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CHINA INNOVATIVE FINANCE GROUP LIMITED

中國新金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

Reference is made to the announcement of China Innovative Finance Group Limited (the “Company”) dated 27 June 2016 (the “Results Announcement”) in relation to the annual results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 March 2016. Unless otherwise defined, capitalized terms used in this announcement has the same meanings as those defined in the Results Announcement.

Set out below is a breakdown of the major investments of the Group as at 31 March 2016:

INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Non-current assets | | |
| Unlisted equity investment, designated as at fair value through profit or loss upon initial recognition | | |
| In Hong Kong | — | 340,800 |
| In PRC | 96,010 | — |
| | <u>96,010</u> | <u>340,800</u> |
| Current assets | | |
| Held-for-trading listed equity investments, at fair value: | | |
| Hong Kong | 1,119,830 | 337,067 |
| Elsewhere | 4,933 | — |
| | <u>1,124,763</u> | <u>337,067</u> |
| Derivative financial instruments, at fair value: | | |
| Call options | 497,000 | — |
| Futures contracts | 562,678 | — |
| Warrants | 638 | — |
| | <u>1,060,316</u> | <u>—</u> |
| | <u>2,185,079</u> | <u>337,067</u> |

| Nature of investments | Number of shares held as at 31 March 2016 | Percentage of shareholding as at 31 March 2016 % | Net gain/ (loss) for year ended 31 March 2016 HK\$'000 | Dividends received for year ended 31 March 2016 HK\$'000 | Fair value/carrying amount as at 31 March 2016 HK\$'000 | Fair value/carrying amount as at 31 March 2015 HK\$'000 | Percentage to the Group's net assets as at 31 March 2016 % | Investment cost HK\$'000 |
|--|---|--|--|--|---|---|--|--------------------------|
| Non-current assets | | | | | | | | |
| Investments at fair value through profit or loss | | | | | | | | |
| Unlisted shares outside Hong Kong | | | | | | | | |
| Yunnan Highway Construction Group | 30,000,000 | 8.33 | 56,406 | — | 96,010 | — | 3.04 | 39,604 |
| | | | <u>56,406</u> | <u>—</u> | <u>96,010</u> | <u>—</u> | <u>3.04</u> | <u>39,604</u> |
| Current assets | | | | | | | | |
| Investments at fair value through profit or loss | | | | | | | | |
| Listed shares outside Hong Kong | | | | | | | | |
| Western Securities (stock code: 2673) | 10,000 | 0.00 | 49 | — | 324 | — | 0.01 | 275 |
| Guidong Electric Power (stock code: 600310) | 480,000 | 0.06 | 2,801 | — | 4,608 | — | 0.15 | 1,807 |
| Huaxia Bank (stock code: 600015) | 100 | 0.00 | 0 | — | 1 | — | 0.00 | 1 |
| | | | <u>2,850</u> | <u>—</u> | <u>4,933</u> | <u>—</u> | <u>0.16</u> | <u>2,083</u> |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Listed shares in Hong Kong | | | | | | | | |
| Carnival Group International Holdings Limited (stock code: 996) | 200,000,000 | 1.34 | 116,000 | — | 216,000 | — | 6.84 | 100,000 |
| China Smarter Energy Group Holdings Limited (stock code: 1004) | 777,736,000 | 9.95 | 7,567 | — | 559,970 | 322,400 | 17.70 | 511,153 |
| Far East Holdings International Limited (stock code: 36) | 11,814,000 | 1.08 | (16,566) | — | 7,442 | — | 0.24 | 24,009 |
| Huatai Securities Co., Ltd. (stock code: 6886) | 2,600 | 0.00 | (16) | — | 48 | — | 0.00 | 64 |
| Skyway Securities Group Limited (stock code: 1141) | 32,500,000 | 0.26 | (8,973) | — | 6,370 | — | 0.20 | 15,343 |
| Huarong International Financial Holdings Limited (stock code: 993) | 150,000,000 | 4.49 | (420,000) | — | 330,000 | — | 10.45 | 750,000 |
| Disposed securities | | | | | | 14,667 | | |
| | | | <u>(321,988)</u> | <u>—</u> | <u>1,119,830</u> | <u>337,067</u> | <u>35.43</u> | <u>1,400,569</u> |
| | | | <u>(319,138)</u> | <u>—</u> | <u>1,124,763</u> | <u>337,067</u> | <u>35.59</u> | <u>1,402,652</u> |
| Unrealised loss from investments at fair value through profit or loss — trading securities | | | <u>262,732</u> | | | | | |

Realized gain of the Group for the year ended 31 March 2016 amounted to approximately HK\$13,584,000 (Note 1).

