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CHINA FINANCIAL INTERNATIONAL INVESTMENTS LIMITED

中國金融國際投資有限公司

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

(Stock Code: 721)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

The board (the “Board”) of directors (the “Directors”) of China Financial International Investments Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2017 as follows:

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

For the six months ended 31 December 2017

		Unaudited	
		Six months ended	
		31 December	
		2017	2016
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	5	32,084	12,312
Other income and gains	5	888	3,118
Net change in fair value of financial assets	6	23,694	(58,436)
Finance costs	7	(1,601)	(1,597)
Administrative and other operating expenses		(23,860)	(27,910)
Share of profit of an associate		205	111
		<hr/>	<hr/>
Profit/(loss) before tax	8	31,410	(72,402)
Taxation	9	(3)	(949)
		<hr/>	<hr/>
Profit/(loss) for the period		31,407	(73,351)
		<hr/> <hr/>	<hr/> <hr/>

	Unaudited	
	Six months ended	
	31 December	
	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(58,229)	(45,392)
Income tax effect	—	116
	<u>(58,229)</u>	<u>(45,276)</u>
Exchange differences on translation of foreign operations	<u>11,413</u>	<u>(10,061)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(46,816)</u>	<u>(55,337)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(15,409)</u>	<u>(128,688)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the company		
– Basic	<i>11(a)</i> <u>HK0.29 cents</u>	<u>HK(0.67) cents</u>
– Diluted	<i>11(b)</i> <u>HK0.29 cents</u>	<u>HK(0.67) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Unaudited	Audited
	31 December	30 June
	2017	2017
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	913	1,052
Investment in an associate	748	543
Available-for-sale financial assets	184,280	242,509
Financial assets at fair value through profit or loss	652,198	654,802
Deposits paid	39,495	–
	<hr/>	<hr/>
Total non-current assets	877,634	898,906
CURRENT ASSETS		
Financial assets at fair value through profit or loss	446,878	300,754
Prepayments, deposits and other receivables	27,999	56,396
Cash and cash equivalents	320,735	416,047
	<hr/>	<hr/>
Total current assets	795,612	773,197
CURRENT LIABILITIES		
Due to a related company	–	73
Due to an associate	255	141
Other payables and accruals	1,508	22,875
Receipt in advance	30,717	2,500
Provision	10,000	–
Tax payable	4,200	4,552
	<hr/>	<hr/>
Total current liabilities	46,680	30,141
NET CURRENT ASSETS	<hr/> 748,932 <hr/>	<hr/> 743,056 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 1,626,566 <hr/>	<hr/> 1,641,962 <hr/>
NON-CURRENT LIABILITIES		
Interest bearing loans	62,988	62,975
NET ASSETS	<hr/> 1,563,578 <hr/>	<hr/> 1,578,987 <hr/>
EQUITY		
Share capital	109,717	109,717
Reserves	1,453,861	1,469,270
	<hr/>	<hr/>
TOTAL EQUITY	<hr/> 1,563,578 <hr/>	<hr/> 1,578,987 <hr/>
Net asset value per share	12 <hr/> HK14.25 cents <hr/>	<hr/> HK14.39 cents <hr/>

Notes:

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) and available-for-sale financial assets which have been measured at fair value. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2017, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

2.1 Adoption of Revised HKFRSs – effective 1 July 2017

In the current period, the Group has applied for the first time the following revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 July 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The adoption of these revised HKFRSs has no significant impact on the Group’s interim condensed consolidated financial statements.

2.2 Issued but not yet effective HKFRSs

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>

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

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

³ No mandatory effective date yet determined but available for adoption

The Directors do not expect the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 would result in significant impact on the amounts reported on the Group’s consolidated financial statements.

Other new/revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group’s results and financial position upon application.

