9)%**	**(75.2)%**	**(63.4)%**	
	Mean (simple average)		**(43.9)%**	**(41.5)%**	**(37.5)%**	**49.0%**	
Excluding Alibaba Pictures[(5)]							
	Maximum		**(1.4)%**	**(6.3)%**	**3.3%**	**218.6%**	
	Minimum		**(76.1)%**	**(74.9)%**	**(75.2)%**	**(63.4)%**	
	Mean (simple average)		**(47.2)%**	**(47.5)%**	**(45.3)%**	**26.9%**	
4-Sep-14	**The Company**	**246.2%**	**(66.7)%**	**(65.4)%**	**(63.9)%**	**5.3%**[(6)]	**2 years**

Source: Relevant announcements of the companies in respect of the Comparable Issues

Notes:

1. As stated in the announcement of China New Town dated 10 October 2013, the subscription price of HK$0.27 was arrived at with reference to, among other things, the then trading performance of the shares of China New Town prior to the announcement dated 18 January 2013 stating that the Company was in discussions with several independent third parties regarding the possible subscription of new shares. Accordingly, the closing price of China New Town on 14 January 2013 has been taken as the last trading day on or before the relevant date of the announcement in our analysis. The discounts would be 60.3%, 57.8% and 57.7% to the closing price of the last trading day and 5-day average and 10-day average share price before the date of the announcement on 10 October 2013 relating to the entering into of the legally binding share subscription agreement.

2. GR Properties Limited recorded unaudited net deficit attributable to its shareholders before the announcement in respect of the share subscription.

3. As stated in the announcement of GCL New Energy Holdings Limited dated 13 February 2014, the subscription price of HK$4.0 was arrived at with reference to, among other things, trading performance of the shares of GCL New Energy Holdings Limited prior to the memorandum of understanding dated 29 October 2013. Accordingly, the closing price of GCL New Energy Holdings Limited on 29 October 2013 has been taken as the last trading day on or before the relevant date of the announcement in our analysis. The discounts would be 70.4%, 68.1% and 65.4% to the closing price on the last trading day and 5-day average and 10-day average share price before the date of the announcement on 12 February 2014 relating to the entering into of the legally binding share subscription agreement.

4. As stated in the announcement of Kong Sun dated 10 June 2014, the subscription price of HK$0.36 was arrived at with reference to, among other things, trading performance of the shares of Kong Sun prior to the memorandum of understanding dated 29 March 2014. Accordingly, the closing price of Kong Sun on 28 March 2014 has been taken as the last trading day on or before the relevant date of the announcement in our analysis. The discounts would be 59.6%, 59.2% and 58.9% to the closing price on the last trading day and 5-day average and 10-day average share price before the date of the announcement on 28 May 2014 relating to the entering into of the legally binding share subscription agreement.

5. The new share issue of Alibaba Pictures is considered as an outlier as the pricing basis of which is considered to be different from the other 7 Comparable Issues.

6. Pursuant to the Deed of Novation, Mr. Du would compensate the Company in the event that the audited NAV per Share immediately before the First Completion is lower than HK$0.19, details of which are set out in the sub-section headed "2. Principal terms of the Amended First Subscription Agreement – (b) The Deed of Novation" in this letter. On this basis, NAV per Share of HK$0.19 is used in the above analysis.

(i) Discount to prevailing share price

The 8 Comparable Issues above have involved subscription of new shares at significant discounts to their respective historical trading prices, except for Alibaba Pictures and Kong Sun.

Out of the 8 Comparable Issues, only China New Town, Alibaba Pictures and KuangChi were profitable before the relevant announcements were published. China New Town, being a land developer, may possibly be valued with reference to its NAV and the then prevailing share price rather than its profitability as net asset is a commonly used approach for valuation of asset-backed businesses. As China New Town has an asset backed business, the pricing basis of its new share issue is valued with reference to its NAV and we consider it to be comparable to that of the Company, of which the most appropriate valuation method would be using multiples to its book value as it has recorded net losses for the past three financial years. KuangChi is engaged in sale of paper products and has been loss making in past years despite a mere profit of HK$2 million in 2013. This may explain the reason why KuangChi is priced similar to the rest of the Comparable Issues. Hence, the pricing basis of the new share issues for China New Town and KuangChi are considered to be comparable to that of the Company even if they are profitable in the latest year. Alibaba Pictures, which is engaged in media related business, has been profitable in recent years with the full year net profit of over HK$100 million. A proven and profitable track record of Alibaba Pictures may help fix a better pricing of the new share issue when compared to the rest of the Comparable Issues. As such, the pricing basis of the new share issue by Alibaba Pictures would be different from that of the Company, which has been loss-making in the past three years.

Trading performance of the shares of Kong Sun prior to the memorandum of understanding in respect of the share subscription dated 29 March 2014 was adopted in our above analysis and the issue price represented discounts of 1.4% and 6.3% to the closing price before such announcement and 5-day average share price and a premium of 3.3% over 10-day average share price. However, the discounts would be 59.6%, 59.2% and 58.9% to the closing price on the last trading day and 5-day average and 10-day average share prices before the announcement of the signing of the subscription agreement on 10 June 2014 respectively.

Excluding Alibaba Pictures which is considered to be outlier within the Comparable Issues as Alibaba Pictures has a proven and profitable track record which may help fix a better pricing of the new share issue when compared to the rest of the Comparable Issues, the discounts in the rest of the 7 Comparable Issues ranged from 1.4% to 76.1%, 6.3% to 74.9% and a premium of 3.3% to a discount of 75.2% to their closing prices on the last trading day and 5-day average and 10-day average share prices with averages of 47.2%, 47.5% and 45.3% respectively. Despite the discounts represented by the First Subscription Price are higher than the averages of the 7 Comparable Issues, the First Subscription Price is within the range of discounts of the 7 Comparable Issues for the closing share price on the last trading day before the relevant announcements, as well as the 5-day and 10-day average closing share prices. On this basis, the pricing of the First Subscription is, in our view, in line with the market practice.

The First Subscription Shares are subject to a lock-up period of two years, while three Comparable Issues, including China New Town, Alibaba Pictures and KuangChi, are subject to lock-up periods of either two or three years. As discussed above, since Alibaba Pictures has a solid profitable track record, its pricing basis would be different and might not be useful for our comparison purpose while the pricing basis of the new share issues for China New Town and KuangChi are considered to be comparable to that of the Company even if they are profitable in the latest year. The discounts represented by the First Subscription were 66.7%, 65.4% and 63.9% to last closing price, 5-day average and 10-day average closing prices fall between those of China New Town (46.0%, 44.8% and 41.0%) and KuangChi (76.1%, 74.9% and 75.2%) which are also subject to non-disposal undertaking. The pricing basis of the First Subscription is in line with these two Comparable Issues, which are also subject to non-disposal undertakings.

(ii) Discount to NAV

As shown in the above table, the issue prices of the Comparable Issues as compared to their respective NAV per share range from a premium of 218.6% over to a discount of 63.4%. The pricing of a sizeable share subscription as compared to NAV per share varies substantially which may depend on the businesses and circumstances in which the relevant companies operate. Given the First Subscription Price representing a slight premium over the NAV per Share, which is in line with the Comparable Issues, the First Subscription is not expected to result in a dilution in NAV per Share upon First Completion as discussed in "8. Financial effects of the First Subscription" below.

Having considered (i) the pricing basis of the First Subscription is in line with the market practice and (ii) the First Subscription Price represents a slight premium over the NAV per Share, which is in line with the Comparable Issues, and is not expected to result in a dilution in NAV per Share upon First Completion, we consider the First Subscription Price to be fair and reasonable.

7. The Disposals

Pursuant to the Amended First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of (i) the Unlisted Company Investments for a total cash consideration of not less than HK$608 million; and (ii) the Listed Company Investments for a total cash consideration of not less than HK$138 million. In addition, the Company has also agreed to terminate the Cooperative Agreements and collect and receive the Other Receivables of approximately HK$49.6 million.

(i) Unlisted Company Investments

Pursuant to the Amended First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Unlisted Company Investments, for a total cash consideration of not less than HK$608 million (the "**Total Unlisted Company Investments Consideration**") and shall have received the cash consideration on or before 6 March 2015. As advised by the Directors, the Company entered into agreements with the Independent Third Parties to dispose of the Unlisted Company Investments and the following is a summary of the consideration under the disposal and the information of the Unlisted Company Investments as summarized from the 2013 and 2014 Annual Reports:

Table 6: Unlisted Company Investments

Name of company *(equity interest)*	**Date of disposal agreements**	**Consideration** *HK$'000*	**Cost** *HK$'000*	**Fair value at 30 June 2014** *HK$'000*	**Dividend income** *HK$'000*	**Unaudited profit/(loss) for the year ended 30 June 2014** *RMB'000*
Micro-loan service						
Jingdezhen CFI Guosen (30%)	25 November 2014	188,690	188,690	188,786 *(note 1)*	–	(717)
Ezhou Zhongjinguotou (30%)	25 November 2014	185,000	185,000	188,199 *(note 2)*	–	(1,367)
Nanchang Donghu (30%)	25 November 2014	36,901	36,901	37,846 *(note 3)*	4,237	6,632
Ziyang Yanjiang (30%)	25 November 2014	73,730	73,730	78,030 *(note 4)*	5,840	16,896
Zhengzhou Mingyang (30%)	13 September 2013	19,000 *(note 5)*	35,549	39,000 *(note 6)*	–	N/A *(note 6)*
Tianjin Zhongjinxinke (30%)	18 November 2013	37,757 *(note 7)*	36,710	40,309 *(note 8)*	–	N/A *(note 9)*
Investment and management consultation service						
Hubei Zhongjin (30%)	23 December 2014	19,030	19,030	N/A *(note 10)*	N/A *(note 10)*	N/A *(note 10)*
Guarantee service						
Jiangxi Huazhang (7.2%)	25 November 2014	43,150	43,150	57,308 *(note 11)*	–	26,513
Total		603,258	618,760	629,478	10,077	

Notes:

1. The unaudited NAV attributable to shareholders of Jingdezhen CFI Guosen as at 30 June 2014 was approximately RMB503,742,000.

2. The unaudited NAV attributable to shareholders of Ezhou Zhongjinguotou as at 30 June 2014 was approximately RMB502,175,000.

3. The unaudited NAV attributable to shareholders of Nanchang Donghu as at 30 June 2014 was approximately RMB100,987,000.

4. The unaudited NAV attributable to shareholders of Ziyang Yanjiang at 30 June 2014 was approximately RMB208,208,000.

5. Under the Amended First Subscription Agreement, the total consideration of not less than HK$608 million as agreed among the parties shall exclude HK$20 million out of the HK$39 million consideration under the relevant disposal agreement, which has been received by the Group before the entering into of the First Subscription Agreement.

6. The unaudited NAV attributable to shareholders of Zhengzhou Mingyang as at 30 June 2013 was approximately RMB117,659,430, and the profit was approximately RMB3,420,000 for the year ended 30 June 2013, which is the latest financial year of which financial information of Zhengzhou Mingyang is available as the disposal agreement of Zhengzhou Mingyang was entered into on 13 September 2013.

7. The consideration for the disposal of 30% in Tianjin Zhongjinxinke is RMB30 million. The amount is converted into HK$ by using the exchange rate 1 RMB = HK$1.259.

8. It represents the fair value of Tianjin Zhongjinxinke as at 30 June 2013 and its unaudited NAV attributable to shareholders as at 30 June 2013 was approximately RMB100,716,000.

9. Tianjin Zhongjinxinke's unaudited profit for the 10 months ended 30 June 2013 was approximately RMB709,000.

10. The Company entered into a cooperative agreement on 27 March 2014 to invest RMB15 million for the establishment of Hubei Zhongjin. As advised by management, Hubei Zhongjin has been established upon the capital injection by the parties in September 2014, hence Hubei Zhongjin does not have a fair value as at 30 June 2014 or dividend income or any profit or loss for the year ended 30 June 2014.

11. The unaudited NAV attributable to shareholders of Jiangxi Huazhang as at 30 June 2014 was approximately RMB633,256,000.

Completion for the disposal of 30% interests in each of Zhengzhou Mingyang and Tianjin Zhongjinxinke, as advised by the management of the Group, have taken place as at the Latest Practicable Date. Completion of the remaining 6 disposal agreements will be subject to obtaining the approval from and having completed the registration with the relevant government authorities. As stated in the "Letter from the Board" in the Circular, each of the purchasers to the disposal agreements and its respective ultimate beneficial owners are Independent Third Parties and each of the purchasers and its ultimate beneficial owners are not connected with any other purchasers to the disposal agreements. As advised by the PRC legal adviser to the Company, there is no legal impediment in obtaining such approvals and completing the registration with the relevant government authorities subject to compliance with the relevant PRC laws and regulations. As stated in the "Letter from the Board" in the Circular, none of the disposal agreements in relation to the disposal of the Unlisted Company Investments constituted (i) "special deals" under Rule 25 of the Takeovers Code, or (ii) notifiable transactions and/or connected transactions under the Listing Rules on the part of the Company. As at the Latest Practicable Date, none of the said disposal agreements have been completed.

As shown in the above table, the total consideration for the disposal of the Unlisted Company Investments amounts to HK$603.26 million and therefore the Guarantors shall compensate Junjue the difference of HK$4.74 million pursuant to the Amended First Subscription Agreement. Despite the consideration represents 4% discount to the fair value of the Unlisted Company Investments, based on the fact that the compensation amount is insignificant representing HK$0.001 per Share and Mr. Du would compensate the Company the shortfall of the NAV per Share on a dollar-for-dollar basis in the event that the NAV per Share upon First Completion is less than HK$0.19, which is equivalent to the unaudited NAV per Share as at 30 June 2014 as disclosed by the Company on 10 July 2014, such compensation by the Guarantors to Junjue is considered to be acceptable.

(ii) Listed Company Investments

Pursuant to the Amended First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Listed Company Investments, for a total cash consideration of not less than HK$138 million. Such disposal shall be completed before the date of SGM. The Guarantors shall compensate Junjue the difference on dollar to dollar basis in the event that the total cash consideration received from the disposal of the Listed Company Investments is less than HK$138 million.

As advised by the Directors, on 25 November 2014, the Company entered into separate agreements with Independent Third Parties to dispose of (i) 12,369,000 shares of Hidili Industry at HK$0.72 per share, representing a discount of 10% to the 5-day average closing price before the date of signing; and (ii) a total of 196,735,429 shares of China City held by the Group at HK$0.71 each, representing a discount of 9.7% to the 5-day average closing price before the date of signing. As stated in the "Letter from the Board" in the Circular, each of the purchasers to the disposal agreements and its respective ultimate beneficial owners are Independent Third Parties and each of the purchasers and its ultimate beneficial owners are not connected with any other purchasers to the disposal agreements. As stated in the "Letter from the Board" in the Circular, none of the disposal agreements in relation to the disposal of the Listed Company Investments constituted (i) "special deals" under Rule 25 of the Takeovers Code, or (ii) notifiable transactions and/or connected transactions under the Listing Rules on the part of the Company. As at the Latest Practicable Date, none of the said disposal agreements have been completed. The total consideration for the disposal of the Listed Company Investments amounts to HK$148.6 million and therefore the Guarantors are not required to compensate Junjue pursuant to the Amended First Subscription Agreement.

(iii) Termination of Cooperative Agreements and collection of Other Receivables

Pursuant to the Amended First Subscription Agreement, the Company shall terminate and the Guarantors shall procure the Company to terminate 23 Cooperative Agreements by 30 April 2015. As advised by management of the Group, as at the Latest Practicable Date, all the Cooperative Agreements are no longer legally enforceable except for 3 Cooperative Agreements which are in the process of being terminated, and are expected to be terminated on or before 30 April 2015. We have been provided with the termination agreements for 12 Cooperative Agreements, and 8 Cooperative Agreements, as advised by the PRC legal adviser, are no longer legally enforceable and are deemed to have been terminated as the required approvals from the relevant government authorities have not been obtained within the agreed timeframe.

Pursuant to the Amended First Subscription Agreement, the Company shall collect and receive and the Guarantors shall procure the Company to collect and receive the Other Receivables in a total sum of not less than HK$49,581,191.46 by 30 April 2015. The Guarantor shall compensate Junjue the difference on dollar for- dollar basis in the event that the total cash received from the Other Receivables is less than HK$49,581,191.46. As at the Latest Practicable Date, the Company had collected and received HK$31,874,578.39 of the Other Receivables, and the outstanding balance of Other Receivables as at the Latest Practicable Date is as follows:

	HK$
Receivable from an Independent Third Party	4,199,354.00
Dividend receivables	13,507,259.07
	17,706,613.07

(iv) Financial effects of the Disposals

(a) Earnings

The unaudited pro forma financial information of the remaining Group as set out in Appendix II to the Circular illustrates the effects of the Disposals on the Group based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2014 as extracted from the 2014 Annual Reports and the assumption that completion of the Disposals have taken place as at 1 July 2013. The actual financial effects are expected to vary, subject to, among other things, the fair value of the Listed Company Investments and Unlisted Company Investments, which will only be determined at completion. We set out below the earnings and pro forma earnings, including on a per Share basis, of the Group and the remaining Group respectively with reference to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the remaining Group as shown in Appendix II to the Circular.

For the year ended 30 June 2014	**The Group**	**The remaining Group**
Loss for the year *(HK$ million)*	212.9	171.6
Total number of Shares in issue	4,671,634,030	4,671,634,030
Loss per Share *(HK$)*	0.05	0.04

As shown in the table above, loss for the year would decrease from HK$212.9 million to HK$171.6 million, mainly as a result of the total realized and unrealized profit on disposal. Loss per Share immediately upon First Completion will reduce from HK$0.05 to HK$0.04.

(b) Equity attributable to the Shareholders

We set out below the equity attributable to the Shareholders and pro forma NAV, including on a per Share basis, of the Group and the remaining Group respectively.

