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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 2018

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 2018 (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 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Revenue	5	66,797	41,234
Other income and gains	5	1,657	6,161
Net change in fair value of financial assets	6	(59,768)	(151,482)
Impairment loss on available-for-sale financial assets		(15,456)	(23,628)
Impairment loss on dividend receivable		–	(7,226)
Finance costs	7	(3,151)	(3,146)
Administrative and other expenses		(63,111)	(45,650)
Share of profit of an associate		485	190
Loss before income tax	8	(72,547)	(183,547)
Income tax expense	9	(295)	(1,434)
Loss for the year		(72,842)	(184,981)

	<i>Notes</i>	2018 HK\$'000	2017 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		(68,102)	(38,806)
Reclassification adjustment for loss/(gain) included in profit or loss			
– Impairment loss		15,456	23,628
– Gain on partial conversion of convertible bond		–	(3,967)
Income tax effect		–	1,054
		(52,646)	(18,091)
Exchange differences on translation of foreign operations		6,584	(3,029)
Other comprehensive income for the year, net of tax		(46,062)	(21,120)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(118,904)</u>	<u>(206,101)</u>
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(72,842)</u>	<u>(184,981)</u>
TOTAL COMPREHENSIVE INCOME OF THE COMPANY		<u>(118,904)</u>	<u>(206,101)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY			
– Basic	<i>10(a)</i>	<u>HK(0.664) cents</u>	HK(1.686) cents
– Diluted	<i>10(b)</i>	<u>HK(0.664) cents</u>	<u>HK(1.686) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		770	1,052
Investment in an associate		1,028	543
Available-for-sale financial assets		174,407	242,509
Financial assets at fair value through profit or loss		725,262	654,802
Deposits paid		157,753	–
Total non-current assets		<u>1,059,220</u>	<u>898,906</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		338,559	300,754
Prepayments, deposits and other receivables		34,461	56,396
Cash and cash equivalents		153,935	416,047
Total current assets		<u>526,955</u>	<u>773,197</u>
CURRENT LIABILITIES			
Other payables and accruals		35,944	22,875
Receipt in advance		22,500	2,500
Due to a related company		–	73
Due to an associate		188	141
Tax payable		4,485	4,552
Total current liabilities		<u>63,117</u>	<u>30,141</u>
NET CURRENT ASSETS		<u>463,838</u>	<u>743,056</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,523,058</u>	<u>1,641,962</u>
NON-CURRENT LIABILITIES			
Interest bearing loans		62,975	62,975
NET ASSETS		<u>1,460,083</u>	<u>1,578,987</u>
EQUITY			
Share capital		109,717	109,717
Reserves		1,350,366	1,469,270
TOTAL EQUITY		<u>1,460,083</u>	<u>1,578,987</u>
Net asset value per share	11	<u>HK13.31 cents</u>	<u>HK14.39 cents</u>

NOTES TO FINANCIAL STATEMENTS

30 JUNE 2018

1. BASIS OF PREPARATION

(a) *Statement of compliance*

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) *Basis of measurement*

The financial statements have been prepared under the historical cost basis except for available-for-sale financial assets and financial assets at fair value through profit or loss (“FVTPL”) which are measured at fair value.

(c) *Functional and presentation currency*

The financial statements are presented in HK\$, which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following new or revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, which are effective from current year, have been adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group has no interests in other entities classified as held for sale or discontinued operations in accordance with HKFRSs at the end of the reporting period.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Tax; HKAS 23, Borrowing costs; HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements ²
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 19	Employee Benefits ²
Amendments to HKAS 28 (2011)	Investments in Associates and Joint Ventures ²

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

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 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39. Under the expected credit loss model, it will no longer be necessary for loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group’s trade and other receivables and other financial assets. In addition, HKFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company do not expect that adoption of HKFRS 9 would result in significant impact on the amounts reported on the Group’s consolidated financial statements.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, licenses of intellectual property and transition requirements.