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 businesses of the Group's investments and category of 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, investments 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>
<i>Six months ended 31 December 2017</i>					
Segment results	<u>(27,774)</u>	<u>(5,821)</u>	<u>46,426</u>	<u>42,947</u>	55,778
Share of profit of an associate					205
Unallocated income					888
Unallocated expenses					<u>(25,461)</u>
Profit before tax					31,410
Taxation					<u>(3)</u>
Profit for the period					<u>31,407</u>
<i>Six months ended 31 December 2016</i>					
Segment results	<u>15,261</u>	<u>(68,167)</u>	<u>8,506</u>	<u>(1,724)</u>	(46,124)
Share of profit of an associate					111
Unallocated income and gains					3,118
Unallocated expenses					<u>(29,507)</u>
Loss before tax					(72,402)
Taxation					<u>(949)</u>
Loss for the period					<u>(73,351)</u>

Segment results represent the realised gain on disposal of listed investments, net unrealised gain/(loss) on financial assets at FVTPL, the corresponding dividend income from listed investments and interest income from unlisted investments without allocation of central administration and other operating expenses to each of the operating segments.

Segment assets

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

	Unaudited 31 December 2017 HK\$'000	Audited 30 June 2017 HK\$'000
Micro-loan service	181,035	208,815
Real estate and natural gas	447,398	476,320
Investment in fixed income financial assets	468,979	447,492
Others	185,944	65,438
	<hr/>	<hr/>
Total segment assets	1,283,356	1,198,065
Unallocated assets	389,890	474,038
	<hr/>	<hr/>
	1,673,246	1,672,103

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 31 December 2017 and 30 June 2017 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

	Unaudited Listed securities HK\$'000	Unaudited Unlisted investments HK\$'000	Unaudited Total HK\$'000
<i>Six months ended 31 December 2017</i>			
<i>Included in profit or loss:</i>			
Realised gain:			
Financial assets at FVTPL	3,429	–	3,429
Unrealised gain/(loss):			
Financial assets at FVTPL	33,014	(12,749)	20,265
	<hr/>	<hr/>	<hr/>
Total gain/(loss) included in profit or loss	36,443	(12,749)	23,694
<i>Included in other comprehensive income ("OCI"):</i>			
Unrealised loss:			
Available-for-sale financial assets	(49,780)	(8,449)	(58,229)
	<hr/>	<hr/>	<hr/>
Total loss for the period	(13,337)	(21,198)	(34,535)
<i>Six months ended 31 December 2016</i>			
<i>Included in profit or loss:</i>			
Unrealised loss:			
Financial assets at FVTPL	(46,518)	(11,918)	(58,436)
<i>Included in OCI:</i>			
Unrealised (loss)/gain:			
Available-for-sale financial assets	(51,090)	5,698	(45,392)
	<hr/>	<hr/>	<hr/>
Total loss for the period	(97,608)	(6,220)	(103,828)

5. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited	
	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Revenue		
Dividend income from listed investments	6,565	1,723
Interest income from unlisted investments	25,519	10,589
	<u>32,084</u>	<u>12,312</u>
Other income and gains		
Bank interest income	55	3,118
Exchange gains	833	–
	<u>888</u>	<u>3,118</u>

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	Unaudited	
	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Net realised gain on disposal of financial assets at FVTPL	3,429	–
Net unrealised gain/(loss) on financial assets at FVTPL	20,265	(58,436)
	<u>23,694</u>	<u>(58,436)</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited	
	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Interest on interest bearing loans	<u>1,601</u>	<u>1,597</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	Unaudited	
	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Custodian fee	94	98
Depreciation	142	316
Investment management fee	1,368	918
Minimum operating lease payments in respect of properties	1,154	1,210
Provision for guarantee liability	10,000	–
Staff costs, including Directors' remuneration:		
– Salaries, wages and benefits in kind	6,603	11,253
– Pension scheme contributions	81	82
– Staff quarters expenses	627	1,307

9. TAXATION

	Unaudited	
	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Current – the PRC Enterprise Income Tax		
– Charge for the period	3	949

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 period ended 31 December 2017.

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 the period ended 31 December 2016.

