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CHINA INVESTMENT AND FINANCE GROUP LIMITED

中國投融資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1226)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2018 (the “Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Unaudited six months ended 30 September	
	Notes	2018 HK\$'000	2017 HK\$'000
Gross proceeds from disposal of securities		25,682	110,455
Revenue	3	37	903
Net realised loss on disposal of financial assets held for trading		(22,120)	(219,860)
Net unrealised loss on financial assets held for trading		(28,249)	(780,768)
Net unrealised gain on investment in equity instruments		72,850	–
Other income		6	–
Administrative expenses		(3,438)	(3,428)
Profit/(Loss) from operations	5	19,086	(1,003,153)
Finance costs		(332)	(1,582)
Profit/(Loss) before tax		18,754	(1,004,735)
Income tax (expense)/credit	6	(118)	88,800
Profit/(Loss) for the period attributable to shareholders of the Company		18,636	(915,935)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income/(expense) for the period attributable to shareholders of the Company		18,636	(915,935)
Earnings/(Loss) per share			
– Basic and diluted, HK cents	8	0.83	(40.57)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		Unaudited 30 September 2018 <i>HK\$'000</i>	Audited 31 March 2018 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment in equity instruments	9	173,862	101,012
		173,862	101,012
Current assets			
Financial assets held for trading	10	170,433	180,487
Prepayments, deposits and other receivables	11	83,866	103,926
Current tax assets		–	38
Cash and cash equivalents		6,977	35,408
		261,276	319,859
Current liabilities			
Margin payables	12	3,809	6,988
Accruals		1,929	2,450
Current tax liabilities		1,625	2,294
		7,363	11,732
Net current assets		253,913	308,127
Net assets		427,775	409,139
Capital and reserves			
Share capital	13	112,883	112,883
Reserves		314,892	296,256
Total equity		427,775	409,139
Net asset value per share (in HK\$)	14	0.19	0.18

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is located at Room 1104, Crawford House, 70 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of subsidiaries are securities trading and investment holding.

The condensed consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed 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 31 March 2018. The accounting policies and methods of computation used in the preparation of the unaudited condensed financial statements included in this Interim Report are consistent with those used in the annual financial statements for the year ended 31 March 2018.

Significant accounting policies

The Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years, except for HKFRS 9 as detailed below:

HKFRS 9 "Financial Instruments"

In the Period, the Group has adopted HKFRS 9 "Financial Instruments", which becomes effective for accounting periods beginning on or after 1 April 2018. The Group applied the transition provisions set out in HKFRS 9 to adjust the retained profits or other reserves as at 1 April 2018, without restating comparative information retrospectively, for any adjustments to the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9. The principal effects resulting from the application of HKFRS 9 on the Group's assets or liabilities are summarised below.

Classification and measurement of financial assets and financial liabilities

HKFRS 9 "Financial Instruments" introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on accounting for financial liabilities that are designated at fair value through profit or loss.

Impairment of financial assets

HKFRS 9 replaces the “incurred loss” impairment model in HKAS 39 with a forward-looking “expected credit loss” model. The Group applies simplified approach to recognise lifetime expected losses for all debtors and other receivables, and expected losses for investments in securities. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

The change in the classification of financial assets under HKFRS 9 at the date of initial application on 1 April 2018 is that available-for-sale investments of approximately HK\$101,012,000 as at 31 March 2018 were classified as investment in equity instruments of HK\$101,012,000 as comparative figures in the condensed consolidated statement of financial position. Based on the Group’s financial instruments policies, the equity securities classified as available-for-sale investments qualified for designation as measured at financial assets at fair value through other comprehensive income under HKFRS 9, however, the Group did not elect the option for designating these securities to be measured at financial assets at fair value through other comprehensive income and measures these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investments revaluation reserve related to these available-for-sale investments currently accumulated in equity of HK\$16,039,000 were transferred to accumulated loss at 1 April 2018.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

An analysis of Group’s revenue is as follows:

	Unaudited six months ended 30 September	
	2018	2017
	HK\$’000	HK\$’000
Dividend income from financial assets held for trading	36	900
Interest income from debt securities	–	3
Interest income from bank and brokers’ accounts	1	–
	<hr/>	<hr/>
	37	903
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

For the six months ended 30 September 2018 and 2017, the Group’s turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group’s operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