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported in the Group's consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitment of the Group in respect of lease office premises as at 30 June 2018 amounted to HK\$7,312,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the lease will be made following the requirements of HKFRS 16.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated 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 business of the Group's investments as follows:

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

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

Segment results

	Micro-loan service <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 2018					
Segment results	<u>(42,623)</u>	<u>(33,681)</u>	<u>41,090</u>	<u>26,787</u>	(8,427)
Share of profit of an associate					485
Unallocated income					1,657
Unallocated expenses					
– Provision for financial guarantee liabilities					(33,986)
– Staff cost, excluding directors' remuneration					(11,493)
– Finance costs					(3,151)
– Others					<u>(17,632)</u>
Loss before tax					(72,547)
Income tax expense					<u>(295)</u>
Loss for the year					<u><u>(72,842)</u></u>
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					
– Staff cost, excluding directors' remuneration					(19,473)
– Finance costs					(3,146)
– Others					<u>(26,177)</u>
Loss before tax					(183,547)
Income tax expense					<u>(1,434)</u>
Loss for the year					<u><u>(184,981)</u></u>

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

Segment assets

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Micro-loan service	165,630	208,815
Real estate and natural gas	389,163	476,320
Investment in fixed income financial assets	458,569	447,492
Others	224,866	65,438
	<hr/>	<hr/>
Total segment assets	1,238,228	1,198,065
Unallocated assets	347,947	474,038
	<hr/>	<hr/>
	1,586,175	1,672,103
	<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, investment in an associate, deposits paid, prepayments, deposits and other receivables and cash and cash equivalents.

All liabilities as at 30 June 2018 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 ON INVESTMENTS

	Listed investments <i>HK\$'000</i>	Unlisted investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2018			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Financial assets at FVTPL	8,110	(67,878)	(59,768)
Impairment loss:			
Available-for-sale financial assets	–	(15,456)	(15,456)
Total gain/(loss) included in profit or loss	<u>8,110</u>	<u>(83,334)</u>	<u>(75,224)</u>
<i>Included in Other Comprehensive Income (“OCI”):</i>			
Change in fair value:			
Available-for-sale financial assets	(55,020)	(13,082)	(68,102)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	15,456	15,456
Total (loss)/gain included in OCI	<u>(55,020)</u>	<u>2,374</u>	<u>(52,646)</u>
Total loss for the year	<u>(46,910)</u>	<u>(80,960)</u>	<u>(127,870)</u>
Year ended 30 June 2017			
<i>Included in profit or loss:</i>			
Net change in fair value:			
Available-for-sale financial assets	–	(4,091)	(4,091)
Financial assets at FVTPL	8,850	(156,241)	(147,391)
	8,850	(160,332)	(151,482)
Impairment loss:			
Available-for-sale financial assets	–	(23,628)	(23,628)
Total gain/(loss) included in profit or loss	<u>8,850</u>	<u>(183,960)</u>	<u>(175,110)</u>
<i>Included in OCI:</i>			
Change in fair value:			
Available-for-sale financial assets	(10,480)	(28,326)	(38,806)
Reclassification of impairment loss:			
Available-for-sale financial assets	–	23,628	23,628
Reclassification of gain on partial conversion of convertible bond:			
Available-for-sale financial assets	–	(3,967)	(3,967)
Total loss included in OCI	<u>(10,480)</u>	<u>(8,665)</u>	<u>(19,145)</u>
Total loss for the year	<u>(1,630)</u>	<u>(192,625)</u>	<u>(194,255)</u>

5. REVENUE, OTHER INCOME AND GAINS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Dividend income from an unlisted investment	461	–
Dividend income from listed investments	15,172	4,381
Interest income from unlisted investments	<u>51,164</u>	<u>36,853</u>
	<u>66,797</u>	<u>41,234</u>
Other income and gains		
Bank interest income	1,657	6,149
Gain on disposal of property, plant and equipment	<u>–</u>	<u>12</u>
	<u>1,657</u>	<u>6,161</u>

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net realised loss on partial conversion of convertible bond	–	(4,091)
Net gain/(loss) on disposal of financial assets at FVTPL	62,960	(380)
Net fair value change on financial assets at FVTPL	<u>(122,728)</u>	<u>(147,011)</u>
	<u>(59,768)</u>	<u>(151,482)</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on other loans	<u>3,151</u>	<u>3,146</u>

8. LOSS BEFORE INCOME TAX

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration		
– audit services	680	850
– non-audit services	200	185
Custodian fee	267	210
Depreciation	285	642
Investment management fee	2,833	1,773
Minimum operating lease payments in respect of properties	2,463	2,094
Provision for financial guarantees	33,986	–
Staff costs, excluding directors' remuneration:		
– Salaries and wages	10,119	16,804
– Pension scheme contributions	133	151
– Staff quarters expenses	1,241	2,518
	<u> </u>	<u> </u>

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – PRC		
– Provision for the year	295	1,434
	<u> </u>	<u> </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 2018 (2017: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS 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 owners of the Company of HK\$72,842,000 (2017: HK\$184,981,000), and the weighted average number of ordinary shares of 10,971,634,000 (2017: 10,971,634,000) in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the years ended 30 June 2018 and 2017 in respect of a dilution as no dilutive potential ordinary shares in existence.