The provision for the PRC Enterprise Income Tax for the Group's subsidiary in the PRC is estimated on the statutory rate of 25% of the assessable profit as determined in accordance with the relevant tax rules and regulations of the PRC (31 December 2016: 25%).

10. DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 31 December 2017 (31 December 2016: Nil).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit for the six months ended 31 December 2017 attributable to ordinary equity holders of the company of HK\$31,407,000 (31 December 2016: loss of HK\$73,351,000), and the weighted average number of ordinary shares of 10,971,634,000 (31 December 2016: 10,971,634,000) in issue during the period.

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic loss per share amount presented for the six months ended 31 December 2016 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented. There is no dilutive potential ordinary shares for the six months ended 31 December 2017 .

12. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2017 of HK\$1,563,578,000 (30 June 2017: HK\$1,578,987,000) and 10,971,634,000 ordinary shares in issue as at 31 December 2017 (30 June 2017: 10,971,634,000 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Financial International Investments Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the investments in the listed and unlisted companies established and/or doing business in Hong Kong and the People’s Republic of China (the “PRC”).

The Group recorded a profit of HK\$31,407,000 for the six months ended 31 December 2017 (the “Period”), as compared to a loss of HK\$73,351,000 for the same period last year. The gain was mainly attributable to the following reasons:

- (i) realised and unrealised gain of approximately HK\$36,443,000 on listed investments at fair value through profit or loss;
- (ii) dividend income from listed investments of HK\$6,565,000; and
- (iii) the interest income of HK\$25,519,000 from the unlisted investments.

LISTED INVESTMENT REVIEW

During the Period, the Group recorded the total loss of HK\$13,337,000 on listed securities business as compared to a loss of HK\$97,608,000 for the same period last year. Dividend income of HK\$6,565,000 from listed investments was recorded for the Period (31 December 2016: HK\$1,723,000).

As at 31 December 2017, the market value of the listed securities amounted to HK\$552,346,000 (30 June 2017: HK\$445,857,000). All the listed securities were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group’s effective interest	Market value at 31 December 2017 HK\$’000	Dividend received during the Period HK\$’000	% to the Group’s net assets as at 31 December 2017
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	2,857	–	0.18%
China City Infrastructure Group Limited (“China City Infrastructure”)	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	558,735,429	18.13%	234,669	–	15.01%
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	34,657,000	0.46%	186,801	6,050	11.95%
Wynn Macau, Limited	Hotel and casino resorts in Macau	2,288,000	0.04%	56,628	471	3.62%
Geely Automobile Holdings Limited	Research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding	1,412,000	0.02%	38,265	–	2.45%
Sino Biopharmaceutical Limited	Research, development, production and sale of a series of modernised Chinese medicines and chemical medicines for the treatment of hepatitis and cardio-cerebral diseases	2,390,000	0.03%	33,126	44	2.12%
				552,346	6,565	

UNLISTED INVESTMENT REVIEW

For the six months ended 31 December 2017, the total loss on the Group's unlisted investment portfolio recorded as HK\$21,198,000 (31 December 2016: HK\$6,220,000). The loss was mainly attributable to the decrease in fair value of small loan companies and a guarantee service company. No dividend income was recorded for both periods ended 31 December 2017 and 2016, the interest income of HK\$25,519,000 from the unlisted investments was recorded (31 December 2016: HK\$10,589,000).

The fair value of the Group's unlisted investments decreased by 2.82% to HK\$731,010,000 (30 June 2017: HK\$752,208,000).