As at 30 June 2014	**The Group**	**The remaining Group**
NAV attributable to Shareholders *(HK$ million)*	821.7	850.2 *(Note)*
Total number of Shares in issue	4,671,634,030	4,671,634,030
NAV per Share *(HK$)*	0.18	0.18

Note: It is assumed that the NAV of the remaining Group will increase by HK$28.5 million as the total comprehensive income of the Group for the year of HK$(236.8) million decreased to HK$(208.3) million upon the Disposals as stated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the remaining Group as shown in Appendix II to the Circular.

As shown in the table above, the NAV would increase from HK$821.7 million to HK$850.2 million and NAV per Share immediately after completion will be largely the same.

Despite the facts that the Guarantors are obliged to compensate Junjue for HK$4.77 million, being the difference between the total consideration for the Unlisted Company Investments and an agreed consideration of not less than HK$608 million under the Amended First Subscription Agreement, the mechanism under the Amended First Subscription Agreement to maintain the same NAV of the Group immediately before First Completion, where Mr. Du would have to compensate the Company the shortfall of the NAV on a dollar-for-dollar basis if the NAV per Share is less than HK$0.19, would help safeguard the interests of the Independent Shareholders in the Company.

8. Financial effects of the First Subscription

We set out below the pro forma NAV, including on a per Share basis, of the remaining Group immediately before and upon First Completion respectively.

As at 30 June 2014	**The remaining Group immediately before First Subscription**	**The remaining Group upon First Completion**
NAV attributable to Shareholders *(HK$ million)*	850.2 *(1)*	3,146.5 *(2)*
Total number of Shares in issue	4,671,634,030	16,171,634,030 *(2)*
NAV per Share *(HK$)*	0.18	0.19

Notes: (1) It is assumed that the NAV of the remaining Group will increase by HK$28.5 million as the total comprehensive income of the Group for the year of HK$(236.8) million decreased to HK$(208.3) million upon the Disposals as stated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the remaining Group as shown in Appendix II to the Circular.

(2) Net proceeds of HK$2,296.3 million from issuance of 11,500,000,000 First Subscription Shares is used in the above analysis.

As shown in the table above, the NAV would increase from HK$850.2 million to HK$3,146.5 million and NAV per Share immediately after First Completion will be HK$0.19. Shareholders should note that the actual financial effects are expected to vary, subject to, among other things, the fair value of the Listed Company Investments and Unlisted Company Investments which will only be determined at completion and the amounts equivalent to the shortfall of the NAV that may be payable by Mr. Du in the event that the NAV per Share will be less than HK$0.19 per Share immediately before First Completion.

9. Whitewash Waiver – dilution effects on shareholding

The following table summarised the effect of the Subscriptions on the shareholding structure of the Company immediately upon completion of the Subscriptions:

Table 7: Shareholding structure of the Company

	As at the Latest Practicable Date and immediately before completion of the Subscriptions assuming no options have been exercised and no CB have been converted		Scenario (1) Immediately after the issue of 11 billion First Subscription Shares but before the Second Completion assuming no options have been exercised and no CB have been converted		Scenario (2) Immediately after the Second Completion but before the First Completion assuming no options have been exercised and no CB have been converted		Scenario (3) Immediate after completion of the Subscriptions assuming no options have been exercised and no CB have been converted		Scenario (4) Immediate after the First Completion but before the Second Completion assuming full exercise of the outstanding options and full conversion of CB		Scenario (5) Immediate after the Second Completion but before the First Completion assuming full exercise of the outstanding options and full conversion of CB		Scenario (6) Immediate after completion of the Subscriptions assuming full exercise of the outstanding options and full conversion of CB		Scenario (7) Immediate after the First Completion, the Second Completion does not take place and the completion of the Placing of 130,000,000 new Shares assuming no options have been exercised and no CB have been converted		Scenario (8) Immediate after the First Completion, the Second Completion does not take place and the disposal of 130,000,000 Shares by Mr. Du and his associates assuming no options have been exercised and no CB have been converted	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Directors and its associates																		
Rightfirst Holdings Limited	500,000,000	10.70	500,000,000	3.19	500,000,000	9.07	500,000,000	2.94	500,000,000	2.91	500,000,000	7.67	500,000,000	2.78	500,000,000	3.07	500,000,000	3.09
Liu Zan	34,400,000	0.74	34,400,000	0.22	34,400,000	0.63	34,400,000	0.20	34,400,000	0.20	34,400,000	0.53	34,400,000	0.19	34,400,000	0.21	34,400,000	0.21
Mr. Du	185,914,830	3.98	185,914,830	1.19	185,914,830	3.37	185,914,830	1.09	190,614,830	1.11	190,614,830	2.93	190,614,830	1.06	185,914,830	1.14	55,914,830	0.35
Ding Xiaobin	1,300,000	0.03	1,300,000	0.01	1,300,000	0.02	1,300,000	0.01	1,300,000	0.01	1,300,000	0.02	1,300,000	0.01	1,300,000	0.01	1,300,000	0.01
Zeng Xianggao	1,000,000	0.02	1,000,000	0.01	1,000,000	0.02	1,000,000	0.00	1,000,000	0.01	1,000,000	0.02	1,000,000	0.00	1,000,000	0.00	1,000,000	0.01
Mr. Wang	–	–	–	–	–	–	–	–	40,000,000	0.23	40,000,000	0.61	40,000,000	0.22	–	–	–	–
Sub-total	722,614,830	15.47	722,614,830	4.62	722,614,830	13.11	722,614,830	4.24	767,314,830	4.47	767,314,830	11.78	767,314,830	4.26	722,614,830	4.43	592,614,830	3.67
The subscribers																		
The Nominee Subscriber and parties acting in concert with it	–	–	11,000,000,000	70.19	–	–	11,500,000,000	67.60	11,500,000,000	66.95	–	–	11,500,000,000	63.83	11,500,000,000	70.54	11,500,000,000	71.11
The Second Subscriber *(Note)*	–	–	–	–	840,000,000	15.24	840,000,000	4.94	–	–	840,000,000	12.89	840,000,000	4.66	–	–	–	–
Sub-total	–	–	11,000,000,000	70.19	840,000,000	15.24	12,340,000,000	72.54	11,500,000,000	66.95	840,000,000	12.89	12,340,000,000	68.49	11,500,000,000	70.54	11,500,000,000	71.11
Sino Day Financial International Holdings Limited ("**Sino Day**") *(Note)*	470,640,000	10.07	470,640,000	3.00	470,640,000	8.54	470,640,000	2.77	470,640,000	2.74	470,640,000	7.22	470,640,000	2.61	470,640,000	2.89	470,640,000	2.91
Other public Shareholders *(Note)*	3,478,379,200	74.46	3,478,379,200	22.19	3,478,379,200	63.11	3,478,379,200	20.45	4,438,379,200	25.84	4,438,379,200	68.11	4,438,379,200	24.64	3,478,379,200	21.34	3,608,379,200	22.31
Placing Shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	130,000,000	0.80	–	–
Total	4,671,634,030	100.00	15,671,634,030	100.00	5,511,634,030	100.00	17,011,634,030	100.00	17,176,334,030	100.00	6,516,334,030	100.00	18,016,334,030	100.00	16,301,634,030	100.00	16,171,634,030	100.00

Note: *Both the Second Subscriber and Sino Day will become public Shareholders upon completion of the Subscriptions. In scenario (1), approximately 25.19% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (2), approximately 71.65% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (3), approximately 28.16 % of the entire issued share capital of the Company will be held by public Shareholders; in scenario (4), approximately 28.58% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (5), approximately 75.33% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (6), approximately 31.91% of the entire issued share capital of the Company will be held by public Shareholders; in scenario (7), approximately 25.03% of the entire issued share capital of the Company will be held by public Shareholders; and in scenario (8), approximately 25.22% of the entire issued share capital of the Company will be held by public Shareholders.*

As at the Latest Practicable Date, the Company has a total of 444,700,000 outstanding share options which entitles the holders of the share options to subscribe for 444,700,000 new Shares. The Company issued the CB with a nominal value of HK$280,000,000 on 27 December 2012. The CB is convertible at the option of holder of the CB into Shares at an initial conversion price of HK$0.50 per Share which entitles the holder of the CB to subscribe for approximately 560,000,000 new Shares.

As illustrated above, the shareholding of the existing public Shareholders would be reduced from approximately 74.46% as at the Latest Practicable Date to approximately 20.45% immediately after completion of the Subscriptions assuming that no share options and CB are exercised before completion of the Subscriptions.

Although there will be dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscriptions, having taken into account (i) the reasons for the Subscriptions and the trading prospects of the existing Group; (ii) that the First Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the positive effect on the financial position of the Group as detailed in the sub-section headed “Financial effects of the First Subscription” of this letter above, we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the First Subscription is acceptable.

10. Whitewash Waiver – Takeovers Code provisions

As at the date of the First Subscription Agreement, Junjue, the Nominee Subscriber and parties acting in concert with each of them do not own or have control or direction over any Shares. Upon the first tranche of the First Completion, 11,000,000,000 new Shares will be allotted and issued to the Nominee Subscriber, the Nominee Subscriber and its Concert Parties will be interested in approximately 70.19% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the first tranche of the First Subscription Shares from the Latest Practicable Date and up to the first tranche of the First Completion).

Upon the second tranche of the First Completion, an additional 500,000,000 new Shares will be allotted and issued to the Nominee Subscriber, the Nominee Subscriber and its Concert Parties will be, in aggregate, interested in 11,500,000,000 new Shares, representing (i) approximately 67.60% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares from the Latest Practicable Date and up to completion of both the First Subscription and the Second Subscription); (ii) approximately 66.95% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the issue of Shares upon full exercise of the options and full conversion of the CB from the Latest Practicable Date and up to the First Completion); (iii) approximately 63.83% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares, the Second Subscription Shares and the issue of Shares upon full exercise of the options and full conversion of the CB from the Latest Practicable Date and up to the First Completion and the Second Completion); (iv) approximately 70.54% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the issue of 130,000,000 new Shares under the Placing from the Latest Practicable Date and up to the First Completion); and (v) approximately 71.11% of the entire issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares from the Latest Practicable Date and up to the First Completion and Mr. Du and/or his associates having disposed of 130,000,000 Shares to Independent Third Party(ies)).

Accordingly, the Nominee Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares has been made on behalf of the Nominee Subscriber and parties acting in concert with it. The Amended First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Wailianfa, Junjue, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with Rightfirst Holdings Limited and Ms. Liu Zan, the associates of the First Guarantor), the Second Subscriber and their associates and any other Shareholders who are involved or interested in the Amended First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution(s) approving the Amended First Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) and the Whitewash Waiver.

Shareholders should note that the First Subscription is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent as set out in the sub-section headed "Conditions of the First Subscription" in the "Letter from the Board" contained in the Circular, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM for the First Subscription and the Whitewash Waiver, which cannot be waived. As such, the First Subscription may or may not proceed.

Shareholders should also note that if the Whitewash Waiver is approved by the Independent Shareholders and the First Completion takes place, the aggregate shareholding of the Nominee Subscriber and parties acting in concert with it in the Company will exceed 50%. The Nominee Subscriber and parties acting in concert with it may further increase their shareholdings in the Company without triggering further obligations for a general offer under the Takeovers Code.

Having taken into consideration (i) the factors summarised in the sub-section headed "9. Whitewash Waiver – dilution effects on shareholding" of this letter above, (ii) the First Subscription represents a good opportunity to bring in and to generate synergy with a solid strategic investor to the Company in future; (iii) the surge in Share price after the Announcement might be due to the market expectation over the benefits to be brought about to the Group as a result of the Subscriptions; (iv) the disposal and downscale of the Group's investment in small loan companies is considered to be reasonable given the recent development of the PRC small loan industry; (v) the First Subscription Price is considered to be fair and reasonable; and (vi) the mechanism under the Amended First Subscription Agreement to maintain the same NAV of the Group immediately before First Completion, where Mr. Du would have to compensate the Company the shortfall of the NAV on a dollar-for-dollar basis if the NAV per Share is less than HK$0.19, we are of the view that the granting of the Whitewash Waiver, being one of the conditions of the First Subscription, is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

DISCUSSION

The Company, being an investment company under Chapter 21 of the Listing Rules, is principally engaged in investment in listed securities for short term and unlisted investments for medium and long term. Its financial performance depends on the dividend or interest income received from and capital appreciation of its investment portfolio.

The Company reported losses for three consecutive years since the financial year of 2012 mainly due to the low dividend yield of its investment portfolio, decreases in in fair value of financial assets at FVTPL and increase in finance costs. Based on the revenue for the years ended 30 June 2012, 2013 and 2014 and fair value of its investments as at the respective year ends, the dividend yields of the Group's investment portfolio were only 1.2%, 0.6% and 2.8%. The Group recorded decreases in fair value of listed investments of HK$45.4 million, HK$51.1 million and HK$60.7 million for the three years ended 30 June 2012, 2013 and 2014 respectively. The unlisted investments held by the Group has been focus on small loan companies and guarantee companies in the PRC. After several years of high speed development of the small loan industry in the PRC, operating environment has started to slow down with the decrease in profit margin and market demand. The Group recorded a decrease in fair value of unlisted investment of HK$70.72 million for the year ended 30 June 2014 after increases in fair values for the two years ended 30 June 2013. The Group started to incur finance costs after issuance of the CB in December 2012 and the 7-year bond since June 2013, amounting to HK$13.0 million and 24.4 million for the year ended 30 June 2013 and 2014 respectively. The proceeds from the CB and the 7-year bond have been used in the investment in small loan companies and general working capital of the Group. As a result, the cash and cash equivalent of the Group was only HK$6.8 million as at 30 June 2014.

The Company proposes to raise a total of approximately HK$2.5 billion by way of Subscriptions, which will enable to raise a substantial amount of funds for the Company to invest in new opportunities, with an aim to improve the overall performance of the Group. Certain partners of Junjue have experience in asset management and investment management with a focus in financial sector. The response of investors to the Announcement has been very positive. As illustrated in Figure 4, the Share price surged since the beginning of 2014 to HK$0.60 before the Announcement. On 5 September 2014, being the first trading day after the publication of the Announcement, the Shares edged higher and closed at HK$0.78. The surge in Share price might be due to the market expectation over the benefits to be brought about to the Group as a result of the Subscriptions. There is no assurance that the closing price of the Shares will remain at such high level if the Subscriptions do not proceed or cannot be completed for any reason. The subscription price of HK$0.20 represents a discount of 66.7% to the closing Share price of HK$0.60 immediately before the publication of the Announcement, which is line with the market practice as discussed in sub-section headed "6. Comparable issues" above. As at the Latest Practicable Date, the Share price closed at HK$0.81.

As set out in the letter from the Board, the Company intends to continue investing in financial sector covering also financial enterprises and licensed financial institutions and asset management and wealth management. Upon completion of the Subscriptions, the First Subscriber will become the controlling Shareholders holding 67.6% interest in the Company and the Independent Shareholders' interests will be diluted from 74.46% to 20.45%. The First Subscription Shares will be subject to a lock-up period of two years. As a condition precedent under the Amended First Subscription Agreement, the Company entered into agreements to dispose of all listed investments and certain unlisted investments. Despite certain listed and unlisted investments will be sold at a price lower than the latest respective NAV or prevailing market price, Mr. Du would compensate the Company on a dollar-for-dollar basis in the event the audited NAV per Share on the Business Day immediately before the First Completion is lower than HK$0.19 (equivalent to the unaudited NAV per Share as at 30 June 2014 as disclosed by the Company on 10 July 2014). The Subscription Price is 5.3% higher than the current NAV per Share. On this basis, it is expected that the NAV of the Group will remain at the current level upon First Completion. Together with the surge in Share price after publication of the Announcement which benefits all Shareholders, dilution of the Independent Shareholders' interests in the Company as a result of the Subscriptions is considered acceptable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (1) the terms of the Amended First Subscription Agreement (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (3) the First Subscription, the related Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Amended First Subscription Agreement, the related Specific Mandate and the Whitewash Waiver.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 30 June 2014 as extracted from the published annual reports of the Company for the financial years ended 30 June 2014 and 2013.

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June

	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	29,813	7,204	9,137
Other income and gains	800	13	2,458
Net change in fair value of financial assets at fair value through profit or loss	(97,558)	5,609	(37,039)
Impairment loss of available-for-sale financial assets	(4,295)	(7,474)	–
Impairment loss of other receivables	(29,406)	–	–
Finance costs	(24,424)	(12,953)	–
Administrative expenses	(91,176)	(30,316)	(37,621)
Share of (loss)/profit of an associate	(32)	53	138
Loss before tax	(216,278)	(37,864)	(62,927)
Income tax credit/(expense)	3,398	(5,658)	(732)
Loss for the year	(212,880)	(43,522)	(63,659)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value	(29,553)	18,155	11,528
Reclassification adjustment for loss included in profit or loss			
– Impairment loss	4,295	7,474	–
Income tax effect	2,190	(1,735)	(1,645)
	(23,068)	23,894	9,883
Exchange differences on translation of foreign operation	(810)	373	124
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(23,878)	24,267	10,007
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(23,878)	24,267	10,007
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(236,758)	(19,255)	(53,652)
Loss per share attributable to ordinary equity holders of the Company			
– Basic	HK(4.568) cents	HK(0.942) cents	HK(1.499) cents
– Diluted	HK(4.568) cents	HK(0.942) cents	HK(1.499) cents

CONSOLIDATED BALANCE SHEET

As at 30 June

	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	206	1,511	3,872
Investment in an associate	429	461	407
Available-for-sale financial assets	335,770	400,872	334,027
Financial assets at fair value through profit or loss	621,143	639,310	213,581
Other receivable	–	40,606	10,000
Total non-current assets	957,548	1,082,760	561,887
CURRENT ASSETS			
Financial assets at fair value through profit or loss	99,663	176,758	227,350
Loan receivable	–	–	35,894
Prepayments, deposits and other receivables	107,385	27,659	53,075
Cash and cash equivalents	6,818	7,944	32,110
Total current assets	213,866	212,361	348,429
CURRENT LIABILITIES			
Other payables and accruals	887	1,664	1,164
Due to a related company	–	7	950
Due to an associate	64	111	143
Tax payable	4,199	4,199	4,199
Total current liabilities	5,150	5,981	6,456
NET CURRENT ASSETS	208,716	206,380	341,973
TOTAL ASSETS LESS CURRENT LIABILITIES	1,166,264	1,289,140	903,860

	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES			
Interest bearing loans	62,965	9,979	–
Convertible bond	276,301	273,707	–
Deferred tax liabilities	5,253	10,841	3,448
	344,519	294,527	3,448
Net assets	821,745	994,613	900,412
EQUITY			
Issued capital	46,607	46,599	44,179
Reserves	775,138	948,014	856,233
TOTAL EQUITY	821,745	994,613	900,412
Net asset value per share	HK17.63 cents	HK21.3 cents	HK20.4 cents

The audited financial statements of the Group for each of the three years ended 30 June 2014 which are audited by Ernst & Young, are unqualified.

