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CHINA FINANCIAL INTERNATIONAL INVESTMENTS LIMITED

中國金融國際投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 721)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Financial International Investments Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2017 (the “Year”) together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Revenue	5	41,234	5,548
Other income and gains	5	6,161	4,599
Net change in fair value of financial assets	6	(151,482)	(244,586)
Impairment loss on available-for-sale financial assets		(23,628)	(223,577)
Impairment loss on dividend receivable		(7,226)	–
Impairment loss on other receivables		–	(4,199)
Finance costs	7	(3,146)	(6,000)
Administrative expenses		(45,650)	(22,929)
Share of profit/(loss) of an associate		190	(63)
Loss before tax	8	(183,547)	(491,207)
Income tax (expense)/credit	9	(1,434)	1,678
Loss for the year		(184,981)	(489,529)

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Change in fair value		(38,806)	(188,583)
Reclassification adjustment for (gain)/loss included in profit or loss			
– Impairment loss		23,628	223,577
– Gain on partial conversion of convertible bond		(3,967)	–
Income tax effect		1,054	1,835
		(18,091)	36,829
Exchange differences on translation of foreign operations		(3,029)	(11,097)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(21,120)	25,732
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(21,120)	25,732
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(206,101)	(463,797)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	<i>10(a)</i>	HK(1.686) cents	HK(5.590) cents
– Diluted	<i>10(b)</i>	HK(1.686) cents	HK(5.590) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,052	1,864
Investment in an associate		543	353
Available-for-sale financial assets		242,509	323,615
Financial assets at fair value through profit or loss		<u>654,802</u>	<u>276,418</u>
Total non-current assets		<u>898,906</u>	<u>602,250</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		300,754	180,831
Prepayments, deposits and other receivables		56,396	415,143
Cash and cash equivalents		<u>416,047</u>	<u>657,542</u>
Total current assets		<u>773,197</u>	<u>1,253,516</u>
CURRENT LIABILITIES			
Due to a related company		73	–
Due to an associate		141	80
Other payables and accruals		22,875	2,370
Receipt in advance		2,500	–
Tax payable		<u>4,552</u>	<u>4,200</u>
Total current liabilities		<u>30,141</u>	<u>6,650</u>
NET CURRENT ASSETS		<u>743,056</u>	<u>1,246,866</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,641,962</u>	<u>1,849,116</u>
NON-CURRENT LIABILITIES			
Interest bearing loans		62,975	62,974
Deferred tax liabilities		–	1,054
		<u>62,975</u>	<u>64,028</u>
Net assets		<u>1,578,987</u>	<u>1,785,088</u>
EQUITY			
Share capital		109,717	109,717
Reserves		<u>1,469,270</u>	<u>1,675,371</u>
TOTAL EQUITY		<u>1,578,987</u>	<u>1,785,088</u>
Net asset value per share	11	<u>HK14.39 cents</u>	<u>HK16.27 cents</u>

NOTES TO FINANCIAL STATEMENTS

30 June 2017

1. BASIS OF PREPARATION

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

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1	<i>Disclosure Initiative</i>
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The adoption of the above revised standard has had no significant financial effect on the Group.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
HKFRS 9	<i>Financial Instruments²</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment results

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

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

Segment assets

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

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

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

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

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

4. (LOSS)/GAIN ON INVESTMENTS

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

The Group's turnover comprises sales proceeds from disposal of investments amounting to HK\$116,731,000 (2016: HK\$404,088,000), dividend income from investments of HK\$4,381,000 (2016: HK\$5,548,000) and interest income from unlisted investments of HK\$36,853,000 (2016: Nil) for the year.

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

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

Note:

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK\$'000	HK\$'000
Interest on a convertible bond wholly repayable		
within five years	–	419
Interest on other loans	<u>3,146</u>	<u>5,581</u>
	<u>3,146</u>	<u>6,000</u>

8. LOSS BEFORE TAX

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

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

9. INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Hong Kong		
– Provision for the year	–	–
Current – PRC		
– Provision for the year	1,434	–
Deferred tax credit	–	(1,678)
	<u>–</u>	<u>(1,678)</u>
Total tax charge/(credit) for the year	<u>1,434</u>	<u>(1,678)</u>

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

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

(a) *Basic loss per share*

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

Weighted average number of ordinary shares

	2017 Number of shares '000	2016 Number of shares '000
Issued ordinary shares	10,971,634	4,671,634
Effect of exercise of share options	–	28,792
Effect of conversion of the convertible bond	–	549,290
Effect of share placing	–	3,508,197
	<u>–</u>	<u>3,508,197</u>
Weighted average number of ordinary shares	<u>10,971,634</u>	<u>8,757,913</u>