Unlisted Equity Investments and Unlisted Convertible Bond Investment

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

Unlisted equity investment and unlisted convertible bond investment portfolio

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 31 December 2017 HK\$'000	% to the Group's net assets as at 31 December 2017
Micro-loan service							
1	Jingdezhen CFI Guosen Microfinance Co., Ltd. ("Jingdezhen CFI Guosen")	(1) Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	406	0.03%
2	TianJin XEDA Microfinance Co., Ltd. ("TianJin XEDA")	(2) Tianjin	30%	Provision of small loan and financial consultation services	72,450	20,000	1.28%
3	Tianjin Rongshun Microfinance Limited	Tianjin	30%	Provision of small loan and financial consultation services	36,606	2,777	0.18%
4	TiIC RongShun Micro-Loan Company Limited	Tianjin	10%	Provision of small loan and financial consultation services	12,189	6,544	0.42%
5	Harbin Zhongjinguoxin Microfinance Co., Ltd. ("Harbin Zhongjinguoxin")	(3) Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	0%
6	Tianjin Binlian Microfinance Limited	Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	3,799	0.24%
7	Ezhou Zhongjinguotou Microfinance Limited ("Ezhou Zhongjinguotou")	(4) Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	100,762	6.44%
8	Ziyang Yanjiang CFI GuoSen Microfinance Co., Ltd.	Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	203	0.01%
9	Nanjing Jiangning MingYangRongTong Agricultural Microfinance Co., Ltd.	Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	13,070	0.84%
10	Tianjin Rongyang Micro-Loan Limited	(5) Tianjin	30%	Provision of small loan and financial consultation services	36,741	6,700	0.43%
11	Zhenjiang CFI Guosen Technology Microfinance Corporation Limited	Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	26,774	1.71%
				Sub-total:	<u>747,917</u>	<u>181,035</u>	
Guarantee Service							
12	Jiangxi Huazhang Hanchen Guarantee Group Limited	Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises	43,150	32,478	2.08%

Name of company	Notes	Location	Group's effective interest	Business nature	Fair value at		% to the Group's net assets as at 31 December 2017
					Cost	31 December 2017	
					HK\$'000	HK\$'000	
Investment and management consultation service							
13	Shenzhen Zhongtounxin Asset Management Company Limited	Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	0%
14	Xi'an Kairong Financial Service Limited	Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	16,400	1.05%
	Hubei Zhongjin Tech Financial Services Co., Ltd.	Wuhan, Hubei Province	30%	Provision of financial management services	19,030	6,190	0.40%
Sub-total:					56,104	22,590	
Real estate and natural gas							
16	China City Infrastructure	Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	23,000	25,928	1.66%
Total:					870,171	262,031	

Notes:

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

Given that the reduction in the registered capital of Jingdezhen CFI Guosen is beyond the control of the Company, the Company is in the passive role in respect of its increase in the shareholdings in Jingdezhen CFI Guosen. The relinquishment of the voting rights is an interim arrangement and the Company still possesses other rights such as the rights to receive dividends. The Directors consider that the relinquishment of the voting rights arrangement is in the interest of the Company and its shareholders (the "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 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in TianJin XEDA for a cash consideration of HK\$45,557,000. The Company has received a non-refundable deposit of HK\$20,000,000 which was included in receipt in advance under current liabilities as at 31 December 2017. As at the date of this announcement, this disposal transaction has not been completed. The directors of the Company (the "Directors") expect this disposal transaction will be completed within one year.
- (3) On 22 December 2016, the Company entered into a disposal agreement to dispose of all of its equity interest in Harbin Zhongjinguoxin to an independent third party for a cash consideration of RMB25,000,000. A deposit of HK\$2,500,000 has been received which was included in receipt in advance under current liabilities as at 31 December 2017 and 30 June 2017. 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.
- (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 would be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou inevitably increased from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company voluntarily relinquished the voting rights beyond 30%.

Given that the reduction in the registered capital of 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 the 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) On 27 September 2017, the Company entered into an agreement with independent third parties to dispose of the 30% equity interest in Tianjin Rongyang for a cash consideration of HK\$17,644,000. The Company has received a non-refundable deposit of RMB7,000,000 (equivalent to approximately HK\$8,217,000) which was included in receipt in advance under current liabilities as at 31 December 2017. 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.