There was no material change in the accounting policies of the Group for the three years ended 30 June 2014 which would affect the comparability of the financial information of the Group for each of such financial periods to a material extent.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 30 JUNE 2014

Set out below is the audited consolidated financial statements extracted from the annual report of the Company for the year ended 30 June 2014. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 30 June 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2014

		2014	2013
	Notes	*HK$'000*	*HK$'000*
Revenue	*6*	29,813	7,204
Other income and gains	*6*	800	13
Net change in fair value of financial assets at fair value through profit or loss	*7*	(97,558)	5,609
Impairment loss of available-for-sale financial assets		(4,295)	(7,474)
Impairment loss of other receivables	*21*	(29,406)	–
Finance costs	*8*	(24,424)	(12,953)
Administrative expenses		(91,176)	(30,316)
Share of (loss)/profit of an associate		(32)	53
Loss before tax	*9*	(216,278)	(37,864)
Income tax credit/(expense)	*13*	3,398	(5,658)
Loss for the year		(212,880)	(43,522)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value		(29,553)	18,155
Reclassification adjustment for loss included in profit or loss			
– Impairment loss		4,295	7,474
Income tax effect		2,190	(1,735)
		(23,068)	23,894

	Notes	2014 HK$'000	2013 HK$'000
Exchange differences on translation of foreign operation		(810)	373
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(23,878)	24,267
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(23,878)	24,267
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(236,758)	(19,255)
Loss per share attributable to ordinary equity holders of the Company			
– Basic	*15(a)*	HK(4.568) cents	HK(0.942) cents
– Diluted	*15(b)*	HK(4.568) cents	HK(0.942) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	206	1,511
Investment in an associate	18	429	461
Available-for-sale financial assets	19	335,770	400,872
Financial assets at fair value through profit or loss	20	621,143	639,310
Other receivable	21	–	40,606
Total non-current assets		957,548	1,082,760
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	99,663	176,758
Prepayments, deposits and other receivables	21	107,385	27,659
Cash and cash equivalents	22	6,818	7,944
Total current assets		213,866	212,361
CURRENT LIABILITIES			
Other payables and accruals	23	887	1,664
Due to a related company	24	–	7
Due to an associate	18	64	111
Tax payable		4,199	4,199
Total current liabilities		5,150	5,981
NET CURRENT ASSETS		208,716	206,380
TOTAL ASSETS LESS CURRENT LIABILITIES		1,166,264	1,289,140
NON-CURRENT LIABILITIES			
Interest bearing loans	25	62,965	9,979
Convertible bond	25, 26	276,301	273,707
Deferred tax liabilities	27	5,253	10,841
		344,519	294,527
Net assets		821,745	994,613
EQUITY			
Issued capital	28	46,607	46,599
Reserves	31(a)	775,138	948,014
TOTAL EQUITY		821,745	994,613
Net asset value per share	30	HK17.63 cents	HK21.3 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	Attributable to equity holders of the Company									
	Issued capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Available-for-sale financial asset revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Equity component of a convertible bond *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2012	44,179	575,249	278,979	2,766	21,583	10,825	545	–	(33,714)	900,412
Loss for the year	–	–	–	–	–	–	–	–	(43,522)	(43,522)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	373	–	–	373
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	23,894	–	–	–	–	23,894
Total comprehensive income for the year	–	–	–	–	23,894	–	373	–	(43,522)	(19,255)
Equity-settled share-based transactions *(note 29)*	–	–	–	–	–	790	–	–	–	790
Lapse of share options	–	–	–	–	–	(6,682)	–	–	6,682	–
Forfeiture of share options	–	–	–	–	–	(2,626)	–	–	–	(2,626)
Issue of shares										
– upon exercise of share options *(note 28(a))*	20	112	–	–	–	(32)	–	–	–	100
– upon share placing *(note 28(b))*	2,400	105,561	–	–	–	–	–	–	–	107,961
Issue of a convertible bond										
– recognition of equity component of a convertible bond	–	–	–	–	–	–	–	7,231	–	7,231
At 30 June 2013 and 1 July 2013	46,599	680,922*	278,979*	2,766*	45,477*	2,275*	918*	7,231*	(70,554)*	994,613
Loss for the year	–	–	–	–	–	–	–	–	(212,880)	(212,880)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(810)	–	–	(810)
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	(23,068)	–	–	–	–	(23,068)
Total comprehensive income for the year	–	–	–	–	(23,068)	–	(810)	–	(212,880)	(236,758)
Equity-settled share-based transactions *(note 29)*	–	–	–	–	–	63,850	–	–	–	63,850
Lapse of share options	–	–	–	–	–	(1,763)	–	–	1,763	–
Issue of shares										
– upon exercise of share options *(note 28(a))*	8	45	–	–	–	(13)	–	–	–	40
At 30 June 2014	46,607	680,967*	278,979*	2,766*	22,409*	64,349*	108*	7,231*	(281,671)*	821,745

* *These reserve accounts comprise the consolidated reserves of HK$775,138,000 (2013: HK$948,014,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before tax		(216,278)	(37,864)
Adjustments for:			
Share of loss/(profit) of an associate		32	(53)
Interest income	6	(12)	(8)
Dividend income	6	(29,813)	(7,204)
Finance costs	8	24,424	12,953
Depreciation	9	994	1,750
Staff costs (not settled in cash)	16	–	875
Loss/(gain) on disposal of items of property, plant and equipment	9	493	(185)
Net realised loss on disposal of financial assets at fair value through profit or loss	7	9,944	380
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	7	87,614	(5,989)
Impairment loss on available-for-sale financial assets		4,295	7,474
Impairment loss on other receivables	21	29,406	–
Equity-settled share option expenses/(credits)		63,850	(1,836)
Exchange gain on dissolution of a subsidiary	6	(786)	–
Operating cash flows before movements in working capital		(25,837)	(29,707)
Increase in prepayments, deposits and other receivables		(57,521)	(8,159)
(Decrease)/increase in other payables and accruals		(777)	500
Decrease in an amount due to a related company		(7)	(943)
Decrease in an amount due to an associate		(47)	(32)
Decrease/(increase) in available-for-sale financial assets		35,549	(48,690)
Increase in financial assets at fair value through profit or loss		(2,297)	(368,969)
Cash used in operations		(50,937)	(456,000)
Interest received		12	114
Dividend received		18,808	9,507
Net cash used in operating activities		(32,117)	(446,379)

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Proceeds from repayment of a loan		–	35,894
Purchases of items of property, plant and equipment	16	(183)	(7)
Net cash (used in)/generated from investing activities		(183)	35,887
Cash flows from financing activities			
Proceeds from issue of shares	28(b)	–	108,000
Share issue expenses	28(b)	–	(39)
Proceeds from issue of shares upon exercise of share options	28(a)	40	100
Proceeds from issue of a convertible bond	26	–	280,000
Convertible bond issue expenses	26	–	(94)
Proceeds from issue of interest bearing loans	25	53,000	10,000
Interest bearing loan issue expenses		–	(25)
Interest paid		(21,843)	(11,916)
Net cash generated from financing activities		31,197	386,026
Net decrease in cash and cash equivalents		(1,103)	(24,466)
Cash and cash equivalents at beginning of the year		7,944	32,110
Effect of foreign exchange rate changes		(23)	300
Cash and cash equivalents at end of the year		6,818	7,944
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	22	6,818	7,944

STATEMENT OF FINANCIAL POSITION
30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	206	1,511
Investments in subsidiaries	17	10,492	20,036
Investment in an associate	18	290	290
Available-for-sale financial assets	19	335,770	389,022
Financial assets at fair value through profit or loss	20	621,143	639,310
Other receivable	21	–	40,606
Total non-current assets		967,901	1,090,775
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	99,663	175,608
Due from subsidiaries	17	410	333
Prepayments, deposits and other receivables	21	94,386	27,530
Cash and cash equivalents	22	6,391	2,749
Total current assets		200,850	206,220
CURRENT LIABILITIES			
Other payables and accruals	23	887	1,664
Due to subsidiaries	17	463	5,182
Due to a related company	24	–	7
Due to an associate	18	64	111
Tax payable		4,199	4,199
Total current liabilities		5,613	11,163
NET CURRENT ASSETS		195,237	195,057
TOTAL ASSETS LESS CURRENT LIABILITIES		1,163,138	1,285,832
NON-CURRENT LIABILITIES			
Interest bearing loans	25	62,965	9,979
Convertible bond	25, 26	276,301	273,707
Deferred tax liabilities	27	5,253	10,841
		344,519	294,527
NET ASSETS		818,619	991,305
EQUITY			
Issued capital	28	46,607	46,599
Reserves	31(b)	772,012	944,706
TOTAL EQUITY		818,619	991,305

NOTES TO FINANCIAL STATEMENTS
30 June 2014

1. Corporation information

China Financial International Investments Limited (the "Company") was previously incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With effect from 9 May 2006, the Company was de-registered from the Cayman Islands under the Cayman Islands Companies Law and re-domiciled in Bermuda under the Companies Act 1981 of Bermuda as an exempted company. The Company's registered office address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. With effect from 10 April 2014, the Company's principal place of business was changed from Suite 5802, Central Plaza, 18 Harbour Road, Waichai, Hong Kong to Suite 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

2.1 Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

2.2 Changes in accounting policies and disclosures

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

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial statements – Presentation of Items of Other Comprehensive Income*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, HKAS 1 Amendments and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 July 2013.

HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and* HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and an associate are included in notes 17 and 18 to the financial statements respectively.

The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Company's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosure required by HKFRS 13 for the fair value measurements of financial instruments is included in note 35 to the financial statements.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 July 2014*
[3] *Effective for annual periods beginning on or after 1 January 2017*
[4] *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at FVTPL using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed.

However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at FVTPL in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group.

HKFRS 15 applies a single model and specifies the accounting treatment for all revenue arising from contracts with customers. The new standard is based on the core principle that revenue is recognised to reflect the consideration expected to be entitled when control of promised good or service transfers to customer, it is also applicable to the recognition and measurement of gains or losses on the sale of some non-financial assets such as properties or equipments that are not an output of ordinary activities. HKFRS 15 also includes a set of disclosure requirements about revenue from customer contracts. The new standard will replace the separate models for goods, services and construction contracts stipulated in different standards under the current HKFRS. The Group is considering the financial impact of the standard and the timing of its application.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 July 2014.

In addition, the new Hong Kong Companies Ordinance (Cap.622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 30 June 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investment in an associate

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

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

The results of an associate are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at FVTPL.

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Convertible bond

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

PRC

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

Hong Kong

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Interest income

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

Dividend income

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

Share-based payments

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

The cost of equity-settled transactions with employees and consultants for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial or trinomial model, further details of which are given in note 29 to the financial statements.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

Pension scheme

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Operating leases

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

Foreign currency translations

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

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

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

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

3. Significant accounting judgements and estimates

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

Judgements

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

Going concern

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

Estimation uncertainty

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

Fair value of financial instruments

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

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

The fair values of available-for-sale financial assets and unlisted investments at FVTPL at 30 June 2014 were HK$335,770,000 (2013: HK$400,872,000) and HK$621,143,000 (2013: HK$642,761,000), respectively. Details are included in notes 19 and 20 to the financial statements, respectively.

Impairment of available-for-sale financial assets

The Group classifies certain unlisted investments as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. For the year ended 30 June 2014, impairment losses of HK$4,295,000 (2013: HK$7,474,000) have been recognised for available-for-sale financial assets.

Taxes

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

4. Operating segment information

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

a) micro-loan service

b) real estates

c) others (includes guarantee service, investment consultation service and other businesses)

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

Segment results

	Micro-loan service	Real estates	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2014				
Segment results	(7,213)	(57,114)	(7,713)	(72,040)
Share of loss of an associate				(32)
Unallocated income				800
Unallocated expenses				(145,006)
Loss before tax				(216,278)
Income tax credit				3,398
Loss for the year				(212,880)
Year ended 30 June 2013				
Segment results	59,802	(38,852)	(15,611)	5,339
Share of profit of an associate				53
Unallocated income				13
Unallocated expenses				(43,269)
Loss before tax				(37,864)
Income tax expense				(5,658)
Loss for the year				(43,522)

Segment results represent loss on disposal of listed investments, gain on disposal of unlisted investments, fair value (loss)/gain of financial assets at FVTPL, impairment loss of available-for-sale financial assets and the corresponding dividend income earned from unlisted investments without allocation of central administration expenses and fees to the investment managers.

Segment assets

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

	2014	**2013**
	HK$'000	*HK$'000*
Micro-loan service	854,663	927,672
Real estates	88,531	145,694
Others	113,382	143,574
Total segment assets	1,056,576	1,216,940
Unallocated assets	114,838	78,181
	1,171,414	1,295,121

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

All liabilities as at 30 June 2014 and 30 June 2013 were unallocated liabilities.

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

5. Gain/(loss) on investments

	Listed investments *HK$'000*	Unlisted investments *HK$'000*	Total *HK$'000*
Year ended 30 June 2014			
Included in profit or loss:			
Realised (loss)/gain:			
Financial assets at FVTPL	(14,858)	4,914	(9,944)
Unrealised loss:			
Financial assets at FVTPL	(45,832)	(41,782)	(87,614)
Impairment loss:			
Available-for-sale financial assets	–	(4,295)	(4,295)
Total realised and unrealised loss included in profit or loss	(60,690)	(41,163)	(101,853)
Included in other comprehensive income:			
Unrealised loss:			
Available-for-sale financial assets	–	(29,553)	(29,553)
Total realised and unrealised loss for the year	(60,690)	(70,716)	(131,406)
Year ended 30 June 2013			
Included in profit or loss:			
Realised loss:			
Financial assets at FVTPL	(380)	–	(380)
Unrealised (loss)/gain:			
Financial assets at FVTPL	(50,733)	56,722	5,989
Impairment loss:			
Available-for-sale financial assets	–	(7,474)	(7,474)
Total realised and unrealised (loss)/gain included in profit or loss	(51,113)	49,248	(1,865)
Included in other comprehensive income:			
Unrealised gain:			
Available-for-sale financial assets	–	18,155	18,155
Total realised and unrealised (loss)/gain for the year	(51,113)	67,403	16,290

6. Revenue, other income and gains

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

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Revenue		
Dividend income from listed investments	–	1,811
Dividend income from unlisted investments, net of withholding tax	29,813	5,393
	29,813	7,204
Other income and gains		
Bank interest income	12	8
Exchange gain on dissolution of a subsidiary *(note 17)*	786	–
Miscellaneous	2	5
	800	13

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK$103,698,000 (2013: HK$180,000) and dividend income of HK$29,813,000 (2013: HK$7,204,000) for the year.

7. Net change in fair value of financial assets at fair value through profit or loss

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Net realised loss on financial assets at FVTPL	(9,944)	(380)
Net unrealised (loss)/gain on financial assets at FVTPL	(87,614)	5,989
	(97,558)	5,609

8. Finance costs

An analysis of finance costs is as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Interest on a convertible bond wholly repayable within five years	21,926	11,101
Interest on other loans	2,498	1,852
	24,424	12,953

9. Loss before tax

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

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	635	555
– non-audit services	229	131
Custodian fees	161	144
Depreciation *(note 16)*	994	1,750
Investment management fees *(note 12)*	987	1,246
Loss/(gain) on disposal of items of property, plant and equipment	493	(185)
Minimum operating lease payments in respect of properties	2,279	3,397
Equity-settled share option expenses to consultants *(note 29(b))*	60,070	–
Staff costs, excluding directors' remuneration *(note 10):*		
Salaries and wages	5,973	10,711
Pension scheme contributions	60	59
Equity-settled share option credits	–	(243)
Foreign exchange differences, net	717	62

10. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Fees	3,520	635
Other emoluments:		
Salaries, allowances and benefits in kind	3,000	6,496
Pension scheme contributions	15	31
Equity-settled share option expenses/(credits)	3,780	(1,593)
	6,795	4,934
	10,315	5,569

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29(a) to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

The remuneration of each director for the years ended 30 June 2014 and 2013 is set out below:

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses/ (credits)	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2014					
Executive directors					
Du Lin Dong	120	3,000	494	15	3,629
Pong Po Lam	60	–	–	–	60
Non-executive directors					
Wang Dehe	3,000	–	3,286	–	6,286
Sha Naiping	60	–	–	–	60
Ding Xiaobin	60	–	–	–	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	–	–	–	100
Wan Hongchun	60	–	–	–	60
Zeng Xianggao	60	–	–	–	60
	3,520	3,000	3,780	15	10,315
Year ended 30 June 2013					
Executive directors					
Du Lin Dong	120	3,079	–	15	3,214
Pong Po Lam	60	–	–	–	60
Liu Baorui (resigned on 11 January 2013)	–	2,917	(1,593)	9	1,333
Non-executive directors					
Ma Jie (resigned on 17 December 2012)	30	500	–	7	537
Wang Dehe (appointed on 17 June 2013)	117	–	–	–	117
Sha Naiping (appointed on 11 January 2013)	28	–	–	–	28
Ding Xiaobin	60	–	–	–	60
Independent non-executive directors					
Cheung Wai Bun Charles	100	–	–	–	100
Wan Hongchun	60	–	–	–	60
Zeng Xianggao	60	–	–	–	60
	635	6,496	(1,593)	31	5,569

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

11. Five highest paid employees

The five highest paid employees during the year included 2 (2013: 2) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining 3 (2013: 3) non-director, highest paid employees for the year are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,056	5,060
Pension scheme contributions	15	15
	3,071	5,075

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

	Number of employees	
	2014	**2013**
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$3,000,000	–	1
	3	3

12. Investment management fees

On 29 April 2011, an investment management agreement (the "Investment Management Agreement") was entered into between the Company and an associate, China Financial International Investments & Managements Limited ("CFIIM"), whereby CFIIM has agreed to provide investment management services to the Company for a period of three years effective from 29 April 2011. CFIIM is entitled to a management fee and a performance-related fee from the Company calculated at the following rates:

– a management fee is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio on the last business day of each calendar month; and

– a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum.