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 2018 of HK\$1,460,083,000 (2017: HK\$1,578,987,000) and 10,971,634,000 ordinary shares in issue as at 30 June 2018 (2017: 10,971,634,000 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

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 owners of the Company amounted to HK\$72,842,000 as compared to a loss of HK\$184,981,000 for the year ended 30 June 2017. The loss has been partly offset by a gain on disposal of listed securities of HK\$62,960,000, dividend income from listed investments and an unlisted investment of HK\$15,633,000 and the interest income of HK\$51,164,000 from the unlisted bond investments and an unlisted convertible bond investment. The loss was mainly attributable to the following reasons:

- (i) net change in fair value loss of approximately HK\$67,878,000 on unlisted investments at fair value through profit or loss;
- (ii) unrealised loss of approximately HK\$54,850,000 on listed investments at fair value through profit or loss; and
- (iii) impairment loss of approximately HK\$15,456,000 on an available-for-sale financial asset.

During the Year, dividend income from investments increased by 256.84% to HK\$15,633,000 as compared to HK\$4,381,000 in last year. Interest income from unlisted investments amounted to HK\$51,164,000 (2017: HK\$36,853,000). The other income which comprised bank interest income amounted to HK\$1,657,000, representing a decrease of 73.11% as compared to HK\$6,161,000 in last year. Administrative and other expenses increased by 38.25% from HK\$45,650,000 in last year to HK\$63,111,000 this year mainly due to the increase of the provision for financial guarantees and investment management fee.

LISTED INVESTMENT REVIEW

During the Year, the Group recorded the total loss of HK\$46,910,000 on listed securities business as compared to a loss of HK\$1,630,000 last year. Dividend income of HK\$15,172,000 from listed investments was recorded for the Year (2017: HK\$4,381,000).

As at 30 June 2018, the total market value of held-for-trading listed securities and available-for-sale listed securities amounted to HK\$440,319,000 (2017: HK\$445,857,000), all the listed investments were listed on the Stock Exchange.

Listed Securities Portfolio

Name of listed securities	Nature of business	Number of shares held	Group's effective interest	Market value at 30 June 2018 <i>HK\$'000</i>	Dividend received/receivable during the Year <i>HK\$'000</i>	% to the Group's net assets as at 30 June 2018
Hidili Industry International Development Limited	Coal mining and manufacture and sale of clean coal	12,369,000	0.60%	3,216	–	0.22%
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%	223,494	–	15.31%
Sino-Ocean Group Holding Limited	Investment holding, property development and property investment in the PRC	30,995,000	0.41%	141,028	10,854	9.66%
China Communications Construction Co. Ltd.	infrastructure construction, infrastructure design, dredging and other businesses	9,588,000	0.22%	72,581	2,402	4.97%
Wynn Macau, Limited	Hotel and casino resorts in Macau	–	–	–	1,831	–
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	–	–	–	85	–
				440,319	15,172	

UNLISTED INVESTMENT REVIEW

For the year ended 30 June 2018, the total loss on the Group's unlisted investment portfolio recorded as HK\$80,960,000 (2017: HK\$192,625,000). 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, dividend income of HK\$461,000 from a unlisted investment was recorded (2017: Nil).

As at 30 June 2018, the fair value of the Group's unlisted investments amounted to HK\$797,909,000 as compared to HK\$752,208,000 in last year, representing a 6.08% 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.

Beside the small loan industry, the Group made a new investment to the clean energy industry during the year as announced on 11 May 2018. Bioenergy is a carbonneutral and renewable energy source that reducing greenhouse gas emissions. Biofuels such as ethanol and biodiesel, are less toxic and are biodegradable. Using biomass can help build resilience in agricultural, timber and food-processing industries. Bioenergy provides a use for their waste streams, can help them reduce their energy costs. The investments in bioenergy industry is in line with the investment objective of the Company.

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 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Micro-loan service							
1		(1) Jingdezhen, Jiangxi Province	40%	Provision of small loan and financial consultation services	188,690	312	0.02%
2		Tianjin	30%	Provision of small loan and financial consultation services	72,450	20,000	1.37%
3		Tianjin	30%	Provision of small loan and financial consultation services	36,606	3,424	0.23%
4		Tianjin	10%	Provision of small loan and financial consultation services	12,189	5,568	0.38%
5		(2) Harbin, Heilongjiang Province	30%	Provision of small loan and financial consultation services	36,693	-	-
6		Tianjin	3.3%	Provision of small loan and financial consultation services	12,271	3,170	0.22%
7		(3) Ezhou, Hubei Province	50%	Provision of small loan and financial consultation services	185,000	87,811	6.01%
8		Ziyang, Sichuan Province	30%	Provision of small loan and financial consultation services	73,730	183	0.01%
9		Nanjing, Jiangsu Province	30%	Provision of small loan and financial consultation service	36,673	7,114	0.49%
10		Tianjin	30%	Provision of small loan and financial consultation services	36,741	13,986	0.96%
11		Zhenjiang, Jiangsu Province	30%	Provision of small loan and financial consultation service	56,874	24,062	1.65%
Sub-total:					747,917	165,630	