Unlisted Bond Investments

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

Unlisted bond portfolio

Name of company	Notes	Business nature	Fair value at		% to the Group's net assets as at
			31 December 2017	31 December 2017	
			Cost		
			HK\$'000	HK\$'000	
Hollys (China) Limited ("Hollys")	(1)	Engaged in coffee shop franchise in the PRC	200,000	197,925	12.66%
Pure Unity Investments Limited ("Pure Unity")	(2)	Investment holding	190,000	161,181	10.31%
Talent Trend Global Limited ("Talent Trend")	(3)	Investment holding	160,000	109,873	7.03%
			550,000	468,979	

Notes:

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

As at 31 December 2017, Mr. Xiao Yan is the sole shareholder and the sole director of Hollys. The bond is secured by 100% unlisted equity interests in Hollys pledged to the Group by Mr. Xiao Yan.

- (2) On 21 November 2016, China Financial International Investments (Nanchang) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe a three-year bond issued by Pure Unity. The nominal value of the bond is HK\$200,000,000. The bond carries interest at a rate of 9% per annum, which is receivable by the Group semi-annually in arrears. Pure Unity redeemed HK\$10,000,000 during the year ended 30 June 2017, accordingly, the nominal value of the bond is HK\$190,000,000 as at 31 December 2017 and 30 June 2017.

As at 31 December 2017, Mr. Zhu Mingliang is the sole shareholder and the sole director of Pure Unity. The bond is secured by (1) 100% unlisted equity interests in Pure Unity pledged to the Group by Mr. Zhu Mingliang; (2) 500,000,000 shares of the Company, with a market value of HK\$116,000,000 (30 June 2017: HK\$150,000,000), held by Rightfirst Holdings Limited, which is beneficially owned by Mr. Du Lin Dong, the executive director of the Company; and (3) a property in the PRC with market value of HK\$67,151,000 (30 June 2017: HK\$67,200,000).

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

As at 31 December 2017, Mr. Huang Xianli is the sole shareholder and the sole director of Talent Trend. The bond is secured by (1) 100% unlisted equity interests in Talent Trend pledged to the Group by Mr. Huang Xianli; and (2) 620,000,000 shares of the Company, with a market value of HK\$143,840,000 (30 June 2017: HK\$186,000,000), held by Ruixin Taifu Investment Group Co., Limited.

PROSPECT

Looking forward, the board (the “Board”) of the Directors 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.

MAJOR ACQUISITIONS AND DISPOSALS

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2017, the Group had cash and cash equivalents of HK\$320,735,000 (30 June 2017: HK\$416,047,000). Majority of the cash and bank balances denominated in Hong Kong dollars, United States dollars and Renminbi are placed with banks in Hong Kong and the PRC. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2017 was approximately 17.04 times (30 June 2017: 25.65 times), gearing ratio (total liabilities to total assets) of the Group as at 31 December 2017 was approximately 6.55% (30 June 2017: 5.57%).

The Group did not have any bank borrowing as at 31 December 2017 (30 June 2017: Nil). The capital commitments of the Group are set out in note 21 to the interim condensed consolidated financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (2016: Nil).

CONTINGENT LIABILITIES

Pursuant to an irrevocable guarantee provided by the Company in 2012, the Company has used its entire equity interest in TianJin XEDA and Tianjin Rongyang to secure the loans granted to certain customers of Tianjin XEDA and Tianjin Rongyang referred by 南京新寧光電自動化有限公司 (transliterated as Nanjing Xinning Guangdian Zidonghua Limited, “Xinning Guangdian”), an independent third party of the Group. As at the end of the reporting period, the loans granted to the customers of TianJin XEDA and Tianjin Rongyang under such guarantee were approximately RMB75,000,000 (30 June 2017: RMB75,000,000). The Group holds 30% equity interest in each of TianJin XEDA and Tianjin Rongyang as of 31 December 2017 and 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. For the six months ended 31 December 2017, a provision for guarantee liability amounted to HK\$10,000,000 have been made against the exposures may be borne by the Group under such guarantee (31 December 2016: Nil).