The Investment Management Agreement expired on 28 April 2014 and a new investment management agreement (the "New Investment Management Agreement") was entered into accordingly 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. Pursuant to the New Investment Management Agreement, CFIIM is entitled to a management fee which is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio managed by CFIIM on the last business day of each calendar month.

The management fee paid to CFIIM for the year ended 30 June 2014 amounted to HK$987,000 (2013: HK$1,246,000). At 30 June 2014, the balance due to CFIIM of HK$64,000 (2013: HK$111,000) was unsecured, interest-free and repayable within one month.

13. Income tax

(a) Income tax in the financial statements represents:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Current tax – Hong Kong		
– Provision for the year	–	–
Deferred tax (credit)/charge *(note 27(a))*	(3,398)	5,658
Total tax (credit)/charge for the year	(3,398)	5,658

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years ended 30 June 2014 and 2013.

(b) A reconciliation of the tax (credits)/expenses applicable to loss before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rates and a reconciliation of the applicable rates to the effective tax rates for the years ended 30 June 2014 and 30 June 2013 are as follows:

	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	(216,278)		(37,864)	
Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	(35,686)	(16.5)	(6,248)	(16.5)
Expenses not deductible for tax	30,386	14.0	7,615	20.1
Income not subject to tax	(5,050)	(2.3)	(10,855)	(28.7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,398)	(1.6)	5,658	14.9
Loss/(profit) attributable to an associate	5	–	(9)	–
Tax losses not recognised	10,345	4.8	9,248	24.4
Others	–	–	249	0.7
Tax (credit)/charge at the Group's effective rate	(3,398)	(1.6)	5,658	14.9

14. Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company for the year ended 30 June 2014 includes a loss of HK$213,466,000 (2013: HK$43,297,000) which has been dealt with in the financial statements of the Company (note 31(b)).

15. Loss per share attributable to ordinary equity holders of the Company

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$212,880,000 (2013: HK$43,522,000) and the weighted average number of 4,660,367,000 (2013: 4,617,839,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	***2013***
	Number of shares	*Number of shares*
	'000	*'000*
Issued ordinary shares	4,659,834	4,417,834
Effect of exercise of share options *(note 28(a))*	533	115
Effect of share placing *(note 28(b))*	–	199,890
Weighted average number of ordinary shares	4,660,367	4,617,839

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2014 and 2013 in respect of a dilution as the convertible bond and share options outstanding set out in note 26 and note 29, respectively, had an anti-dilutive effect on the basic loss per share amounts presented.

16. Property, plant and equipment

Group and Company

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
30 June 2014				
At 1 July 2013:				
Cost	1,856	218	2,714	4,788
Accumulated depreciation	(1,134)	(159)	(1,984)	(3,277)
Net carrying amount	722	59	730	1,511
At 1 July 2013, net of accumulated depreciation	722	59	730	1,511
Additions	160	23	–	183
Write-off	(482)	(11)	–	(493)
Depreciation provided during the year	(225)	(40)	(729)	(994)
Exchange realignment	–	–	(1)	(1)
At 30 June 2014, net of accumulated depreciation	175	31	–	206
At 30 June 2014:				
Cost	294	146	2,700	3,140
Accumulated depreciation	(119)	(115)	(2,700)	(2,934)
Net carrying amount	175	31	–	206

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
30 June 2013				
At 1 July 2012:				
Cost	1,823	214	4,331	6,368
Accumulated depreciation	(673)	(89)	(1,734)	(2,496)
Net carrying amount	1,150	125	2,597	3,872
At 1 July 2012, net of accumulated depreciation	1,150	125	2,597	3,872
Additions	–	7	–	7
Disposals/write-off	–	(3)	(687)*	(690)
Depreciation provided during the year	(445)	(71)	(1,234)	(1,750)
Exchange realignment	17	1	54	72
At 30 June 2013, net of accumulated depreciation	722	59	730	1,511
At 30 June 2013:				
Cost	1,856	218	2,714	4,788
Accumulated depreciation	(1,134)	(159)	(1,984)	(3,277)
Net carrying amount	722	59	730	1,511

* *A vehicle with a carrying value of HK$687,000 was transferred to an employee of the Company as part of the non-cash salary compensation.*

17. Investments in subsidiaries

	Company	
	2014	**2013**
	HK$'000	*HK$'000*
Non-current:		
Unlisted investments, at cost	1,099	1,099
Due from a subsidiary *(note (a))*	9,393	18,937
	10,492	20,036
Current:		
Due from subsidiaries *(note (b))*	410	333
Due to subsidiaries *(note (b))*	(463)	(5,182)
	(53)	(4,849)
Total	10,439	15,187

Notes:

(a) The amount due is unsecured, interest-free and will not be demanded for repayment. In substance, it forms part of the Company's investments in subsidiaries as equity contributions.

(b) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current assets and current liabilities, respectively.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Global Business Investment Enterprises Limited	British Virgin Islands	United States dollar ("US$") 1	100%	–	Dormant
Best Joy Asia Investment Limited	British Virgin Islands/ Hong Kong	US$1,000	100%	–	Investment holding
Zhongkang Jinyi Technology (Shenzhen) Limited*	PRC	Renminbi ("RMB") 8,000,000	–	100%	Dormant
Joy State Holdings Limited	Hong Kong	HK$1	100%	–	Dormant
China Financial International Investments (Nanchang) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Guangdong) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Guangzhou) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Haerbin) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Henan) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Hubei) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Jiangxi) Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
China Financial International Investments (Shenzhen) Limited	British Virgin Islands	US$10,000	100%	–	Dormant

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
China Financial International Investments (Shijiazhuang) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Wuhan) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Investments (Zhengzhou) Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Zhongbao Group Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Jingde Town Ceramics Group Limited	British Virgin Islands	US$10,000	100%	–	Dormant
China Financial International Finance Group Limited	British Virgin Islands	US$10,000	100%	–	Investment holding

* *Zhongkang Jinyi Technology (Shenzhen) Limited, which is registered as a wholly-foreign-owned enterprise under PRC law and has been inactive, was dissolved on 21 November 2013 and resulted in an exchange gain of HK$786,000.*

18. Investment in an associate

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments, at cost	–	–	290	290
Share of net assets	429	461	–	–
	429	461	290	290
Due to an associate *(note)*	(64)	(111)	(64)	(111)
Total	365	350	226	179

Particulars of the associate are as follows:

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

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

	2014	**2013**
	HK$'000	*HK$'000*
Current assets	1,478	1,695
Current liabilities	–	(107)
Net assets	1,478	1,588
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	29%	29%
Group's share of net assets of the associate	429	461
Revenue	987	1,246
(Loss)/profit for the year and total comprehensive income for the year	(110)	184

Note:

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

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

19. Available-for-sale financial assets

	Group		Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments, at fair value	335,770	400,872	335,770	389,022

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK$29,553,000 (2013: gain of HK$18,155,000) of which impairment loss of HK$4,295,000 (2013: HK$7,474,000) was reclassified from OCI to profit or loss for the year.

The above investments consist of investments in unlisted investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 30 June 2014, the Group held the following available-for-sale financial assets:

Name	*Notes*	Place of incorporation/ registration and business	Group's effective interest 2014	Group's effective interest 2013	Principal activities	2014 Cost *HK$'000*	2013 Cost *HK$'000*
Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang") (formerly known as "Jiangxi Zhongjin Hanchen Guarantee Company Limited")	*(a)*	PRC	7.2%	30%	Provision of financing guarantees to small and medium enterprises ("SMEs")	43,150	43,150
Shenzhen Zhongtoujinxin Asset Management Company Limited ("Zhongtoujinxin")	*(b)*	PRC	30%	30%	Provision of consultation services on project investments	18,350	18,350
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	*(c)*	PRC	30%	30%	Provision of small loan and financial consultation services	188,690	188,690
TianJin XEDA Microfinance Co., Ltd ("TianJin XEDA")	*(d)*	PRC	30%	30%	Provision of small loan and financial consultation services	72,450	72,450
Zhengzhou Economic Technological Development Mingyang Micro-loan Limited ("Zhengzhou Mingyang")	*(e)*	PRC	–	–	Provision of small loan and financial consultation services	–	35,549
Globe Capital Resources Investment Limited ("Globe Capital")	*(f)*	British Virgin Islands	30%	30%	Investment holding	–	–

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

Notes:

(a) On 13 April 2011, the Group acquired a 30% equity interest of Jiangxi Huazhang, a joint venture established in the PRC. On 15 July 2013, the Group holds a 7.2% equity interest of Jiangxi Huazhang as enlarged by the new registered capital subscribed by its other shareholders. Jiangxi Huazhang is principally engaged in the provision of financing guarantees to SMEs in the Jiangxi Province, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited profit for the 12 month ended 30 June 2014 of Jiangxi Huazhang was approximately RMB26,513,000 (2013: loss of RMB1,884,000) and the unaudited net asset value of Jiangxi Huazhang at 30 June 2014 was approximately RMB633,256,000 (2013: RMB128,917,000).

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

There was a significant decline in the market value of Zhongtoujinxin during the year. The directors consider that such a decline indicates that the unlisted investment has been impaired and an impairment loss of HK$4,295,000 (2013: HK$7,474,000), which included a reclassification from other comprehensive income of HK$4,295,000 (2013: HK$7,474,000), has been recognised in profit or loss for the year. No dividend was declared and received during the year (2013: Nil). The unaudited loss for the 12 month ended 30 June 2014 of Zhongtoujinxin was approximately RMB6,580,000 (2013: RMB8,061,000) and the unaudited net asset value of Zhongtoujinxin at 30 June 2014 was approximately RMB22,060,000 (2013: RMB28,640,000).

(c) On 26 May 2011 and on 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. No dividend was declared and received during the year (2013: Nil). The unaudited loss for the 12 month ended 30 June 2014 of Jingdezhen CFI Guosen was approximately RMB717,000 (2013: RMB7,034,000) and the unaudited net asset value of Jingdezhen CFI Guosen at 30 June 2014 was approximately RMB503,742,000 (2013: RMB504,489,000).

(d) On 21 June 2011, the Group invested in a 30% equity interest of TianJin XEDA, a joint venture established in the PRC. TianJin XEDA is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. During the year, dividend of HK$9,805,000 (2013: Nil) was declared and received from TianJin XEDA after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of TianJin XEDA was approximately RMB20,721,000 (2013: RMB21,461,000) and the unaudited net asset value of TianJin XEDA at 30 June 2014 was approximately RMB222,006,000 (2013: RMB218,124,000).

(e) The Group entered into a sales and purchase agreement to acquire a 30% equity interest of Zhengzhou Mingyang, a joint venture established in the PRC on 20 February 2011. Zhengzhou Mingyang is principally engaged in the provision of small loan and financial consultation services in Zhengzhou Economic Technical Development Zone, Henan Province, the PRC.

On 21 February 2011, the Group settled the full consideration of HK$35,549,000. The completion of this acquisition is conditional upon approval of the relevant government authorities in Henan Province, the PRC. According to the sales and purchase agreement (the "S&P") and having sought advice from the Company's PRC legal advisers, the directors are of the opinion that the Group has beneficiary interests on this 30% equity interest of Zhengzhou Mingyang upon settlement of the full considerations.

According to the S&P, the Group is entitled to all dividends, bonuses, other income and share of profit or loss of Zhengzhou Mingyang when the S&P is effective.

No dividend was declared and received during the year (2013: Nil).

On 13 September 2013, the Group entered into agreements with independent third parties to dispose 30% equity interest of Zhengzhou Mingyang for a cash consideration of HK$39,000,000.

(f) The Group holds a 30% equity interest of Globe Capital. Globe Capital is principally engaged in investment holding and has two investments with a 29% equity interest in Jiangxi 933 Technology Development Company Limited ("Jiangxi 933") and a 25% equity interest in Gan County Changxin Mining Company Limited ("Changxin Mining"). Jiangxi 933 is principally engaged in the provision of information system services while Changxin Mining is principally engaged in the exploitation of metal mines. No dividend was declared and received during the year (2013: Nil). The unaudited loss for the 12 month ended 30 June 2014 of Globe Capital was approximately HK$8,000 (2013: HK$7,000) and the unaudited net liability of Globe Capital at 30 June 2014 was approximately HK$16,827,000 (2013: net asset of HK$9,328,000).

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

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as available-for-sale financial assets for the year ended 30 June 2014.

20. Financial assets at fair value through profit or loss

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets held-for-trading:					
Listed securities	*(i)*	99,663	173,307	99,663	173,307
Derivative contract	*(ii)*	–	3,451	–	2,301
		99,663	176,758	99,663	175,608
Financial assets designated at FVTPL:					
Unlisted investments	*(iii)*	621,143	639,310	621,143	639,310

The above financial assets at 30 June 2014 and 30 June 2013 are classified as held for trading and are upon initial recognition, designated by the Group as financial assets at FVTPL.

Notes:

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

Particulars of the major component of the investment portfolio as at 30 June 2014, in terms of the carrying value of the respective individual investment, are as follows:

China Water Property Group Limited ("China Property")

China Property was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 2349). China Property is principally engaged in property investment and property development in the PRC.

As at 30 June 2014, the Group held 196,735,429 shares (2013: 194,259,429 shares) in China Property, representing 10.58% (2013: 10.45%) in the issued share capital in China Property. No dividend was received during the year (2013: Nil). As at 30 June 2014, the market value of the Group's investment in the shares of China Property was HK$88,531,000 (2013: HK$145,694,000). The audited profit attributable to shareholders of China Property for the year ended 31 December 2013 was approximately HK$85,591,000 (2012: HK$49,090,000) and the unaudited profit attributable to shareholders of China Property for the 6 month ended 30 June 2014 was approximately HK$11,595,000 (2013: Loss of HK$47,652,000). The unaudited net assets attributable to shareholders of China Property at 30 June 2014 was approximately HK$2,013,247,000 (2013: HK$1,787,425,000).

(ii) The Group recognised the agreement to purchase the underlying equity interests of Zhengzhou Mingyang upon closing of conditions as a derivative financial instrument. Details of the transaction are disclosed in note 19(e) to the financial statements.

(iii) As at 30 June 2014, the Group had the following unlisted investments:

Name	*Notes*	Place of incorporation/ registration and business	Group's effective interest 2014	2013	Principal activities	2014 Cost *HK$'000*	2013 Cost *HK$'000*
Tianjin Rongshun Microfinance Limited ("Tianjin Rongshun")	*(a)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,606	36,606
TIIC RongShun Micro-Loan Company Limited ("TIIC Rongshun")	*(b)*	PRC	10%	10%	Provision of small loan and financial consultation services	12,189	12,189
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	*(c)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,693	36,693
Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu")	*(d)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,901	36,901
Tianjin Binlian Microfinance Limited ("Tianjin Binlian")	*(e)*	PRC	3.3%	10%	Provision of small loan and financial consultation services	12,271	12,271
Nanjing NingGangRongTong Technology Microfinance Co., Ltd. ("NingGangRongTong")	*(f)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,870	36,870
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	*(g)*	PRC	30%	30%	Provision of small loan and financial consultation services	185,000	185,000
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd. ("Ziyang Yanjiang")	*(h)*	PRC	30%	30%	Provision of small loan and financial consultation services	73,730	73,730
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd. ("Nanjing Jiangning")	*(i)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,673	36,673

Name	Notes	Place of incorporation/ registration and business	Group's effective interest 2014	2013	Principal activities	2014 Cost HK$'000	2013 Cost HK$'000
Tianjin Zhongjinxinke Microfinance Limited ("Tianjin Zhongjinxinke")	*(j)*	PRC	–	30%	Provision of small loan and financial consultation services	–	36,710
Tianjin Rongyang Micro-Loan Limited ("Tianjin Rongyang")	*(k)*	PRC	30%	30%	Provision of small loan and financial consultation services	36,741	36,741
Xi'an Kairong Investment Management Limited ("Xi'an Kairong")	*(l)*	PRC	30%	30%	Provision of financial management services	18,724	18,724
Zhenjiang Financial Industry Development Limited ("Zhenjiang FID")	*(m)*	PRC	30%	30%	Provision of financial management services	18,591	18,591
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited ("Zhenjiang CFI")	*(n)*	PRC	30%	–	Provision of small loan and financial consultation services	56,874	–

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

Notes:

(a) On 24 August 2011, the Group invested in a 30% equity interest of Tianjin Rongshun, a joint venture established in the PRC. Tianjin Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. During the year, dividend of HK$6,367,000 (2013: Nil) was declared and received/receivable from Tianjin Rongshun after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of Tianjin Rongshun was approximately RMB10,162,000 (2013: RMB8,842,000) and the unaudited net asset value of Tianjin Rongshun at 30 June 2014 was approximately RMB104,209,000 (2013: RMB103,047,000).