Geographical information

During the six months ended 30 September 2018 and 2017, all activities of the Group are based in Hong Kong and all of the Group’s revenue was derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

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

5. PROFIT/(LOSS) FROM OPERATIONS

	Unaudited six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Profit/(Loss) from operations has been arrived at after charging:		
Directors' remunerations		
– Fees	570	600
– Other remunerations	126	124
Total directors' remunerations	696	724
Staff costs		
– Salaries	672	614
– Retirement Scheme contributions	23	27
Total staff costs (excluding directors' remunerations)	695	641
Investment manager's fee	480	480
Operating lease payments in respect of office premise	45	67

6. INCOME TAX (EXPENSE)/CREDIT

	Unaudited six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax (<i>Note</i>)	(118)	–
Deferred tax credit	–	88,800
	(118)	88,800

Note:

The amount of approximately HK\$118,000 represented under-provision for Hong Kong Profits Tax for prior years. Save as this under-provision, no Hong Kong profits tax had been provided for each of the six months ended 30 September 2018 and 2017 as the Group has no estimated assessable profits.

7. DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 30 September 2018 (2017: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share are based on the profit attributable to shareholders of the Company of approximately HK\$18,636,000 (2017: loss of approximately HK\$915,935,000) and the weighted average number of 2,257,666,000 (2017: 2,257,666,000) ordinary shares in issue during the period.

The computation of the diluted earnings per share for the six months ended 30 September 2018 does not assume the exercise of share options as the exercise price of existing share options was higher than the average market price for shares. As exercise of share options of the Company would result in a decrease in loss per share, diluted loss per share is the same as basic loss per share in the six months ended 30 September 2017.

9. INVESTMENT IN EQUITY INSTRUMENTS

Details of the principal investment in equity instruments as at 30 September 2018 were as follows:

		As at 30 September 2018				
	Notes	Percentage of effective interest held	Fair/Market value HK\$000	Approximate percentage of the Group's investment portfolio	Approximate percentage of the Group's net assets	For the six months ended 30 September 2018 Fair value gain HK\$000
Peak Zone Group Limited	<i>a</i>	25%	40,950	11.89%	9.57%	–
Amuse Group Holding Limited	<i>b</i>	11.25%	94,500	27.45%	22.09%	72,850
Prominent Alliance Limited	<i>c</i>	28%	22,512	6.54%	5.26%	–

Notes:

- (a) Peak Zone Group Limited (“Peak Zone”), a private company with limited liability, and its subsidiaries are principally engaged in the provision of integrated application. For the financial year ended 31 December 2017, the unaudited consolidated net profit attributable to equity holders of Peak Zone was HK\$2,386,545. As at 31 December 2017, its unaudited consolidated net assets attributable to equity holders was HK\$7,602,439. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Peak Zone. Accordingly, investment in Peak Zone has been classified as an investment in equity instruments.
- (b) Amuse Group Holding Limited (“Amuse”), a company listed on GEM of the Stock Exchange, and its subsidiaries are principally engaged in design, marketing, distribution and retail sales of toys and related products. For the financial year ended 31 March 2018, the audited consolidated net profit attributable to equity holders of Amuse was HK\$16,910,000. As at 30 September 2018, its unaudited consolidated net assets attributable to equity holders was HK\$152,622,000.
- (c) Prominent Alliance Limited (“Prominent Alliance”), a private company with limited liability, and its subsidiaries are principally engaged in dealing in securities, advising on securities and asset management. For the financial year ended 31 December 2017, the unaudited consolidated net loss attributable to equity holders of Prominent Alliance was HK\$361,753. As at 31 December 2017, its unaudited consolidated net assets attributable to equity holders was HK\$57,446,055. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Prominent Alliance. Accordingly, investment in Prominent Alliance has been classified as an investment in equity instruments.

10. FINANCIAL ASSETS HELD FOR TRADING

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Listed equity securities in Hong Kong, at fair value	170,433	180,487

The fair values of these listed securities are determined based on the quoted market bid prices at the end of reporting period.