CAPITAL STRUCTURE

As at 31 December 2017, the Shareholders’ equity and total number of shares in issue for the Company stood at HK\$1,563,578,000 (30 June 2017: HK\$1,578,987,000) and approximately 10,971,634,000 (30 June 2017: 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 Period, transactions in Renminbi were not significant, the Board considers that the Group's exposure to fluctuation in exchange rates was insignificant.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 17 employees (including Directors). The total staff cost (including Directors' remuneration) of the Group for the Period was HK\$7,311,000 (31 December 2016: HK\$12,642,000). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to Shareholders. During the six months ended 31 December 2017, the Company complied with the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

- (a) The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The positions of both chairman and chief executive officer have been held by Mr. Du Lin Dong. Given the Group's current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Mr. Du Lin Dong possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.
- (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 engagement at the relevant time, Mr. Ding Xiaobin, Mr. Zeng Xianggao and Mr. Li Cailin was unable to attend the annual general meeting of the Company held on 15 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of the 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 Period.

EVENTS AFTER THE REPORTING PERIOD

- (1) On 14 February 2018 (after trading hours of the Stock Exchange), Best Joy Asia Investment Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), entered into a memorandum of agreement (“MOA”) with the vendor (the “Vendor”), pursuant to which the Vendor intends to sell, and the Purchaser intends to acquire the certain equity interest (the “Sale Interest”) in a company which, together with its subsidiaries (the “Target Group”), is engaged in transportation and logistics sector (the “Possible Acquisition”). As at the date of the MOA, the Vendor is the legal and beneficial owner of the Sale Interest, each of which and its ultimate beneficial owner(s) is an independent third party not connected to the Company and its connected persons. The Purchaser will commence the due diligence of the Target Group as soon as practicable after the execution of the MOA. Other than the provisions relating to confidentiality and non-disclosure, assignment, counterparts, governing law and contract of third parties rights, the MOA is non-legally binding in respect of the Possible Acquisition.

- (2) On 25 February 2018, the Company and the potential investor (the “Potential Investor”) entered into the non-legally binding letter of intent (the “LOI”), pursuant to which the Potential Investor (or the fund which shall be managed by the Potential Investor or its designated party (the “Fund”)) intends to subscribe for and the Company intends to allot and issue the subscription shares (the “Subscription Shares”), less than 30% of the issued share capital of the Company as enlarged by the Subscription Shares, at a consideration of approximately US\$150,000,000 (equivalent to approximately HK\$1,170,000,000) (the “Possible Subscription”).

The Subscription Shares will be issued pursuant to the specific mandate to be sought from the Shareholders at the special general meeting. Proceeds from the Possible Subscription shall be applied by the Company towards the possible acquisition of certain equity interest in company(ies) which conduct(s) business in the transportation and logistics sector having become unconditional.

The Potential Investor (or the Fund or its designated party) shall irrevocably undertake to the Company that from the date of issue of the Subscription Shares until the fifth anniversary thereof, it shall not dispose of any of the Subscription Shares in the secondary market (which, for the avoidance of doubt, shall not include disposals through block trade or placing arrangements), to support the continuous development of the Group.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive Directors namely, Dr. Cheung Wai Bun Charles (*chairman of the audit committee*), Mr. Zeng Xianggao and Mr. Li Cailin, has approved the change of auditor of the Group, reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management system, internal control systems and financial reporting matters including the review of the unaudited interim consolidated financial statements for the Period before recommending them to the Board for approval.

REVIEW BY AUDITOR

The interim condensed consolidated financial statements of the Company for the Period have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES

The Group’s interim results will be included in the Company’s interim report for the six months period ended 31 December 2017 which will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) as well as the website of the Company (<http://www.irasia.com/listco/hk/cfii>) as soon as possible.

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

Hong Kong, 27 February 2018

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, J.P., Mr. Zeng Xianggao and Mr. Li Cailin.