(b) *Diluted loss per share*

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

11. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 30 June 2017 of HK\$1,578,987,000 (2016: HK\$1,785,088,000) and 10,971,634,000 ordinary shares in issue as at 30 June 2017 (2016: 10,971,634,000 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

- (i) unrealised loss of approximately HK\$146,192,000 on unlisted investments at fair value through profit or loss; and
- (ii) realised loss of approximately HK\$10,049,000 on unlisted investments at fair value through profit or loss;
- (iii) unrealised loss of approximately HK\$819,000 on listed investments at fair value through profit or loss;
- (iv) impairment loss of approximately HK\$23,628,000 on an available-for-sale financial asset; and
- (v) impairment loss of approximately HK\$7,226,000 on dividend receivables.

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

LISTED INVESTMENT REVIEW

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

As at 30 June 2017, the total market value of held-for-trading listed securities and available-for-sale listed securities amounted to HK\$445,857,000 (2016: HK\$298,178,000), all the listed investments were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 30 June 2017 <i>HK\$'000</i>	Dividend received/receivable during the Year <i>HK\$'000</i>	% to the Group's net assets as at 30 June 2017
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	3,711	–	0.24%
China City Infrastructure Group Limited (“China City Infrastructure”)	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the People’s Republic of China (the “PRC”)	558,735,429	19.49%	340,829	–	21.59%
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	26,592,500	0.35%	101,317	4,381	6.42%
				445,857	4,381	

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2017, the loss on the Group’s unlisted investment portfolio recorded as HK\$192,625,000 (2016: HK\$422,001,000). The loss was mainly attributable to the decrease in fair value of small loan companies and investments in fixed income financial assets. During the Year, no dividend income from the unlisted investments was recorded (2016: HK\$5,548,000).

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

UNLISTED EQUITY INVESTMENTS AND UNLISTED CONVERTIBLE BOND INVESTMENT

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

Unlisted equity investment and unlisted convertible bond investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2017 HK\$'000	% to the Group's net assets as at 30 June 2017
Micro-loan service							
1	(1)	Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	412	0.03%
Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")							
2		Tianjin	30%	Provision of small loan and financial consultation services	72,450	20,000	1.27%
Tianjin XEDA Microfinance Co., Ltd.							
3		Tianjin	30%	Provision of small loan and financial consultation services	36,606	3,776	0.24%
Tianjin Rongshun Microfinance Limited							
4		Tianjin	10%	Provision of small loan and financial consultation services	12,189	2,974	0.19%
TIIC RongShun Micro-Loan Company Limited							
5	(2)	Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	0%
Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")							
6	(3)	Donghu District, Nanchang, Jiangxi Province	30%	Provision of small loan and financial consultation services	N/A	N/A	N/A
Nanchang Donghu Zhongjincaixin Microfinance Co., Ltd. ("Nanchang Donghu")							
7		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	4,564	0.29%
Tianjin Binlian Microfinance Limited							
8	(4)	Ezhou, Hubei Province	30%	Provision of small loan and financial consultation services	185,000	123,549	7.82%
Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")							
9		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	245	0.02%
Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.							
10		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	12,926	0.82%
Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.							
11		Tianjin	30%	Provision of small loan and financial consultation services	36,741	6,700	0.42%
Tianjin Rongyang Micro-Loan Limited							
12		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	33,669	2.13%
Zhenjiang CFI Guosen Technology Microfinance Corporation Limited							
Sub-total:					747,917	208,815	

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2017 HK\$'000	% to the Group's net assets as at 30 June 2017
Guarantee Service							
13	Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(5) Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	42,820	2.71%
Investment and management consultation service							
14	Shenzhen Zhongtounxin Asset Management Company Limited	Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	0%
15	Xi'an Kairong Financial Service Limited	Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	11,156	0.71%
16	Hubei Zhongjin Tech Financial Services Co., Ltd.	Wuhan, Hubei Province	30%	Provision of financial management services	19,030	7,751	0.49%
				Sub-total:	56,104	18,907	
Real estate and natural gas							
17	China City Infrastructure	(6) Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	23,000	34,174	2.16%
				Total:	870,171	304,716	

Notes:

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

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

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

- (2) On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK\$2,500,000 has been received. As at the date of this announcement, this disposal transaction has not been completed. The Directors expect this disposal transaction will be completed within one year.
- (3) On 20 April 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Nanchang Donghu to an independent third party for a cash consideration of RMB23,325,000. As certain conditions have not been satisfied, the disposal transaction was terminated on 11 October 2016.

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

- (4) On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the capital reduction, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%. As at the date of this announcement, the capital reduction has not been completed. The Directors expect the capital reduction will be completed within six months.