(b) On 2 September 2011, the Group invested in a 10% equity interest of TIIC Rongshun, a joint venture established in the PRC. TIIC Rongshun is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. During the year, dividend of HK$675,000 (2013: HK$1,002,000) was declared and receivable from TIIC Rongshun after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of TIIC Rongshun was approximately RMB12,618,000 (2013: RMB14,486,000) and the unaudited net asset value of TIIC Rongshun at 30 June 2014 was approximately RMB120,943,000 (2013: RMB108,325,000).

(c) On 29 August 2011, the Group invested in a 30% equity interest of Harbin Zhongjinguoxin, a joint venture established in the PRC. Harbin Zhongjinguoxin is principally engaged in the provision of small loan and financial consultation services in Harbin, Heilongjiang Province, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited profit for the 12 month ended 30 June 2014 of Harbin Zhongjinguoxin was approximately RMB4,359,000 (2013: RMB7,156,000) and the unaudited net asset value of Harbin Zhongjinguoxin at 30 June 2014 was approximately RMB116,443,000 (2013: RMB112,084,000).

(d) On 21 December 2011, the Group invested in a 30% equity interest of Nanchang Donghu, a joint venture established in the PRC. Nanchang Donghu is principally engaged in the provision of small loan and financial consultation services in Donghu District, Nanchang, Jiangxi Province, the PRC. During the year, dividend of HK$4,237,000 (2013: HK$3,937,000) was declared and receivable from Nanchang Donghu after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of Nanchang Donghu was approximately RMB6,632,000 (2013: RMB14,923,000) and the unaudited net asset value of Nanchang Donghu at 30 June 2014 was approximately RMB100,987,000 (2013: RMB106,255,000).

(e) On 13 January 2012, the Group invested in a 10% equity interest of Tianjin Binlian, a joint venture established in the PRC. On 22 January 2014, the Group holds 3.3% equity interest of Tianjin Binlian as enlarged by the new registered capitals subscribed by its other shareholders. Tianjin Binlian is principally engaged in the provision of small loan and financial consultation services in Tianjin, especially Dongli District, the PRC. No dividend was declared and received during the year (2013: HK$454,000). The unaudited profit for the 12 month ended 30 June 2014 of Tianjin Binlian was approximately RMB16,321,000 (2013: RMB8,574,000) and the unaudited net asset value of Tianjin Binlian at 30 June 2014 was approximately RMB320,930,000 (2013: RMB104,608,000).

(f) On 19 January 2012, the Group invested in a 30% equity interest of NingGangRongTong, a joint venture established in the PRC. NingGangRongTong is principally engaged in the provision of small loan and financial consultation services in Jiangning District (mainly focusing on the Nanjing Jiangning Economic Technical Development Zone), Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited loss for the 12 month ended 30 June 2014 of NingGangRongTong was approximately RMB9,590,000 (2013: RMB4,465,000) and the unaudited net asset value of NingGangRongTong at 30 June 2014 was approximately RMB86,779,000 (2013: RMB96,369,000).

(g) 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. No dividend was declared and received during the year (2013: Nil). The unaudited loss for the 12 month ended 30 June 2014 of Ezhou Zhongjinguotou was approximately RMB1,367,000 (2013: 1,472,000) and the unaudited net asset value of Ezhou Zhongjinguotou at 30 June 2014 was approximately RMB502,175,000 (2013: RMB498,629,000).

(h) 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. During the year, dividend of HK$5,840,000 (2013: Nil) was declared and received from Ziyang Yanjiang after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of Ziyang Yanjiang was approximately RMB16,896,000 (11 month ended 30 June 2013: RMB5,057,000) and the unaudited net asset value of Ziyang Yanjiang at 30 June 2014 was approximately RMB208,208,000 (2013: RMB207,043,000).

(i) On 31 August 2012, the Group invested in a 30% equity interest of Nanjing Jiangning, a joint venture established in the PRC. Nanjing Jiangning is principally engaged in the provision of small loan and financial consultation services in Jiangning District, Nanjing, Jiangsu Province, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited profit for the 12 month ended 30 June 2014 of Nanjing Jiangning was approximately RMB6,000 (10 month ended 30 June 2013: RMB2,784,000) and the unaudited net asset value of Nanjing Jiangning at 30 June 2014 was approximately RMB102,789,000 (2013: RMB102,784,000).

(j) On 13 September 2012, the Group invested in a 30% equity interest of Tianjin Zhongjinxinke, a joint venture established in the PRC. Tianjin Zhongjinxinke is principally engaged in the provision of small loan and financial consultation services in Tianjin, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited profit for the 10 month ended 30 June 2013 of Tianjin Zhongjinxinke was approximately RMB709,000 and the unaudited net asset value of Tianjin Zhongjinxinke at 30 June 2013 was approximately RMB100,716,000. On 4 June 2014, the Company disposed 30% equity interest of Tianjin Zhongjinxinke to an independent third party for a cash consideration of RMB30,000,000.

(k) 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. During the year, dividend of HK$1,465,000 (2013: Nil) was declared and receivable from Tianjin Rongyang after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of Tianjin Rongyang was approximately RMB6,522,000 (10 month ended 30 June 2013: RMB486,000) and the unaudited net asset value of Tianjin Rongyang at 30 June 2014 was approximately RMB105,361,000 (2013: RMB100,486,000).

(l) 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. During the year, dividend of HK$1,424,000 (2013: Nil) was declared and receivable from Xi’an Kairong after deducting the withholding tax. The unaudited profit for the 12 month ended 30 June 2014 of Xi’an Kairong was approximately RMB3,008,000 (7 month ended 30 June 2013: RMB2,562,000) and the unaudited net asset value of Xi’an Kairong at 30 June 2014 was approximately RMB53,370,000 (2013: RMB52,562,000).

(m) On 4 April 2013, the Group invested in a 30% equity interest of Zhenjiang FID, a joint venture established in the PRC. Zhenjiang FID is principally engaged in the provision of financial management services to SMEs in Zhenjiang, Jiangsu Province, the PRC. No dividend was declared and received during the year (2013: Nil). The unaudited profit for the 12 month ended 30 June 2014 of Zhenjiang FID was approximately RMB1,067,000 (3 month ended 30 June 2013: loss of RMB276,000) and the unaudited net asset value of Zhenjiang FID at 30 June 2014 was approximately RMB50,791,000 (2013: RMB49,724,000).

(n) On 22 November 2013, the Group invested in a 30% equity interest of Zhenjiang CFI, a joint venture established in the PRC. Zhenjiang CFI is principally engaged in the provision of small loan and financial consultation services in Zhenjiang, Jiangsu Province, the PRC. No dividend was declared and received during the year. The unaudited profit for the 7 month ended 30 June 2014 of Zhenjiang CFI was approximately RMB6,595,000 and the unaudited net asset value of Zhenjiang CFI at 30 June 2014 was approximately RMB156,595,000.

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

The Group does not own or control more than 20% of the voting rights in any one of these investee companies. In the opinion of the directors, the Group is not able to exercise any significant influence on the financial and operating policies on these investee companies, and therefore all of these investments are not regarded as associates of the Group and are accounted for as financial assets at FVTPL for the year ended 30 June 2014.

21. Prepayments, deposits and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current portion:				
Prepayments	225	225	225	225
Deposits *(note (a))*	392	18,686	392	18,686
Dividends receivable	14,182	3,937	14,182	3,937
Loan to an investee *(note (b))*	11,200	–	11,200	–
Receivable on partial disposal of equity interest in Globe Capital *(note (c))*	4,199	4,199	4,199	4,199
Other receivables *(note (d))*	77,187	612	64,188	483
	107,385	27,659	94,386	27,530
Non-current portion:				
Loan to an investee *(note (b))*	–	40,606	–	40,606

Notes:

(a) On 9 and 13 June 2013, the Group paid deposits totaling HK$18,000,000 to invest in a 30% equity interest of Wuhan Changruan Huacheng System Limited ("Wuhan Changruan") established in the PRC. Wuhan Changruan is principally engaged in the provision of information system service in Wuhan City, Hubei Province, the PRC. The investment was subsequently cancelled and the whole amount was subsequently refunded to the Group.

(b)

	Group and Company	
	2014	**2013**
	HK$'000	*HK$'000*
Loan to an investee	40,606	40,606
Impairment	(29,406)	–
	11,200	40,606

The loan to an investee is unsecured, interest-free and will be repaid in accordance with a repayment schedule from 2014 to 2016. At 30 June 2014, HK$29,406,000 (2013: Nil) was determined to be impaired as the investee was in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

Movements in the provision for impairment losses are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
At 1 July	–	–
Provision for impairment losses	29,406	–
At 30 June	29,406	–

The aged analysis of the loan to an investee that are neither individually nor collectively considered to be impaired is as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Neither past due nor impaired	11,200	40,606

The balance was settled on 1 September 2014.

(c) This is the unsettled balance from the disposal of a 70% equity interest in a former subsidiary, Globe Capital for the year ended 30 June 2011. Directors expect that the remaining balance will be repaid within one year.

(d) As at 30 June 2014, other receivables included HK$19,000,000 (30 June 2013: Nil) from the disposal of a 30% equity interest of Zhengzhou Mingyang and HK$37,477,000 (30 June 2013: Nil) from the disposal of a 30% equity interest of Tianjin Zhongjinxinke. These balances are unsecured, interest free and repayable on demand. The balances were fully settled on 12 August 2014 and 18 August 2014, respectively.

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

22. Cash and cash equivalents

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	6,818	7,944	6,391	2,749

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$3,705,000 (2013: HK$396,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

23. Other payables and accruals

	Group and Company	
	2014	**2013**
	HK$'000	*HK$'000*
Accruals	635	555
Other payables	252	1,109
	887	1,664

Other payables are non-interest-bearing and have an average term of less than 3 months.

24. Due to a related company

The amount due to a related company as at 30 June 2013 was unsecured, interest-free and repayable on demand. Further details of the related company are in note 32(b)(ii) to the financial statements.

25. Borrowings

	Group and Company	
	2014	**2013**
	HK$'000	*HK$'000*
Non-current liabilities		
Interest bearing loans – unsecured	62,965	9,979
Convertible bond *(note 26)*	276,301	273,707
	339,266	283,686
Analysed into:		
Loans repayable:		
In the third to fifth years, inclusive	276,301	273,707
Beyond five years	62,965	9,979
	339,266	283,686

As at 30 June 2014, bonds with total nominal amount of HK$63,000,000 (30 June 2013: HK$10,000,000) were issued to independent third parties at 5% interest rate per annum with maturity dates ranging from year 2020 to 2021, being 7 years' maturity from the date of issue. The net proceeds are used for investing in unlisted investments and for the general working capital of the Group.

26. Convertible bond

On 27 December 2012 (the "Issue Date"), the Company issued a convertible bond (the "Convertible Bond") with a nominal value of HK$280,000,000. There was no movement in the number of this Convertible Bond during the year.

The Convertible Bond carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. At any time on and after 27 December 2015 (the "Maturity Date"), the bondholder may demand immediate redemption of the Convertible Bond at an amount equal to the outstanding principal amount of the Convertible Bond plus interest accrued thereon up to the actual date of redemption.

The bond is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK$0.01 each of the Company at an initial conversion price of HK$0.50 per share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the Issue Date up to the Maturity Date. The Company has the right to notify the bondholder to redeem the Convertible Bond at any time prior to the Maturity Date at an amount equal to the principal amount then outstanding plus interest accrued thereon up to the actual date of redemption.

The fair value of the liability component was estimated at the Issue Date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity. As at 30 June 2014 and 30 June 2013, the equity component after allocated transaction costs was HK$7,231,000.

No convertible bond was issued during the year ended 30 June 2014. The Convertible Bond issued during the year ended 30 June 2013 has been split into the liability and equity components as follows:

	2013
	HK$'000
Nominal value of the Convertible Bond issued during the year	280,000
Equity component after allocated transaction costs	(7,231)
Direct transaction costs attributable to the equity component	(2)
Direct transaction costs attributable to the liability component	(92)
	272,675

The movements of the liability component of the Convertible Bond for the year are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
At beginning of the year	273,707	272,675
Interest expense for the year	21,926	11,101
Interest paid for the year	(19,332)	(10,069)
At the end of the year	276,301	273,707

Pursuant to the subscription agreement, the Convertible Bond can be secured by the pledge of certain of the Company's available-for-sale financial assets and financial assets at FVTPL. As at 30 June 2014, the Convertible Bond is unsecured as the process for the registration/filing for the pledges of certain of the Company's available-for-sale financial assets and financial assets at FVTPL are still pending from the final approval of the relevant PRC authorities.

27. Deferred tax

(a) Deferred tax liabilities

Group and Company

	Depreciation allowance in excess of related depreciation	Fair value adjustments of the available-for-sale financial assets	Fair value adjustments of financial assets at fair value through profit or loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2014				
At 1 July 2013	37	4,680	6,161	10,878
Deferred tax charged/(credited) to profit or loss during the year	149	–	(3,398)	(3,249)
Deferred tax credited to equity during the year	–	(2,190)	–	(2,190)
Gross deferred tax liabilities at 30 June 2014	186	2,490	2,763	5,439
2013				
At 1 July 2012	272	2,945	503	3,720
Deferred tax (credited)/charged to profit or loss during the year	(235)	–	5,658	5,423
Deferred tax charged to equity during the year	–	1,735	–	1,735
Gross deferred tax liabilities at 30 June 2013	37	4,680	6,161	10,878

(b) Deferred tax assets

Group and Company

	Losses available for offsetting against future taxable profits	
	2014	**2013**
	HK$'000	*HK$'000*
At 1 July	(37)	(272)
Deferred tax (credited)/charged to profit or loss during the year	(149)	235
Gross deferred tax assets at 30 June	(186)	(37)

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

	2014	**2013**
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	(186)	(37)
Net deferred tax liabilities recognised in the consolidated statement of financial position	5,439	10,878
Deferred tax balances at 30 June	5,253	10,841

(c) Deferred tax assets not recognised

At 30 June 2014, deferred tax has not been recognised in respect of the following items:

	Group and Company	
	2014	**2013**
	HK$'000	*HK$'000*
Unused tax losses	191,829	130,458

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

28. Issued capital

		2014		2013	
		Number of shares		Number of shares	
	Notes	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each		30,000,000	300,000	30,000,000	300,000
Issued and fully paid:					
As at 1 July					
Ordinary shares of HK$0.01 each		4,659,834	46,599	4,417,834	44,179
Issue of shares upon exercise of share options	*(a)*	800	8	2,000	20
Issue of shares upon share placing	*(b)*	–	–	240,000	2,400
As at 30 June					
Ordinary shares of HK$0.01 each		4,660,634	46,607	4,659,834	46,599

Notes:

(a) Issue of shares upon exercise of share options

During the years ended 30 June 2014 and 2013, share options to subscribe for 800,000 shares and 2,000,000 shares were exercised. The gross proceeds from the exercise of share options during the years ended 30 June 2014 and 2013 were approximately HK$40,000 and HK$100,000, of which HK$8,000 and HK$20,000 were credited to share capital, while HK$45,000 and HK$112,000 were credited to share premium, respectively.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29(a) to the financial statements.

(b) Issue of shares upon share placing

On 31 August 2012, the Company issued 240,000,000 ordinary shares of HK$0.01 each at a price of HK$0.45 per share to two independent investors. The gross proceeds from the placing of shares were approximately HK$108,000,000, of which HK$2,400,000 was recorded in share capital and the balance of HK$105,561,000 after netting off issue expenses of HK$39,000 was credited to share premium.

All the ordinary shares issued during the years ended 30 June 2014 and 30 June 2013 rank pari passu in all respects with the then existing ordinary shares of the Company.

29. Share options

(a) Share Option Scheme

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

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

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

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

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

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

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

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

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

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

	2014		2013	
	Weighted average exercise price *HK$ per share*	**Number of share options** *'000*	**Weighted average exercise price** *HK$ per share*	**Number of share options** *'000*
At 1 July	0.270	21,800	0.390	79,800
Granted during the year	0.425	44,700	–	–
Exercised during the year	0.050	(800)	0.050	(2,000)
Lapsed during the year	0.445	(10,000)	0.445	(40,600)
Forfeited during the year	–	–	0.445	(15,400)
At 30 June	0.367	55,700	0.270	21,800

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.35 per share (2013: HK$0.40 per share). The closing price of the Company's shares immediately before the date on which the share options were granted during the year was HK$0.45 per share.