Name of company	Notes	Location	Group's effective interest	Business nature	Cost HK\$'000	Fair value at 30 June 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Guarantee Service							
12	Jiangxi Huazhang Hanchen Guarantee Group Limited ("Jiangxi Huazhang")	(4) Nanchang, Jiangxi Province	2.98%	Provision of financing guarantees to small and medium enterprises ("SME")	43,150	27,694	1.90%
Investment and management consultation service							
13	Shenzhen Zhongtougjinxin Asset Management Company Limited	Shenzhen, Guangdong Province	30%	Provision of consultation services on project investments	18,350	–	–
14	Xi'an Kairong Financial Service Limited	Xi'an, Shaanxi Province	30%	Provision of financial management services	18,724	9,228	0.63%
15	Hubei Zhongjin Tech Financial Services Co., Ltd.	Wuhan, Hubei Province	30%	Provision of financial management services	19,030	5,488	1.65%
				Sub-total:	56,104	14,716	
Real estate and natural gas							
16	China City Infrastructure	(5) Cayman Islands	N/A	Infrastructure businesses, property investment, property development, hotel business, property management and natural gas in the PRC	23,000	24,641	1.69%
Clean energy							
17	Henan Tianguan Energy and Biotechnology Company Limited ("Henan Tianguan")	(6) Henan Province	30%	Production and sales of denatured fuel ethanol, sales of acetone, butanol, polyols, production and sales of biodegradable plastics and biodiesel, sales of chemical products, wheat bran flour, feed sales, acetic acid and acetaldehyde production	106,660	106,660	7.31%
				Total:	976,831	339,341	

Notes:

- (1) On 1 June 2016, the Group's equity interests in Jingdezhen CFI Guosen changed from 30% to 40% due to previous shareholders of Jingdezhen CFI Guosen withdrew their capital commitment in the sum of RMB125,000,000 in Jingdezhen CFI Guosen and the registered capital of Jingdezhen CFI Guosen was reduced from RMB500,000,000 to RMB375,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Jingdezhen CFI Guosen inevitably and automatically increased from 30% to 40%. In order to comply with Rule 21.04(3)(a) of the 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 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 which was included in receipt in advance under current liabilities as at 30 June 2018 and 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.
- (3) On 18 December 2016, the shareholders' resolution of Ezhou Zhongjinguotou approved some existing shareholders of Ezhou Zhongjinguotou to withdraw their capital commitment in the sum of RMB200,000,000 in Ezhou Zhongjinguotou so that the registered capital of Ezhou Zhongjinguotou will be reduced from RMB500,000,000 to RMB300,000,000. Due to the reduction in the registered capital, the shareholding of the Company in Ezhou Zhongjinguotou will inevitably increase from 30% to 50%. In order to comply with Rule 21.04(3)(a) of the Listing Rules, the Company shall voluntarily relinquished the voting rights beyond 30%.

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

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

- (4) On 13 April 2011, the Group acquired a 30% equity interest of Jiangxi Huazhang, a joint venture establish in the PRC. The Group's equity interest in Jiangxi Huazhang became 7.2% on 15 July 2013 and reduce to 2.98% on 19 August 2016, as Jiangxi Huazhang was enlarged by the new registered capital subscribed by its other shareholders on these dates.
- (5) 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.
- (6) On 11 May 2018, the Company entered into the joint venture agreement with the joint venture partners in relation to the formation of the Henan Tianguan in Henan province, the PRC. Pursuant to the joint venture agreement, the Company owned 30% of the registered capital of the Henan Tianguan.