Details of the principal listed equity securities held for trading as at 30 September 2018 were as follows:

		As at 30 September 2018		For the six months ended 30 September 2018		
		Fair/ Market value HK\$000	Approximate percentage of the Group's investment portfolio	Approximate percentage of the Group's net assets	Fair value loss HK\$000	
	Notes	Stock code				
WLS Holdings Limited	<i>a</i>	8021	25,603	7.44%	5.99%	52,084
China e-Wallet Payment Group Limited	<i>b</i>	802	31,968	9.29%	7.47%	5,576

Notes:

- (a) WLS Holdings Limited ("WLS") is principally engaged in construction business including scaffolding and fitting out, management contracting services and equipment installation and maintenance services. The audited consolidated loss attributable to shareholders of WLS for the year ended 30 April 2018 was approximately HK\$109,788,000 (2017: approximately HK\$15,954,000). At 30 April 2018, the audited consolidated net asset value of WLS was approximately HK\$710,449,000 (2017: approximately HK\$782,257,000).
- (b) China e-Wallet Payment Group Limited ("China e-Wallet") is principally engaged in the provision of biometric and RFID products and solution services. The audited consolidated loss attributable to shareholders of China e-Wallet for the year ended 31 December 2017 was approximately HK\$392,785,000. As at 30 June 2018, the unaudited consolidated net assets of China e-Wallet was approximately HK\$596,378,000.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Other receivables*	83,630	103,880
Deposits paid	21	20
Financial assets	83,651	103,900
Prepayments	215	26
	83,866	103,926

* Other receivables represent the consideration receivable arising from the disposal of unlisted investment in equity instruments.

12. MARGIN PAYABLES

Margin payables represents margin loans arising from the trading of listed investments which are repayable on demand. No ageing analysis is disclosed in respect of margin payables. In opinion of the Directors, an ageing analysis does not give additional value in view of the Group's business nature.

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each '000	Nominal Value HK\$'000
Authorised:		
At 30 September 2018 and 31 March 2018	<u>24,000,000</u>	<u>1,200,000</u>
Issued and fully paid:		
At 30 September 2018 and 31 March 2018	<u>2,257,666</u>	<u>112,883</u>

14. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$427,775,000 (31 March 2018: approximately HK\$409,139,000) by the number of shares in issue at 30 September 2018, being 2,257,666,000 (31 March 2018: 2,257,666,000).

15. RELATED PARTY TRANSACTION

During the six months ended 30 September 2018 and 2017, the Group had the following significant related party transaction which, in the opinion of the directors, was carried out on normal commercial terms and in the ordinary course of the Group's business:

	Unaudited six months ended 30 September 2018 HK\$'000	2017 HK\$'000
Investment manager's fee paid to: China Everbright Securities (HK) Limited (<i>note</i>)	<u>480</u>	<u>480</u>
	<u>480</u>	<u>480</u>

Note:

The Company has entered into an investment management agreement with China Everbright Securities (HK) Limited ("EBSHK") on 6 November 2012, pursuant to which EBSHK agreed to provide investment management services to the Company for a period of three years from 6 November 2012, and further extended to 5 November 2021.

EBSHK shall be deemed as a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules upon the Existing Agreement becoming effective. The maximum aggregate investment management fee to be payable by the Company to EBSHK shall not exceed HK\$960,000 per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2018, the Group recorded gross proceeds from disposal of securities of approximately HK\$25.7 million for the Period (2017: approximately HK\$110.5 million). The Group also recorded an decrease in revenue from approximately HK\$0.9 million for the six months ended 30 September 2017 to approximately HK\$0.04 million for the Period, representing a decrease of approximately 96%. The financial result attributable to the owners of the Company for the Period changed from loss of approximately HK\$915.9 million for the six months ended 30 September 2017 to profit of approximately HK\$18.6 million for the Period. The change to profit for the interim period ended 30 September 2018, as compared to the loss for the corresponding period in 2017, was primarily attributable to the changes in fair value of investment in equity instruments, i.e. 112.5 million shares of Amuse Group Holding Limited, a company listed on GEM of the Stock Exchange of approximately HK\$72.9 million. The unaudited consolidated net assets of the Group as at 30 September 2018 amounted to approximately HK\$427.8 million (31 March 2018: approximately HK\$409.1 million). The increase in the Group's net asset value over the Period is due to the net profit on listed investments of approximately HK\$22.5 million for the Period as mentioned above.

The net asset value per share of the Group was amounted to approximately HK\$0.19 (31 March 2018: approximately HK\$0.18).