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

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

- (5) The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and then 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.
- (6) On 30 June 2017, the Company converted in aggregate principal amount of HK\$50,000,000 into 100,000,000 shares in China City Infrastructure at the conversion price of HK\$0.50 each, when the closing market price of shares of China City Infrastructure was HK\$0.61 per share on this conversion and a loss on this conversion of approximately HK\$4,091,000, which has been included in net change in fair value of financial assets in profit or loss for the year ended 30 June 2017.

UNLISTED BOND INVESTMENTS

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

Name of company	Notes	Business nature	Cost HK\$'000	Fair value at 30 June 2017 HK\$'000	% to the Group's net assets as at 30 June 2017
Hollys (China) Limited	(1)	Engaged in coffee shop franchise in the PRC	200,000	195,745	12.40%
Pure Unity Investments Limited	(2)	Investment holding	190,000	150,965	9.56%
Talent Trend Global Limited	(3)	Investment holding	160,000	100,782	6.38%
			<u>550,000</u>	<u>447,492</u>	

Notes:

- (1) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited, entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys (China) Limited as issuer and Mr. Xiao Yan as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Xiao Yan is the sole shareholder and the sole director of Hollys (China) Limited.
- (2) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Nanchang) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Pure Unity Investments Limited as issuer and Mr. Zhu Mingliang as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$200,000,000. Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity. On 31 March 2017 and 5 April 2017, Pure Unity has redeemed HK\$10,000,000. The bond is secured by a property and by 500,000,000 shares of the Company held by Rightfirst Holdings Limited ("Rightfirst") as irrevocable guarantee, respectively. Rightfirst is beneficially owned by Mr. Du Lin Dong, who is the executive Director of the Company.
- (3) The Company through its direct wholly-owned subsidiary, China Financial International Investments (Henan) Limited, entered into a subscription agreement dated 21 November 2016 as subscriber with Talent Trend Global Limited as issuer and Mr. Huang Xianli as guarantor, in relation to the subscription of the 9% secured three-year bond with the principal amount of HK\$160,000,000. Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend Global Limited. The bond is secured by unlisted equity interests and by 620,000,000 shares of the Company held by Ruixin Taifu Investment Group Co., Limited as irrevocable guarantee, respectively.

PROSPECT

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2017, the Group had cash and cash equivalents of HK\$416,047,000 (2016: HK\$657,542,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2017 was approximately 25.65 times (2016: 188.50 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2017 was approximately 5.57% (2016: 3.81%).

The Group did not have any bank borrowing as at 30 June 2017 (2016: Nil).

FINAL DIVIDEND

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

CONTINGENT LIABILITIES

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

CAPITAL STRUCTURE

As at 30 June 2017, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,578,987,000 (2016: HK\$1,785,088,000) and approximately 10,971,634,000 (2016: 10,971,634,000), respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 16 (2016: 15) employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Year was HK\$25,431,000 (2016: HK\$11,435,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management system, and financial reporting matters including the review of this announcement and financial statements of the Group for the year ended 30 June 2017.

CORPORATE GOVERNANCE

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

During the Year, the Company has applied the principles and complied with the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, save for the disclosure below:

- (a) The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The positions of both chairman and chief executive officer of the Company have been held by Mr. Du Lin Dong during the Year. Given the Group’s current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company’s strategies.
- (b) The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, Mr. Li Cailin was unable to attend the annual general meeting of the Company held on 2 December 2016.

DIRECTORS’ SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Year.

EVENTS AFTER THE REPORTING PERIOD

- (1) On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in TianJin XEDA Microfinance Co., Ltd. for a cash consideration of HK\$45,557,000. As at the date of this announcement, the Company has received a non-refundable deposit of HK\$20,000,000.
- (2) On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in Tianjin Rongyang Micro-Loan Limited for a cash consideration of HK\$17,644,000. As at the date of this announcement, the Company has received a non-refundable deposit of RMB7,000,000.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 15 December 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Friday, 15 December 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 December 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES

This results announcement is published on the websites of the Company (<http://www.irasia.com/listco/hk/cfii>) and the Stock Exchange (www.hkex.com.hk). The annual report will be dispatched to the Shareholders and made available on the above websites as soon as practicable.

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

Hong Kong, 29 September 2017

As at the date of this announcement, the executive Directors are Mr. Du Lin Dong and Mr. Pong Po Lam, the non-executive Director is Mr. Ding Xiaobin and the independent non-executive Directors are Dr. Cheung Wai Bun Charles, JP, Mr. Li Cailin and Mr. Zeng Xianggao.