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

2014

Name or category of participant	At 1 July 2013 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	At 30 June 2014 '000	Exercise period*	Exercise price** HK$ per share	Date of grant
	Number of share options							
Directors								
Wang Dehe	–	13,000	–	–	13,000	19/3/2014-18/12/2016	0.425	19/12/2013
	–	13,000	–	–	13,000	19/12/2014-18/12/2016	0.425	19/12/2013
	–	14,000	–	–	14,000	19/12/2015-18/12/2016	0.425	19/12/2013
	–	40,000	–	–	40,000			
Du Lin Dong	–	4,700	–	–	4,700	19/3/2014-18/12/2016	0.425	19/12/2013
Ding Xiaobin	300	–	(300)	–	–	17/2/2009-16/11/2013	0.050	17/11/2008
	500	–	–	–	500	18/3/2010-17/12/2014	0.130	18/12/2009
	800	–	(300)	–	500			
Zeng Xianggao	500	–	(500)	–	–	17/2/2009-16/11/2013	0.050	17/11/2008
	500	–	–	–	500	18/3/2010-17/12/2014	0.130	18/12/2009
	1,000	–	(500)	–	500			
Qualified allottees in aggregate	10,000	–	–	–	10,000	18/3/2010-17/12/2014	0.130	18/12/2009
	3,300	–	–	(3,300)	–	16/5/2011-15/2/2014	0.445	16/2/2011
	3,300	–	–	(3,300)	–	16/2/2012-15/2/2014	0.445	16/2/2011
	3,400	–	–	(3,400)	–	16/2/2013-15/2/2014	0.445	16/2/2011
	20,000	–	–	(10,000)	10,000			
	21,800	44,700	(800)	(10,000)	55,700			

2013

Name or category of participant	At 1 July 2012 '000	Exercised during the year '000	Lapsed during the year '000	Forfeited during the year '000	At 30 June 2013 '000	Exercise period*	Exercise price** HK$ per share	Date of grant
	Number of share options							
Directors								
Liu Baorui	12,000	–	(12,000)	–	–	16/5/2011-15/2/2014	0.445	16/2/2011
(resigned on	12,000	–	(12,000)	–	–	16/2/2012-15/2/2014	0.445	16/2/2011
11 January 2013)	12,000	–	–	(12,000)	–	16/2/2013-15/2/2014	0.445	16/2/2011
	36,000	–	(24,000)	(12,000)	–			
Ding Xiaobin	300	–	–	–	300	17/2/2009-16/11/2013	0.050	17/11/2008
	500	–	–	–	500	18/3/2010-17/12/2014	0.130	18/12/2009
	800	–	–	–	800			
Zeng Xianggao	500	–	–	–	500	17/2/2009-16/11/2013	0.050	17/11/2008
	500	–	–	–	500	18/3/2010-17/12/2014	0.130	18/12/2009
	1,000	–	–	–	1,000			
Qualified allottees	2,000	(2,000)	–	–	–	17/2/2009-16/11/2013	0.050	17/11/2008
in aggregate	10,000	–	–	–	10,000	18/3/2010-17/12/2014	0.130	18/12/2009
	6,600	–	(3,300)	–	3,300	16/5/2011-15/2/2014	0.445	16/2/2011
	6,600	–	(3,300)	–	3,300	16/2/2012-15/2/2014	0.445	16/2/2011
	6,800	–	–	(3,400)	3,400	16/2/2013-15/2/2014	0.445	16/2/2011
	10,000	–	(10,000)	–	–	16/5/2011-15/2/2014	0.445	16/2/2011
	42,000	(2,000)	(16,600)	(3,400)	20,000			
	79,800	(2,000)	(40,600)	(15,400)	21,800			

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

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

The fair value of equity-settled share options granted during the year which amounted to HK$5,974,000, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	19/12/2013
Share price	HK$0.425
Exercise price	HK$0.425
Expected dividend yield	0.00%
Historical volatility	46.16%
Risk-free interest rate	0.48%
Expected life of options	3 years

The expected life of the options is based on the historical data over the past 3 years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The directors have estimated the values of the share options granted to Mr. Wang Dehe and Mr. Du Lin Dong during the year, calculated using the binomial option pricing model as at the date of the grant of the options, to be HK$5,480,000 and HK$494,000, respectively.

The 800,000 share options exercised during the year ended 30 June 2014 resulted in the issue of 800,000 ordinary shares of the Company and new share capital of HK$8,000 and share premium of HK$45,000, as further detailed in note 28(a) to the financial statements.

The Company recognised a total expense of approximately HK$3,780,000 for the year ended 30 June 2014 (2013: HK$790,000) in relation to the share options granted under the Scheme by the Company.

(b) Share Options

On 7 April 2014, the Company granted an aggregate of 200,000,000 share options each to United Truth Group Limited ("United Truth") and GCA Special Situations (A) Limited ("GCA") under a specific mandate (the "Specific Mandate") for their provision of consultancy services to the Company pursuant to the agreement dated 30 January 2014 (as amended on 7 April 2014 and 3 June 2014) and the agreement dated 7 April 2014 (as amended on 3 June 2014), respectively.

The grant of the share options was approved by the shareholders at the special general meeting on 27 June 2014.

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

	2014		2013	
	Weighted average exercise price	**Number of share options**	**Weighted average exercise price**	**Number of share options**
	HK$ per share	*'000*	*HK$ per share*	*'000*
At 1 July	–	–	–	–
Granted during the year	0.48	400,000	–	–
At 30 June	0.48	400,000	–	–

No share options under the Specific Mandate were exercised during the year ended 30 June 2014.

The exercise prices and exercise periods of the share options outstanding under the Specific Mandate as at 30 June 2014 are as follows:

	Number of share options					
Name of grantee	At 1 July 2013 *'000*	Granted during the year *'000*	At 30 June 2014 *'000*	Exercise period*	Exercise price** *HK$ per share*	Date of grant
United Truth	–	40,000	40,000	7/7/2014-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2015-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2016-6/4/2017	0.48	7/4/2014
	–	200,000	200,000			
GCA	–	40,000	40,000	7/7/2014-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2015-6/4/2017	0.48	7/4/2014
	–	80,000	80,000	7/4/2016-6/4/2017	0.48	7/4/2014
	–	200,000	200,000			
	–	400,000	400,000			

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

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

The fair value of equity-settled share options granted during the year which amounted to HK$60,070,000 was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	7/4/2014
Share price	HK$0.48
Exercise price	HK$0.48
Expected dividend yield	0.00%
Historical volatility	44.57%
Risk-free interest rate	0.83%
Expected life of options	3 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Company recognised a total expense of approximately HK$60,070,000 for the year ended 30 June 2014 (2013: Nil) in relation to the share options granted under the Specific Mandate by the Company.

At the end of the reporting period, the Company had 455,700,000 share options outstanding under the Scheme and the Specific Mandate. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 455,700,000 additional ordinary shares of the Company and additional share capital of HK$4,557,000 and share premium of HK$273,487,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 455,700,000 share options outstanding under the Scheme and the Specific Mandate, which represented approximately 9.78% of the Company's shares in issue as at that date.

30. Net asset value per share

The calculation of net asset value per share is based on the net assets of the Group as at 30 June 2014 of HK$821,745,000 (2013: HK$994,613,000) and on 4,660,634,000 ordinary shares being in issue as at 30 June 2014 (2013: 4,659,834,000 ordinary shares).

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

(b) Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Available-for-sale financial asset revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Equity component of a convertible bond *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2012	575,249	278,979	2,766	21,583	10,825	132	–	(36,479)	853,055
Loss for the year *(note 14)*	–	–	–	–	–	–	–	(43,297)	(43,297)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	18	–	–	18
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	23,894	–	–	–	–	23,894
Total comprehensive income for the year	–	–	–	23,894	–	18	–	(43,297)	(19,385)
Equity-settled share-based transactions *(note 29)*	–	–	–	–	790	–	–	–	790
Lapse of share options	–	–	–	–	(6,682)	–	–	6,682	–
Forfeiture of share options	–	–	–	–	(2,626)	–	–	–	(2,626)
Issue of shares									
– upon exercise of share options *(note 28(a))*	112	–	–	–	(32)	–	–	–	80
– upon share placing *(note 28(b))*	105,561	–	–	–	–	–	–	–	105,561
Issue of a convertible bond – recognition of equity component of a convertible bond	–	–	–	–	–	–	7,231	–	7,231
At 30 June 2013 and 1 July 2013	680,922	278,979	2,766	45,477	2,275	150	7,231	(73,094)	944,706
Loss for the year *(note 14)*	–	–	–	–	–	–	–	(213,466)	(213,466)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	(42)	–	–	(42)
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	(23,068)	–	–	–	–	(23,068)
Total comprehensive income for the year	–	–	–	(23,068)	–	(42)	–	(213,466)	(236,576)
Equity-settled share-based transactions *(note 29)*	–	–	–	–	63,850	–	–	–	63,850
Lapse of share options	–	–	–	–	(1,763)	–	–	1,763	–
Issue of shares									
– upon exercise of share options *(note 28(a))*	45	–	–	–	(13)	–	–	–	32
At 30 June 2014	680,967	278,979	2,766	22,409	64,349	108	7,231	(284,797)	772,012

Nature and purpose of reserves

Notes:

(i) Share premium

The application of share premium is governed by Section 40 of the Companies Act of Bermuda.

(ii) Contributed surplus

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

(iii) Capital reserve

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

(iv) Available-for-sale financial asset revaluation reserve

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

(v) Share option reserve

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

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of foreign operations.

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

32. Related party transactions

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

(a) Key management personnel remuneration

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

(b) Significant related party transactions

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

		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
Investment management fees paid/payable to CFIIM (the "Investment Manager")	*(i)*	987	1,246
Legal advisory fees paid/payable to Michael Li & Co	*(ii)*	22	36

Notes:

(i) Details of the investment management fees and performance-related fees are included in note 12 to the financial statements.

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

At 30 June 2014, no balance was due to Michael Li & Co (2013: HK$7,000).

33. Commitments

(a) Capital commitments outstanding at 30 June 2014 not provided for in the financial statements are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Acquisition of unlisted investments	187,383	892,582	187,383	549,544

(b) The Group leases its office premises under an operating lease arrangement with a negotiated term of one year. At 30 June 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2014	**2013**
	HK$'000	*HK$'000*
Within one year	875	1,456
In the second to fifth years, inclusive	–	–
	875	1,456

34. Financial instruments by category

The carrying amounts and fair values of the Group and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Group		Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sale financial assets	335,770	400,872	335,770	389,022
Financial assets at FVTPL				
– Held for trading	99,663	176,758	99,663	175,608
– Designated as such upon initial recognition	621,143	639,310	621,143	639,310
Loans and receivables				
Other receivable	–	40,606	–	40,606
Due from subsidiaries	–	–	410	333
Financial assets included in prepayments, deposits and other receivables	107,160	27,434	94,161	27,305
Cash and cash equivalents	6,818	7,944	6,391	2,749
	1,170,554	1,292,924	1,157,538	1,274,933
Financial liabilities				
Financial liabilities at amortised cost				
Financial liabilities included in other payables and accruals	252	1,109	252	1,109
Due to subsidiaries	–	–	463	5,182
Due to a related company	–	7	–	7
Due to an associate	64	111	64	111
Interest bearing loans	62,965	9,979	62,965	9,979
Convertible bond	276,301	273,707	276,301	273,707
	339,582	284,913	340,045	290,095

35. Fair value and fair value hierarchy of financial instruments

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

The fair value of the interest bearing loans and the liability portion of the convertible bond as at 30 June 2014 amounted to HK$62,965,000 (2013: HK$10,000,000) and HK$273,063,000 (2013: HK$275,602,000), respectively.

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

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

The fair values of the interest bearing loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest bearing loans as at 30 June 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Available-for-sale financial assets in unlisted investments				
Micro-loan service	Market comparable companies	Price to book ratio ("PB ratio")	1.0856 to 1.9082 (1.3167)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio 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 2014, the Group's other comprehensive income would have increased by HK$107,915,000. Had the lowest PB ratio among the comparables been used as at 30 June 2014, the Group's other comprehensive income would have decreased by HK$53,958,000.
Others	Market comparable companies	PB ratio	1.0856 to 1.9082 (1.3167)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio 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 2014, the Group's other comprehensive income would have increased by HK$21,956,000. Had the lowest PB ratio among the comparables been used as at 30 June 2014, the Group's other comprehensive income would have decreased by HK$10,978,000.
FVTPL in unlisted investments				
Micro-loan service	Market comparable companies	PB ratio	1.0856 to 1.9082 (1.3167)	The fair values of companies are determined with reference to multiples of comparable listed companies, using average of the PB ratio 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 2014, the Group's profit or loss would have increased by HK$233,111,000. Had the lowest PB ratio among the comparables been used as at 30 June 2014, the Group's profit or loss would have decreased by HK$116,560,000.

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

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
As at 30 June 2014				
Available-for-sale financial assets:				
– Unlisted investments	–	–	335,770	335,770
Financial assets at FVTPL				
– Listed securities	99,663	–	–	99,663
– Unlisted investments	–	–	621,143	621,143
	99,663	–	956,913	1,056,576
As at 30 June 2013				
Available-for-sale financial assets:				
– Unlisted investments	–	–	400,872	400,872
Financial assets at FVTPL				
– Listed securities	173,307	–	–	173,307
– Unlisted investments	–	–	639,310	639,310
– Derivative contract	–	–	3,451	3,451
	173,307	–	1,043,633	1,216,940

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
As at 30 June 2014				
Available-for-sale financial assets:				
– Unlisted investments	–	–	335,770	335,770
Financial assets at FVTPL				
– Listed securities	99,663	–	–	99,663
– Unlisted investments	–	–	621,143	621,143
	99,663	–	956,913	1,056,576
As at 30 June 2013				
Available-for-sale financial assets:				
– Unlisted investments	–	–	389,022	389,022
Financial assets at FVTPL				
– Listed securities	173,307	–	–	173,307
– Unlisted investments	–	–	639,310	639,310
– Derivative contract	–	–	2,301	2,301
	173,307	–	1,030,633	1,203,940

The Group did not have any financial liabilities measured at fair value as at 30 June 2014 and 2013.

During the years ended 30 June 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2. The movements in fair value measurements in Level 3 during the year were as follows.

	2014	2013
	HK$'000	*HK$'000*
Available-for-sale financial assets:		
At 1 July	400,872	334,027
Total losses recognised in profit or loss	(4,295)	(7,474)
Total (losses)/gains recognised in other comprehensive income	(25,258)	25,629
Purchases	–	48,690
Disposals	(35,549)	–
At 30 June	335,770	400,872

	2014	2013
	HK$'000	*HK$'000*
Financial assets at FVTPL (unlisted investments and derivative contract):		
At 1 July	642,761	216,890
Total (losses)/gains recognised in profit or loss	(36,868)	56,722
Purchases	56,874	369,149
Disposals	(41,624)	–
At 30 June	621,143	642,761

Liabilities for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group and Company				
As at 30 June 2014				
Interest bearing loans	–	62,965	–	62,965
Convertible bond	–	–	273,063	273,063
	–	62,965	273,063	336,028
As at 30 June 2013				
Interest bearing loan	–	10,000	–	10,000
Convertible bond	–	–	275,602	275,602
	–	10,000	275,602	285,602

36. Financial risk management objectives and policies

The Group's principal financial instruments include cash and cash equivalents, other receivables, investments in listed securities and unlisted investments, an amount due to a related company, an amount due to an associate and other payables. The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate strategies to manage the Group's exposure to these risks to ensure appropriate measures are implemented in a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes. The financial risks to which the Group is exposed to are described below.

Market risk

The Group's exposure to market risk includes foreign currency risk, interest rate risk and equity price risk.

(i) Foreign currency risk

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

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

(ii) Interest rate risk

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

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

As management considers the Group's and Company's exposure to the interest rate risk is not significant, no interest-rate swaps or other hedging activities are taken by management during the years of 2014 and 2013.

(iii) Equity price risk

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

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

Sensitivity analysis

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

	30 June 2014	High/low 2014	30 June 2013	High/low 2013
Hong Kong – Hang Seng Index ("HSI")	23,191	24,112/20,120	20,803	23,945/18,711

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

	% of reasonable possible change of the relevant benchmark index	Change in loss before tax *HK$'000*
30 June 2014		
Relevant market index		
Hong Kong – HSI	±11.48%	∓11,441
30 June 2013		
Relevant market index		
Hong Kong – HSI	±7.00%	∓12,140

(iv) Credit risk

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

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

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

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

(v) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly. At 30 June 2014, the Group and the Company held cash and cash equivalents of HK$6,818,000 (2013: HK$7,944,000) and HK$6,391,000 (2013: HK$2,749,000), respectively, and current receivables of HK$106,768,000 (2013: HK$8,748,000) and HK$93,769,000 (2013: HK$8,619,000), respectively, which were considered adequate for working capital requirements.

The following tables set out the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables are drawn up based on the undiscounted cash flows of financial liabilities and the earliest dates on which the Group or the Company can be required to pay.

Liquidity risk of financial liabilities

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

	< 1 year	**1 to 5 years**	**>5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
2014				
Other payables	252	–	–	252
Due to an associate	64	–	–	64
Interest bearing loans	3,150	12,600	66,797	82,547
Convertible bond	19,600	289,800	–	309,400
	23,066	302,400	66,797	392,263
2013				
Other payables	1,109	–	–	1,109
Due to a related company	7	–	–	7
Due to an associate	111	–	–	111
Interest bearing loan	504	2,000	10,996	13,500
Convertible bond	19,600	309,400	–	329,000
	21,331	311,400	10,996	343,727
Company				
2014				
Other payables	252	–	–	252
Due to subsidiaries	463	–	–	463
Due to an associate	64	–	–	64
Interest bearing loans	3,150	12,600	66,797	82,547
Convertible bond	19,600	289,800	–	309,400
	23,529	302,400	66,797	392,726
2013				
Other payables	1,109	–	–	1,109
Due to subsidiaries	5,182	–	–	5,182
Due to a related company	7	–	–	7
Due to an associate	111	–	–	111
Interest bearing loan	504	2,000	10,996	13,500
Convertible bond	19,600	309,400	–	329,000
	26,513	311,400	10,996	348,909

Capital management

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

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2014 and 30 June 2013. As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The Investment Manager and the executive committee manage the capital of the Company in accordance with the Company's investment objectives and policies.

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

37. Events after reporting period

On 4 September 2014, the Company entered into two subscription agreements ("Subscription Agreements") with two independent subscribers, 上海外聯發實業發展有限公司 (transliterated as Shanghai Wailianfa Industrial Development Limited") ("Wailianfa") and Regal Prosper International Limited ("Regal Prosper"), in relation to the subscription for 11,500,000,000 and 840,000,000 new shares ("Subscription Shares") of the Company at HK$0.2 per share, respectively. The shares subscribed by Wailianfa will be allotted and issued to United Talents Holdings Limited (the "Nominee Subscriber"), being a nominee of Wailianfa, at the direction of Wailianfa and the relevant share certificates will be delivered to the Nominee Subscriber. The aggregate net proceeds of the subscriptions of approximately HK$2,464 million will be applied for potential investments and general working capital of the Group. Wailianfa has irrevocably undertaken to the Company that from the date of the completion of the subscription, and until the second anniversary thereof, it shall or shall procure the Nominee Subscriber not to dispose of any of the 11,500,000,000 subscription shares in the secondary market or create any encumbrances over such shares.