INVESTMENT REVIEW

As at 30 September 2018, the Group's major investments were as follows:

Investments	Description
Listed equities	HK\$264.9 million of a portfolio of listed shares in 34 companies
Unlisted equity securities	HK\$79.4 million in three direct investments in equity securities
Total	HK\$344.3 million

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China during the Period. The value of investment portfolio of the Company is approximately HK\$344.3 million.

As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

PRICE RISK

The Group is exposed to price risks of financial assets as investments held by the Group are classified on the consolidated statement of financial position as financial assets held for trading and investment in equity instruments. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets were higher or lower by 5% as at 30 September 2018, the Group's profit and equity would increase or decrease by approximately HK\$15.8 million. If the prices of financial assets (including financial assets held for trading and investment in equity instruments) were higher or lower by 5% as at 31 March 2018, the Group's loss for the year ended 31 March 2018 would decrease or increase by approximately HK\$7.5 million and its equity would increase or decrease by approximately HK\$12.6 million.

PROSPECTS

We expect the global market will continue to face greater challenges and full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment. Meanwhile, China is also facing uncertainty in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist.

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the Group will still be based mainly on Chinese economy. The Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the Group.

The Company would consider investing in certain unlisted securities and listed securities with high potential in order to diversify further market risk.

DIVIDEND

The Board has resolved not to recommend a payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

CAPITAL STRUCTURE

The Company did not run any capital exercise during the Period. During the six months ended 30 September 2018, the share capital of the Company remained unchanged and comprised of 2,257,666,000 issued shares with par value of HK\$0.05.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had margin payables of approximately HK\$3.8 million (31 March 2018: approximately HK\$7.0 million). The Group had cash and cash equivalents of approximately HK\$7.0 million (31 March 2018: approximately HK\$35.4 million), which was mainly placed in bank and other financial institution as deposits. Together with listed securities of highly liquid in nature, the Board considers the liquidity position of the Company is healthy as at 30 September 2018.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2018, the Company does not have any significant acquisition and disposal of subsidiaries.

SIGNIFICANT INVESTMENTS

Significant investments of the Group are the principal investments included in investment in equity instruments and financial assets held for trading as detailed in notes 9 and 10 to the condensed consolidated financial statements.

Save for those principal investments, the Group has not held any investment, the value of which was over 5% of the Group's net asset value as at 30 September 2018.

GEARING RATIO

As at 30 September 2018, the Group's gearing ratio (defined as total interest-bearing liabilities/total equity) is 0.9% (31 March 2018: 1.7%), which is considered by the Board maintained at a healthy level.

FOREIGN CURRENCY FLUCTUATION

The Group's exposures to foreign currencies mainly arises from its investments in companies located in the PRC, which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and will use suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the Period. As at 30 September 2018, the Group had no outstanding foreign currency hedge contracts (31 March 2018: Nil).

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Throughout the six months ended 30 September 2018, assets of the Group were free from any form of legal charge, except for listed securities of approximately HK\$28.9 million pledged for margin payables (31 March 2018: approximately HK\$37.5 million). In addition, the Group did not have any significant contingent liabilities as at 30 September 2018 and 31 March 2018.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2018, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Code") throughout the six months ended 30 September 2018, with deviations from Provisions A.2.1 and A.4.1 of the Code.

(A) Chairman and Chief Executive Officer

Pursuant to Provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the Chief Executive Officer should be clearly established and set out in writing. The Board is in the process of locating an appropriate person to fill the vacancy of the Chief Executive Officer of the Company as soon as practicable.

(B) Appointment and re-election of Directors

Pursuant to Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

None of the non-executive directors of the Company were appointed for a specific term. Since all the directors of the Company are subject to retirement by rotation according to the provisions under article 88 of the Articles of Association of the Company, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by directors of the Group. Having made specific enquiry of all directors, the Group confirmed that all directors have complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2018, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, risk management, financial reporting, the adequacy of resources, qualification and experience of staff.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.chnif.com.hk>). The 2018/19 interim report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
China Investment and Finance Group Limited
Chan Cheong Yee
Executive Director

Hong Kong, 28 November 2018

As at the date of this announcement, the Board comprises Mr. Chan Cheong Yee as executive Director, Mr. Liao Jintian, Mr. Wu Qi and Mr. Fong On Shek as non-executive Directors, and Mr. Luk Simon, Ms. Liu Xiaoyin and Mr. Hon Leung as independent non-executive Directors.