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 2018 HK\$'000	% to the Group's net assets as at 30 June 2018
Hollys (China) Limited ("Hollys")	(1)	Engaged in coffee shop franchise in the PRC	200,000	193,210	13.23%
Pure Unity Investments Limited ("Pure Unity")	(2)	Investment holding	190,000	135,798	9.3%
Talent Trend Global Limited ("Talent Trend")	(3)	Investment holding	160,000	109,560	7.5%
Xing Yue Investments Limited ("Xing Yue")	(4)	Investment holding	20,000	20,000	1.37%
			570,000	458,568	

Notes:

- (1) The Company through its direct wholly-owned subsidiary, Joy State Holdings Limited ("Joy State"), entered into a subscription agreement dated 8 September 2016 as subscriber with Hollys 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. The bond is secured by 100% unlisted equity interest in Hollys pledged to the Group by Mr. Xiao Yan.
- (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 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. As at 30 June 2018, Mr. Feng Xin is the sole shareholder and the sole director of Pure Unity. Pure Unity has redeemed HK\$10,000,000 during the year ended 30 June 2017. The bond is secured by 760,000,000 shares of the Company held by Pure Unity as irrevocable guarantee.
- (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 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. As at 30 June 2018, Mr. Feng Xu is the sole shareholder and the sole director of Talent Trend. The bond is secured by unlisted equity interests and by 640,000,000 shares of the Company held by Talent Trend as irrevocable guarantee.

- (4) The Company entered into a subscription agreement dated 8 March 2018 as subscriber with Xing Yue as issuer and Ms. Dong Lili as guarantor, in relation to the subscription of the 9% secured three months bond with the principal amount of HK\$20,000,000. Ms Dong Lili is the sole shareholder and the sole director of Xing Yue. The bond is secured by unlisted equity interests and by 200,000,000 shares of the Company which 100,000,000 held by Xing Yue and 100,000,000 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. The bond was already overdue as at 30 June 2018 and the management is under negotiation with Xing Yue for renewal of the bond.

PROSPECT

Looking forward, the Company aims to position itself as one of the major players and investors in China’s clean energy sector, and in particular, the ethanol sector. The Board will carefully assess potential investments in this field which will allow the Company to carry out its overall strategy, with the ultimate objective to maximize returns and minimize risks for the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 June 2018, the Group had cash and cash equivalents of HK\$153,935,000 (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 30 June 2018 was approximately 8.35 times (2017: 25.65 times), gearing ratio (total liabilities to total assets) of the Group as at 30 June 2018 was approximately 7.95% (2017: 5.57%).

The Group did not have any bank borrowing as at 30 June 2018 (2017: Nil).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2017: Nil).

PROVISION FOR FINANCIAL GUARANTEES

Pursuant to an irrevocable guarantee provided by the Company in 2012, the Company's entire equity interest in TianJin XEDA and Tianjin Rongyang have been used 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 TianJin XEDA and TianJin Rongyang under such guarantee were approximately RMB75,000,000 (2017: RMB75,000,000). The Group holds 30% equity interest in each of TianJin XEDA and Tianjin Rongyang as of 30 June 2018. 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 year ended 30 June 2018, a provision for guarantee liability amounted to HK\$33,986,000 have been made against the potential exposures may be borne by the Group under such guarantee (2017: Nil).

CAPITAL STRUCTURE

As at 30 June 2018, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$1,460,083,000 (2017: HK\$1,578,987,000) and approximately 10,971,634,000 (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 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 2018, the Group had 11 (2017: 16) employees (including Directors). The total staff costs (including Directors' remuneration) of the Group for the Year was HK\$16,118,000 (2017: HK\$25,431,000). 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 and financial reporting matters including the review of this announcement and financial statements of the Group for the year ended 30 June 2018.

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 and the special general meeting of the Company held on 15 December 2017 and 19 January 2018.

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

On 1 August 2018, one of the unlisted equity investments – Henan Tianguan has increased its registered capital from RMB300,000,000 to RMB660,000,000. To maintain 30% equity interest in Henan Tianguan, the Group further invested RMB78,000,000 and RMB30,000,000 through the Company’s BVI subsidiary, Joy State, and PRC subsidiary, Keyi (Shanghai) Investments Limited, into Henan Tianguan respectively. After the additional capital injection, Keyi (Shanghai) Investments Limited and Joy State would hold 18.18% and 11.82% of equity interest in Henan Tianguan respectively. Other than the capital injection, the Group has no other change in relation to the participant of the operation and financing activities of Henan Tianguan while Group still comply with Chapter 21.04(3)(a) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 21 December 2018. 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, 18 December 2018 to Friday, 21 December 2018 (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, 17 December 2018.

SCOPE OF WORK OF BDO LIMITED

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 ended 30 June 2018 as set out in this preliminary results announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on this preliminary results 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, 28 September 2018

As at the date of this announcement, the executive Directors is Mr. Du Lin Dong, the non-executive Director is Mr. Ding Xiaobin and the independent non-executive Directors are Mr. Zhang Jing, Mr. Li Cailin and Mr. Zeng Xianggao.