As stated in the published announcement dated 4 September 2014 by the Company, Wailianfa is a company established in the PRC. On 4 September 2014, Wailianfa is owned as to (i) 89.76% by 上海聖金投資有限公司 (transliterated as Shanghai Shengjin Investment Company Limited) which is wholly owned by 上海河苗投資有限公司 (transliterated as Shanghai Hemiao Investment Company Limited) which in turn is owned as to 58.33% by 陳越 (transliterated as Chen Yue) and 41.67% by 陳輝 (transliterated as Chen Hui); and (ii) 10.24% by 上海泰利特經濟發展有限公司 (transliterated as Shanghai Tailite Economic Development Company Limited) which in turn is owned as to 55% by 典國華 (transliterated as Dian Guohua), 35% by 朱澤民 (transliterated as Zhu Zemin) and 10% by 胡德華 (transliterated as Hu Dehua). As one of the conditions precedent of the subscription agreement entered with Wailianfa (the "First Subscription Agreement"), the shareholdings of Wailianfa will change and upon completion of the reorganisation (the "Reorganisation"), it will be owned as to (i) 46.51% by 山東信能新材料有限公司 (transliterated as Shandong Xinneng New Materials Limited) which in turn is owned as to 70% by 張剛 (transliterated as Zhang Gang), 10% by 孫培蓮 (transliterated as Sun Peilian), 10% by 周輝放 (transliterated as Zhou Huifang), 5.5% by 翟璐 (transliterated as Zhai Lu) and 4.5% by 袁志剛 (transliterated as Yuan Zhigang); (ii) 23.26% by 中企聯控股集團有限公司 (transliterated as Zhongqilian Holding Group Limited) which in turn is wholly owned by 馬鈞 (transliterated as Ma Jun); (iii) 13.95% by 上海智富科創投資有限公司 (transliterated as Shanghai Zhifu Kechuang Investment Limited) which in turn is owned as to 49% by 嚴悅文 (transliterated as Yan Yuewen) and 51% by 智富企業發展(集團)有限公司 (transliterated as Zhifu Enterprise Development (Group) Limited) which in turn is owned as to 80% by 丁勤富 (transliterated as Ding Qinfu) and 20% by 嚴悅文 (transliterated as Yan Yuewen); (iv) 9.30% by 上海光通神洲網路通信發展有限公司 (transliterated as Shanghai Guangtong Shenzhou Network Communication Development Limited) which in turn is wholly owned by 袁峰 (transliterated as Yuan Feng); (v) 4.65% by 陝西安澤投資有限公司 (transliterated as Shanxi Anze Investment Limited) which in turn is owned as to 51% by 王文軍 (transliterated as Wang Wenjun) and 49% by 陳紅 (transliterated as Chen Hong); (vi) 2.09% by Shanghai Shengjin Investment Company Limited whose ultimate shareholders and their shareholdings will remain the same; and (vii) 0.24% by Shanghai Tailite Economic Development Company Limited whose ultimate shareholders and their shareholdings will remain the same.

Upon the completion of the Subscription Agreements, Wailianfa and Regal Prosper hold approximately 67.64% and 4.94% of the entire issued share capital of the Company as enlarged by the issue of Subscription Shares, respectively, and the Company shall procure the change in the constitution of the board of directors of the Company (the "Board") in compliance with the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") so that the new Board will comprise 9 members of which 3 are executive directors, 3 are non-executive directors and 3 are independent non-executive directors. Wailianfa shall have the right to nominate a majority of the executive directors and the non-executive directors. The appointment of the directors nominated by Wailianfa shall be carried out in accordance with the normal procedures of the Company for appointment of directors.

The enforcement of the Subscription Agreements is subject to Shareholders and related authorities' approval and certain major conditions described below:

For the First Subscription Agreement

(1) the Company and/or the guarantors, Mr. Du Lin Dong (the "First Guarantor") and Mr. Wang Dehe (collectively referred to as the "Guarantors"), not having breached any of the undertakings and warranties given by the Company and the Guarantors in the First Subscription Agreement and such undertakings and warranties remaining true and accurate in all respects and not misleading;

(2) the Company is in compliance with all its undertakings given in favour of Wailianfa;

(3) the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the executive director granting the whitewash waiver to the Nominee Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the whitewash waiver granted;

(4) if applicable, the disposals (the "Disposals") as described below having been approved by the Stock Exchange;

a. to dispose unlisted company investments of the Company, including Jingdezhen CFI Guosen, Ezhou Zhongjinguotou, Nanchang Donghu, Ziyang Yanjiang, Jiangxi Huazhang, Zhengzhou Mingyang and Tianjin Zhongjinxinke for a total cash consideration of not less than HK$589,000,000 by 30 November 2014.

b. to dispose all listed company investments of the Company for a total cash consideration of not less than HK$138,000,000 before the date of the special general meeting ("SGM") of the Company to be held to approve the First Subscription Agreement.

c. to terminate the 23 joint venture agreements and/or acquisition agreement previously entered into by the Group in respect of its investment in small loan companies in the PRC and have not yet completed as at the date of the First Subscription Agreement within 10 days from the date of First Subscription Agreement.

d. to collect and receive each of the account receivable of the Company which is more than HK$1,000,000 and arising from the loan advancement made by the Company and/or the dividend receivable from its investment for a total sum of not less than HK$49,581,000 within 15 days from the date of First Subscription Agreement.

(5) the obtaining of all necessary consent and approval by the Company, including but not limited to passing by the Board and the independent shareholders at the SGM, among other things, the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the specific mandate in respect of the subscription shares to be issued under the First Subscription Agreement (the "First Subscription Shares") and the whitewash waiver);

(6) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion);

(7) the Bermuda Monetary Authority granting consent to (if required) the issue of the First Subscription Shares (and such consent not being subsequently revoked prior to the completion);

(8) the obtaining of a Bermuda legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the First Subscription Agreement and the transaction contemplated thereunder, at the cost and expense of the Company;

(9) the obtaining of a PRC legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the Disposals and the business of the Company in the PRC, at the cost and expense of the Company;

(10) all parties to the First Subscription Agreement having signed all relevant documents in connection with the subscription;

(11) fulfillment of all the terms and conditions and there is no breach of the First Subscription Agreement;

(12) the establishment of the Nominee Subscriber by Wailianfa and obtaining of all necessary consent and approval (including but not limited to the foreign-exchange approval) by the Nominee Subscriber;

(13) Wailianfa has legally transferred all the necessary funding in respect of the subscription to the designated bank account of the Nominee Subscriber which can be freely applied;

(14) the obtaining of all necessary consent and approval by Wailianfa, including but not limited to passing by the board of Wailianfa and the shareholders of Wailianfa the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder;

(15) the obtaining of all necessary consent and approval by Wailianfa from the relevant PRC competent authorities (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the foreign exchange department and/or other relevant local authorities in the PRC);

(16) the completion of the Disposals in accordance with applicable laws, regulations, government policies, the Listing Rules and the terms of the First Subscription Agreement;

(17) the First Guarantor having created a share charge to charge all the 685,914,830 Shares, representing approximately 14.72% of entire issued share capital of the Company as at the date of the First Subscription Agreement, directly and indirectly owned by him in favour of Wailianfa one day before the despatch of the circular to guarantee the performance of obligations of the Company and the Guarantors under the First Subscription Agreement and has delivered to Wailianfa the relevant share certificates, instruments of transfer and sold notes signed in blank; and

(18) completion of the Reorganisation.

Wailianfa has the right to waive the conditions numbered (1), (2), (8), (9), (10), (11), (16) and/or (17) above, save as the aforesaid, none of the above conditions can be waived by any parties to the First Subscription Agreement.

For the subscription agreement entered with Regal Prosper (the "Second Subscription Agreement")

(1) the passing by the shareholders at the SGM, among other things, an ordinary resolution to approve the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the specific mandate in respect of the subscription shares to be issued under the Second Subscription Agreement (the "Second Subscription Shares"));

(2) the Stock Exchange granting an approval for the listing of and permission to deal in the Second Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion of the subscription);

(3) the warranties given by Regal Prosper in the Second Subscription Agreement remaining true, accurate and not misleading in all respects; and

(4) the Bermuda Monetary Authority granting consent to (if required) the issue of the Second Subscription Shares.

None of the conditions in the Second Subscription Agreement can be waived.

38. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 12 September 2014.

3. INDEBTEDNESS STATEMENT

(a) Borrowings and convertible bond

As at the close of business on 30 November 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Circular, the Group had the following indebtedness:

	Notes	*HK$'000*
Interest bearing loans – unsecured	*(i)*	63,000
Convertible bond	*(ii)*	280,000
Other payables and accruals		9,744
		352,744

Notes:

(i) ***Interest bearing loans – unsecured***

Bonds with 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 year 2020 to 2021, being 7 years' maturity from the date of issue and the interest accrued thereon is amounted to HK$1,320,000.

(ii) ***Convertible bond***

CB with outstanding principal amount of HK$280,000,000 which was held by Grand Nation Global Limited, an independent third party, is convertible into 560,000,000 Shares of the Company at conversion price of HK$0.50 per Share on or before 27 December 2015 and the interest accrued thereon amounted to HK$3,249,000.

Pursuant to the subscription agreement, the CB can be secured by the pledge of certain of the Company's available-for-sale financial assets and financial assets at fair value through profit and loss. As at 30 November 2014, the CB is unsecured as the process for the registration/filing for the pledges of certain of the Company's available-for-sale financial assets and financial assets at fair value through profit and loss are still pending from the final approval of the relevant PRC authorities.

(b) Pledge of assets

At the close of business on 30 November 2014, saved as disclosed in section (a)(ii), the Group did not pledge any asset to banks or other financial institutions.

(c) Contingent liabilities

As at 30 November 2014, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 30 November 2014, the Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Save as the (i) Subscriptions; and (ii) the Disposals, the Directors confirmed that there is no material change in the financial or trading position or outlook of the Group since 30 June 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China Financial International Investments Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Financial International Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated profit and loss and other comprehensive income for the year ended 30 June 2014 and related notes (the "**Pro Forma Financial Information**") as set out on pages II-1 to II-6 of the circular dated 15 January 2015 (the "**Circular**") issued by the Company in connection with the approval of the Subscription Agreements, the Specific Mandates and the Whitewash Waiver (as defined in the Circular). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page II-4 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the First Subscription and disposals of the Listed Company Investments and Unlisted Company Investments (as defined in the Circular) (collectively as "**First Subscription and Investment Disposals**") on the Group's financial performance for the year ended 30 June 2014 as if the transaction had taken place on 1 July 2013. As part of this process, information about the Group's financial performance has been extracted by the Directors from the audited consolidated statement of profit or loss and other comprehensive income of the Group as set out in the annual report of the Company for the year ended 30 June 2014, on which an audit report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the First Subscription and Investment Disposals on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central Hong Kong

15 January 2015

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the First Subscription and Investment Disposals on the financial performance of the Group as if the First Subscription and Investment Disposals had been completed on 1 July 2013.

As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial performance of the Group following the completion of the First Subscription and Investment Disposals.

The Unaudited Pro Forma Financial Information is based on the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2014, extracted from the published annual report of the Group for the year ended 30 June 2014 as set out in Appendix I to this Circular, after giving effect to the pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial information does not purport to describe the financial information of the Group that would have been attained had the First Subscription and Investment Disposals been completed on 1 July 2013. Furthermore, the accompanying Unaudited Pro Forma Financial Information of the Group does not purport to predict the Group's future financial performance.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2014

	The Group for the year ended 30 June 2014	Pro forma adjustments for First Subscription and Investment Disposals				Unaudited Pro Forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3(i))*	*(Note 3(ii))*	*Note (4)*	
Revenue	29,813					29,813
Other income and gains	800					800
Net change in fair value of financial assets at fair value through profit or loss	(97,558)	48,925		(8,444)		(57,077)
Impairment loss of available-for-sale financial assets	(4,295)					(4,295)
Impairment loss of other receivables	(29,406)					(29,406)
Finance cost	(24,424)					(24,424)
Administrative expense	(91,176)					(91,176)
Share of loss of an associate	(32)					(32)
Loss before tax	(216,278)					(175,797)
Income tax credit	3,398				845	4,243
Loss for the year	(212,880)					(171,554)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale financial assets:						
Change in fair value	(29,553)		(14,254)			(43,807)
Reclassification adjustment for loss included in profit or loss – Impairment loss	4,295					4,295
Income tax effect	2,190				1,425	3,615
	(23,068)					(35,897)
Exchange differences on translation of foreign operations	(810)					(810)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(23,878)					(36,707)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(23,878)					(36,707)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(236,758)					(208,261)

Notes:

1. The amounts are extracted from the audited consolidated statement of profit and loss and other comprehensive income of the Group as set out in the annual report of the Company for the year ended 30 June 2014.

2. The Company entered into the agreements with the Independent Third Parties to dispose of the Listed Company Investments for total cash consideration of HK$148,588,000 on 25 November 2014. The adjustment of HK$48,925,000 is to reflect the estimated gain from the disposals of Listed Company Investments on the consolidated statement of profit and loss and other comprehensive income of the Group as if the disposals of the Listed Company Investments had taken place on 1 July 2013 and is calculated based on the aforementioned cash consideration less the fair vale of the Listed Company Investments of HK$99,663,000. The cost of the Listed Company Investments is HK$199,755,000. Such gain from the disposal will not have a continuing effect on the Group's financial performance.

3. On 25 November 2014, the Company entered into the agreements with the Independent Third Parties to dispose of the Unlisted Company Investments, including available-for-sale financial assets and financial assets at fair value through profit or loss for cash considerations totaling HK$527,470,600. The adjustments are to reflect the estimated losses from the disposals of Unlisted Company Investments on the consolidated statement of profit and loss and other comprehensive income of the Group as if the disposals of the Unlisted Company Investments had taken place on 1 July 2013.

   (i) Available-for-sale financial assets:

   The adjustment of loss of HK$14,254,400 is calculated based on the cash consideration of HK$231,839,600 less the fair value of the Unlisted Company Investments classified as available-for-sale financial assets of HK$246,094,000. The cost of these Unlisted Company Investments is HK$231,839,600.

   (ii) Financial assets at fair value through profit or loss:

   The adjustment of loss of HK$8,444,000 is calculated based on the cash consideration of HK$295,631,000 less the fair value of the Unlisted Company Investments classified as financial assets at fair value through profit or loss of HK$304,075,000. The cost of these Unlisted Company Investments is HK$295,631,000.

   Such losses from the disposals of the Unlisted Company Investments will not have a continuing effect on the Group's financial performance.

4. The adjustment reflects the deferred tax impacts attributable to the disposals of Unlisted Company Investments.

Since the actual fair values of the Listed Company Investments and the Unlisted Company Investments will be different from the amounts used in the preparation of the Unaudited Pro Forma Financial Information, the actual gain or loss on the First Subscription and Investment Disposals may be materially different from the estimated amounts shown here.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Nominee Subscriber and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Nominee Subscriber and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Zheng Jianmin# (鄭堅敏), being the sole director of the Nominee Subscriber; Hu Dehua# (胡德華), being the sole director of Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司), which is the general partner of Junjue; and the respective directors of Zhongqilian Holding Group Limited# (中企聯控股集團有限公司), namely Ma Jun# (馬鈞), Sun Yifeng# (孫一峰) and Li Yong# (李勇), and Shangdong Xinneng New Materials Limited# (山東信能新材料有限公司), namely Zhang Gang# (張剛), Song Peikai# (宋培凱), Zhai Lu# (翟璐), Zhou Huifang# (周輝放) and Yuan Zhigang# (袁志剛), being the two limited partners together agreed to contribute more than 30% of the capital of Junjue, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group, the Second Subscriber and the Second Subscription) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Group, the Second Subscriber and the Second Subscription) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after completion of the Subscriptions will be as follows:

		HK$
Authorised capital:		
30,000,000,000	Shares	300,000,000
Issued and fully paid or credited as fully paid:		
4,671,634,030	Shares in issue as at the Latest Practicable Date	46,716,340.30
11,500,000,000	First Subscription Shares to be issued	115,000,000
840,000,000	Second Subscription Shares to be issued	8,400,000
17,011,634,030		170,116,340.30

All Shares currently in issue rank equally in all respects, including capital, dividends and voting rights. The issued Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchange.

The Subscription Shares to be allotted and issued will be identical and rank pari passu with each other and all the existing Shares in issue in all respects. The Shares in issue are listed on the Stock Exchange.

As at the Latest Practicable Date, the Company has a total of 444,700,000 outstanding share options which entitle the holders of the share options to subscribe for 444,700,000 new Shares. The Company issued the CB with a nominal value of HK$280,000,000 on 27 December 2012. The CB is convertible at the option of holder of the CB into the Shares at an initial conversion price of HK$0.50 per Share which entitles the holder of the CB to subscribe for approximately 560,000,000 new Shares. Save as disclosed above, the Company does not have any options, warrants or convertible securities in issue and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

Save as the issue of 11,000,000 Shares due to the exercise of 11,000,000 shares options conferring the rights of the holders to subscribe for an aggregate of 11,000,000 Shares, no Shares have been issued since 30 June 2014, being the end of the last financial year of the Company.

Save as disclosed above, the Company did not have any outstanding options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the chief executive of the Company and following Directors and their respective associates were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying shares, debentures or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any associated corporation (within the meaning 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; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code:

(i) Long positions in the Shares

Name of Director	Capacity	Number of Shares	Total interests	Approximate percentage of shareholding in the Company
Mr. Du *(Note)*	Beneficial owner	185,914,830	720,314,830	15.42%
	Interest of spouse	34,400,000		
	Interest of controlled corporation	500,000,000		
Ding Xiaobin	Beneficial owner	1,300,000	1,300,000	0.03%
Zeng Xianggao	Beneficial owner	1,000,000	1,000,000	0.02%

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

(ii) Long positions in the share options of the Company

Name of Director	Number of options directly beneficially owned
Mr. Wang	40,000,000
Mr. Du	4,700,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests in the long or short positions in the Shares, underlying shares and debentures of the Company and its associated corporation (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; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the interests disclosed above in respect of certain directors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group:

(i) Long positions in the Shares

Name of Shareholder	Capacity	*Note*	Number of Shares	Total interests	Approximate percentage of shareholding in the Company
Rightfirst Holdings Limited	Beneficial owner	*(1)*	500,000,000	500,000,000	10.70%
Ms. Liu Zan	Beneficial owner Interests of spouse	*(2)*	34,400,000 685,914,830	720,314,830	15.42%
Peng Ying	Interest of controlled corporation	*(3)*	470,640,000	470,640,000	10.07%
Sino Day Financial International Holdings Limited	Beneficial owner	*(3)*	470,640,000	470,640,000	10.07%
Peng Xinliang	Beneficial owner		242,608,000	242,608,000	5.19%
Huarong (HK) International Holdings Limited	Interest of controlled corporation		71,000,000	71,000,000	1.52%

(ii) Long positions in the underlying shares of the Company

Name of Shareholder	Capacity	*Note*	Number of underlying shares	Total interests	Approximate percentage of shareholding in the Company
Grand Nation Global Limited	Beneficial owner	*(4)*	560,000,000	560,000,000	11.99%
Huarong (HK) International Holdings Limited	Interest of controlled corporation	*(4)*	560,000,000	560,000,000	11.99%

Notes:

(1) The 500,000,000 Shares were held by Rightfirst Holdings Limited, a company wholly owned by Mr. Du.

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

(3) The 470,640,000 Shares held by Sino Day Financial International Holdings Limited, 50% of the issued share capital of Sino Day Financial International Holdings Limited is owned by Ms. Peng Ying.

(4) The Company has raised approximately HK$279.91 million by issuing the CB. The CB is beneficially held by Grand Nation Global Limited, the entire issued share capital of which is owned by Huarong (HK) International Holdings Limited, and carries interest at a rate of 7% per annum payable by the Company every six calendar months from the issue date. The CB is convertible at the option of the holder into fully paid Shares at an initial conversion price of HK$0.50 per Share, which is subject to adjustment upon occurrence of certain events subsequently, on any business day from the issue date up to the maturity date.

Pursuant to the Amended First Subscription Agreement and in compliance with Part XV of the SFO, the following persons have notified the Company of their respective interests in the Shares which have been recorded in the register required to be kept by the Company under Section 336 of the SFO. These interests are the interests in the First Subscription Shares and are subject to the First Completion.

Name	Capacity and nature of interest	Number of Shares	Approximate Percentage of Shareholding in the Company
Zhang Gang# (張剛) *(note 1)*	Interest of controlled corporation	11,500,000,000	246.17%
Shandong Xinneng New Material Limited# (山東信能新材料有限公司) *(note 2)*	Interest of controlled corporation	11,500,000,000	246.17%
Junjue *(note 3)*	Interest of controlled corporation	11,500,000,000	246.17%
United Talents Development Limited *(note 4)*	Interest of controlled corporation	11,500,000,000	246.17%

Notes:

(1) Zhang Gang holds 70% shareholding in Shandong Xinneng New Materials Limited and therefore Zhang Gang is deemed to have interest in 11,500,000,000 Shares which Shandong Xinneng New Materials Limited has.

(2) Shandong Xinneng New Materials Limited controls 43.35% voting rights in Junjue and therefore Shandong Xinneng New Materials Limited is deemed to have interest in 11,500,000,000 Shares which Junjue has.

(3) Junjue holds 90% shareholding in United Talents Development Limited which, in turn, holds 100% shareholding in the Nominee Subscriber and therefore Junjue is deemed to have interest in 11,500,000,000 Shares which the Nominee Subscriber has.

(4) United Talents Development Limited holds 100% shareholding in the Nominee Subscriber and therefore United Talents Development Limited is deemed to have any interest in Shares which the Nominee Subscriber has. The Nominee Subscriber becomes interested in 11,500,000,000 Shares by way of entering into the Amended First Subscription Agreement.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than the Directors and the chief executive of the Company) who had, or was deemed to have, an interest and/or short position in the Shares or underlying shares of the Company which is required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or associated companies (i) which is not determinable by the Company within one year without payment of compensation, other than statutory compensation; (ii) which (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the date of the Announcement; (iii) which were continuous contracts with a notice period of 12 months or more; or (iv) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

5. NO MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 30 June 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

9. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Somerley	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, each of Somerley and Ernst & Young did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either directly or indirectly, in any assets which had been, since 30 June 2014 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Somerley and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and logo in the form and context in which it appears.

10. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

(a) As at the Latest Practicable Date, neither the Nominee Subscriber nor any parties acting in concert with it held, own or control any securities, options, warrants, convertible securities and derivatives of the Company or had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(b) Save for the First Subscription Agreement entered into by Wailianfa, the Deed of Novation entered into by Wailianfa and Junjue and the First Subscription Supplemental Agreement entered into by Junjue, none of Wailianfa, Junjue, the Nominee Subscriber, the directors of Wailianfa, the directors of Junjue and the directors of the Nominee Subscriber was interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(c) Save for the purpose of providing securities for possible bank financing for the subscription price payable under the First Subscription, no Shares acquired by the Nominee Subscriber and parties acting in concert with it pursuant to the First Subscription will be transferred, charged or pledged to any other persons.

(d) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Nominee Subscriber or any party acting in concert with it, and any other person.

(e) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Nominee Subscriber or any party acting in concert with it; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the First Subscription and/or the Whitewash Waiver.

(f) As at the Latest Practicable Date, none of the Directors and any person acting in concert with the Directors and the Company had any interest in the shares, convertible securities, warrants, options or derivatives of the Nominee Subscriber and had no dealings in the securities of the Nominee Subscriber during the Relevant Period.

(g) As at the Latest Practicable Date, save and except for (i) Ms. Liu Zan, spouse of Mr. Du, who had purchased 34,400,000 Shares at HK$0.68 per Share on 22 September 2014; and (ii) Mr. Ding Xiaobin and Mr. Zeng Xianggao, who exercised 500,000 and 500,000 share options and subscribed for 500,000 and 500,000 Shares on 14 October 2014, respectively and save as disclosed in the paragraph headed "3. Disclosure of interest" in this appendix, none of the Directors was interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(h) The Company did not hold, as at the Latest Practicable Date, nor had dealt for value in, during the Relevant Period, any shares, convertible securities, warrants, options or derivatives of the Nominee Subscriber.

(i) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate "under the Takeovers Code), had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and/or had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(j) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(k) As at the Latest Practicable Date, no securities of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities of the Company during the Relevant Period.

(l) As at the Latest Practicable Date and during the Relevant Period, no persons had irrevocably committed themselves to vote for or against the resolutions to be proposed in respect of the First Subscription and/or the Whitewash Waiver at the SGM.

(m) As at the Latest Practicable Date and during the Relevant Period, the Directors, namely Mr. Ding Xiaobin and Mr. Zeng Xianggao, who were also Independent Shareholders expressed their intentions, in respect of their own beneficial shareholdings in the Company, to vote for the resolutions (to the extent that they are not required to abstain from voting in favour under the Listing Rules) to be proposed in relation to the First Subscription and/or the Whitewash Waiver at the SGM.

(n) As at the Latest Practicable Date and during the Relevant Period, no Shares or securities of the Company had been borrowed or lent by any of the Directors or any person acting in concert with the Directors or by the Company. As at the Latest Practicable Date and during the Relevant Period, no Shares or securities of the Company had been borrowed or lent by the Nominee Subscriber or any person acting in concert with it.

(o) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the First Subscription and/or the Whitewash Waiver or otherwise connected with the First Subscription and/or the Whitewash Waiver.

(p) As at the Latest Practicable Date, no benefit (other than statutory compensation) had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the First Subscription and/or the Whitewash Waiver.

(q) As at the Latest Practicable Date, there was no material contract entered into by the Nominee Subscriber or any party acting in concert with it in which any Director had a material personal interest.

(r) The Directors and the directors of the Investment Manager or any of their respective associates are not and will not become entitled to receive any part of any brokerage charged to the Company, or any allowance of other types on purchases charged to the Company save for the management fee of the Investment Manager.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

(i) Pursuant to a convertible bond subscription agreement dated 20 November 2012 and entered into between the Company and Jumbo View Holdings Limited, the Company issued the CB in the principal amount of HK$280,000,000 which bears a coupon rate of 7% per annum payable semi-annually and due on 27 December 2015, and with the initial conversion price of HK$0.50 per Share, subject to adjustment upon occurrence of certain events subsequently, on any Business Day from the issue date up to the maturity date;

(ii) the First Subscription Agreement;

(iii) the Deed of Novation;

(iv) the First Subscription Supplemental Agreement; and

(v) the Second Subscription Agreement dated 4 September 2014 as amended, modified and varied by a supplemental agreement dated 7 November 2014 and a second supplemental agreement dated 30 December 2014.

12. MARKET PRICE

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading of the Shares took place in each of the calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 March 2014	0.475
30 April 2014	0.5
31 May 2014	0.63
30 June 2014	0.5
11 July 2014 (Last Trading Day)	0.6
30 July 2014	Trading in Shares suspended
31 August 2014	Trading in Shares suspended
30 September 2014	0.93
31 October 2014	0.81
28 November 2014	0.84
31 December 2014	0.85
12 January 2015 (Latest Practicable Date)	0.81

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.93 on 30 September 2014 and HK$0.44 on 7 March 2014 respectively.

13. INVESTMENT MANAGER

(a) The annual management fee of the Investment Manager for the year ended 30 June 2014 is HK$987,000.

(b) The senior management of the Investment Manager is:

Mr. Chan Wing Yau George ("**Mr. Chan**") is a responsible officer and a director of Investment Manager. Mr. Chan is responsible for establishing the corporate development and managing all sorts of company administration. He has over 25 years of experience in the fund management industry and has held senior position at a number of renowned financial institutions which including but not limited to director of Jardine Fleming Management Limited, executive director of HSBC Asset Management Hong Kong Limited, director of Peregrine Asset Management (HK) Limited, director, General Manager and Chief Investment Officer of Dao Heng Fund Management Limited and senior director of Principal Asset Management Company (Asia) Limited. Mr. Chan has also made great contribution to the financial sector and the pension fund market. Over the years, he has actively participated in various financial related public services, including but not limited to Member of the Sir Robert Black Trust Fund Committee, Chairman of the Ocean Park Investment Committee, member of Executive Committee of the Hong Kong Investment Funds Association and the Chairman of the China Sub-committee, Committee member of the Hong Kong Trade Development Council Financial Services Advisory Committee, Finance Committee member of Board of Management of the Chinese Permanent Cemeteries, Member of Investment Advisory Committee of Sir Maclehose Trust Fund and Compliance Officer of the Hong Kong Institute of Financial Analysis and Professional Commentators Ltd.

Mr. Ip Ka Tsun Anthony ("**Mr. Ip**") is a responsible officer of Investment Manager, who is responsible for managing the investment portfolio and index futures hedge. Since 1998, he has been investing in growth stocks listed in the PRC and Hong Kong. Mr. Ip has more than 10 years of experience in investing in the PRC and Hong Kong securities and futures market. His strength lies on using the earnings growth model in stock selection to form the core of the long-term investment portfolio. In 2003, Mr. Ip founded the ANPA Investment Management Limited. Since then, he has been actively managing Hong Kong and PRC equity portfolio and using derivatives for hedging to balance the risk of the portfolio. Mr. Ip is a Fellow Member of the Association of Chartered Certified Accountants (FCCA), and received an MBA degree from the Chinese University of Hong Kong and a Bachelor of Arts (First Class Honour) in Accountancy from the Hong Kong Polytechnic University.

(c) The address of the director of the Investment Manager is as follow:

Mr. Chan Wing Yau, George	Room 1403, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

14. CORPORATE INFORMATION

Investment manager	China Financial International Investments & Managements Limited Room 1403, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Custodian	Bank of Communications Trustee Limited 1/F., Far East Consortium Bldg. 121 Des Voeux Road Central Hong Kong

15. MISCELLANEOUS

(a) The registered office and the correspondence address of the Nominee Subscriber and its holding companies are:

(i) for the Nominee Subscriber, the registered office is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the correspondence address is at No. 56 BoYun Road, Zhangjang High Technology Park District, Shanghai, PRC;

(ii) for United Talents Development Limited, the registered office is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the correspondence address is at No. 56 BoYun Road, Zhangjang High Technology Park District, Shanghai, PRC; and

(iii) for Junjue, the registered office is at Room 922A, 9/F, District B, 55 XiLi Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC and the correspondence address is at No. 56 BoYun Road, Zhangjang High Technology Park District, Shanghai, PRC.

(b) The directors of the Nominee Subscriber and directors (or executive partner, as the case may be) of its holding companies are:

(i) for the Nominee Subscriber, the director is Zheng Jianmin# (鄭堅敏);

(ii) for United Talents Development Limited, the director is Zheng Jianmin# (鄭堅敏); and

(iii) for Junjue, the general partner is Shanghai Tailite Economic Development Company Limited# (上海泰利特經濟發展有限公司), of which the sole director is Hu Dehua# (胡德華)

(c) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda;

(d) The principal place of business of the Company in Hong Kong is located at Suites 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong;

(e) The branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong;

(f) The secretary of the Company is Mr. Li Chi Chung; and

(g) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours on any weekday (except for public holidays) at the head office and principal place of business of the Company in Hong Kong at Suites 5704-05, 57/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, (ii) on the transaction specific website (http://www.irasia.com/listco/hk/cfii), and (iii) on the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Nominee Subscriber;

(c) the annual reports of the Company for the three years ended 30 June 2012, 2013 and 2014;

(d) the letter from the Board, the text of which is set out in this circular;

(e) the letter from the Independent Board Committee, the text of which is set out in this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(g) the reports from Ernst & Young on the unaudited pro forma financial information of the Group, the text of which are appended to this circular as appendix II;

(h) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consents referred to in the paragraph headed "Qualifications and consents of experts" in this appendix: and

(j) this circular.

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)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of China Financial International Investments Limited (the "**Company**") will be held at Suites 5704-05, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 6 March 2015 at 11:00 a.m. for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** subject to the fulfillment of the terms and conditions set out in the share subscription agreement ("**the First Subscription Agreement**") dated 4 September 2014 entered into among the Company, Du Lin Dong, Wang Dehe and Shanghai Wailianfa Industrial Development Limited# (上海外聯發實業發展有限公司) ("**Wailianfa**") as amended, modified and varied by the deed of novation (the "**Deed of Novation**") dated 7 November 2014 entered into among the Company, Du Lin Dong, Wang Dehe, Wailianfa and Shanghai Junjue Investment Centre (Limited Partnership))# (上海君爵投資中心(有限合夥)) ("**Junjue**") and the supplemental agreement (the "**First Subscription Supplemental Agreement**") dated 30 December 2014 entered into among the Company, Du Lin Dong, Wang Dehe and Junjue (collectively the "**Amended First Subscription Agreement**") in relation to the subscription for 11,500,000,000 new shares (the "**First Subscription Shares**") in the Company by United Talents Holdings Limited (聯傑控股有限公司) (the "**Nominee Subscriber**"), being the nominee of Junjue, a copy of each of the First Subscription Agreement, the Deed of Novation and the First Subscription Supplemental Agreement have been produced to this meeting marked "A", "B" and "C" respectively and initialed by the Chairman for the purpose of identification;

   (i) the First Subscription Agreement, the Deed of Novation, the First Subscription Supplemental Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

   (ii) all the transactions contemplated under the Amended First Subscription Agreement including but not limited to the specific mandate of allot and issue the First Subscription Shares by the Company to the Nominee Subscriber pursuant to the Amended First Subscription Agreement be and is hereby approved and the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue the First Subscription Shares pursuant to the Amended First Subscription Agreement; and

(iii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Amended First Subscription Agreement and the transactions contemplated thereunder."

2. "**THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) and any conditions that may be imposed thereon, the waiver of the obligation on the part of the Nominee Subscriber and parties acting in concert with it to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them which might otherwise arise as a result of the Nominee Subscriber subscribing for the First Subscription Shares under the Amended First Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

3. "**THAT** subject to the fulfillment of the terms and conditions set out in the share subscription agreement (the "**Second Subscription Agreement**") dated 4 September 2014 (as amended, modified and varied by a supplemental agreement (the "**First Supplemental Agreement**") dated 7 November 2014 and a supplemental agreement dated 30 December 2014 (the "**Second Supplemental Agreement**")) (collectively the "**Amended Second Subscription Agreement**") entered into between the Company and Regal Prosper International Limited (the "**Second Subscriber**"), in relation to the subscription of 840,000,000 new shares (the "**Second Subscription Shares**") in the Company by the Second Subscriber, a copy of each of the Second Subscription Agreement, First Supplemental Agreement and the Second Supplemental Agreement have been produced to this meeting marked "D", "E" and "F" respectively and initialled by the Chairman for the purpose of identification; and

(i) the Second Subscription Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

(ii) all the transactions contemplated under the Amended Second Subscription Agreement including but not limited to the specific mandate to allot and issue the Second Subscription Shares by the Company to the Second Subscriber pursuant to the Amended Second Subscription Agreement be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Second Subscription Shares pursuant to the Amended Second Subscription Agreement; and

(iii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Amended Second Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully
By the order of the board
China Financial International Investments Limited
Du Lin Dong
Chief Executive Officer

Hong Kong, 15 January 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 5704-05, 57/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or if he is the holder of two or more shares more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed with the circular of the Company dated 15 January 2015. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.