Derivative financial instruments

| Futures | Number of contract | | Valuation as at 31.3.2016 | Valuation as at 31.3.2016 | Long-short HK\$'000 | Unrealized gain/(loss) HK\$'000 |
|--|--------------------|------|------------------------------|------------------------------|------------------------|---------------------------------------|
| | Short | Long | Short HK\$'000 | Long HK\$'000 | | |
| 10-Year U.S. Treasury Bond | 0 | 41 | — | 20,705 | 20,705 | (20) |
| 2-Year U.S. Treasury Bond | 0 | 109 | — | 46,237 | 46,237 | 53 |
| 30-Year U.S. Treasury Bond | 0 | 15 | — | 19,116 | 19,116 | (89) |
| 5-Year U.S. Treasury Bond | 0 | 60 | — | 14,181 | 14,181 | 128 |
| 3-Month Eurodollar Rate | 0 | 182 | — | 349,716 | 349,716 | 533 |
| Wheat | 37 | 0 | 6,789 | — | (6,789) | (133) |
| Natural Gas | 14 | 0 | 2,126 | — | (2,126) | 157 |
| Japanese Yen | 0 | 20 | — | 17,251 | 17,251 | (4) |
| Canadian Dollar | 29 | 0 | 17,321 | — | (17,321) | (542) |
| Corn | 43 | 0 | 5,857 | — | (5,857) | 340 |
| Platinum | 21 | 0 | 7,955 | — | (7,955) | 44 |
| Silver | 0 | 12 | — | 7,191 | 7,191 | (189) |
| Low Sulphur Diesel | 13 | 0 | 3,660 | — | (3,660) | (333) |
| Gasoline | 8 | 0 | 3,805 | — | (3,805) | 54 |
| Heating Oil | 8 | 0 | 3,129 | — | (3,129) | 184 |
| Coffee | 12 | 0 | 4,445 | — | (4,445) | (377) |
| Live Cattle | 20 | 0 | 7,690 | — | (7,690) | 264 |
| British Pound | 28 | 0 | 19,493 | — | (19,493) | (142) |
| Crude Oil | 9 | 0 | 2,773 | — | (2,773) | (253) |
| Copper | 14 | 0 | 5,921 | — | (5,921) | (172) |
| Cotton | 45 | 0 | 10,190 | — | (10,190) | 266 |
| Soybean | 19 | 0 | 6,705 | — | (6,705) | (193) |
| Soybean Meal | 46 | 0 | 9,636 | — | (9,636) | (150) |
| Gold | 0 | 10 | — | 9,576 | 9,576 | (113) |
| Swiss Franc | 17 | 0 | 17,200 | — | (17,200) | (368) |
| Lead | 0 | 27 | 12,865 | 21,772 | 8,907 | (1,236) |
| Mexican Peso | 55 | 0 | 12,253 | — | (12,253) | (333) |
| Euro | 0 | 21 | — | 23,216 | 23,216 | 269 |
| Lean Hog | 0 | 40 | — | 10,025 | 10,025 | (158) |
| Aluminium | 30 | 0 | 8,783 | — | (8,783) | 34 |
| Zinc | 15 | 0 | 8,774 | 3,509 | (5,265) | (45) |
| Australian Dollar | 0 | 26 | — | 15,415 | 15,415 | 470 |
| Sugar | 0 | 47 | — | 6,262 | 6,262 | 216 |
| Nickel | 9 | 0 | 3,542 | — | (3,542) | 185 |
| | | | 180,912 | 564,172 | 383,260 | (1,653) |
| Short contract receivable | | | | | 179,418 | |
| Fair value as at 31 March 2016 | | | | | 562,678 | |
| Unrealized loss for the year ended 31 March 2016 | | | | | | (1,653) |
| Realized loss for the year ended 31 March 2016 — trading of futures contracts (include: bond, foreign exchange and commodity) | | | | | | (4,587) |

Derivative financial instruments (continued)

| | Fair value as at 31 March 2016 <i>HK\$'000</i> | Investment cost <i>HK\$'000</i> | Net gain for the year ended 31 March 2016 <i>HK\$'000</i> |
|---|--|---------------------------------------|---|
| Call options | | | |
| China New City Commercial Development Limited (stock code: 1321) | 497,000 | 1,400 | 495,600 |
| Warrants | | | |
| Mission Capital Holdings Limited (stock code: 1153) | <u>638</u> | 8 | <u>630</u> |
| | <u>497,638</u> | | <u>496,230</u> |
| | <u><u>1,060,316</u></u> | | <u><u>494,577</u></u> |

Note 1:

| Name of investment | Stock code | Quantity | Disposal amount <i>HK\$'000</i> | Cost <i>HK\$'000</i> | Realised gain/(loss) <i>HK\$'000</i> |
|--|------------|------------|---------------------------------------|-------------------------|--|
| Haitong Securities Co., Ltd. | #6837 | 200,000 | 3,979 | 3,776 | 203 |
| Brightoil Petroleum (Holdings) Ltd | #933 | 2,140,000 | 7,174 | 5,628 | 1,546 |
| Brightoil Petroleum (Holdings) Ltd | #933 | 2,001,000 | 6,759 | 5,263 | 1,496 |
| China Jinhai International Group Ltd. | #139 | 16,716,000 | 23,331 | 7,927 | 15,404 |
| GF Securities Co., Ltd. | #1776 | 7,400 | 185 | 139 | 46 |
| China Smarter Energy Group Holdings Ltd. | #1004 | 5,000,000 | 5,100 | 6,200 | (1,100) |
| China Smarter Energy Group Holdings Ltd. | #1004 | 5,000,000 | 4,600 | 6,200 | (1,600) |
| Tencent Holdings Ltd. | #700 | 50,000 | 7,950 | 7,925 | 25 |
| Hong Kong Exchanges and Clearing Limited | #388 | 50,000 | <u>9,220</u> | <u>9,110</u> | <u>110</u> |
| Realised gain of HK securities for the year | | | <u><u>68,298</u></u> | <u><u>52,168</u></u> | <u><u>16,130</u></u> |
| Realised loss of PRC securities for the year | | | | | <u><u>(2,546)</u></u> |
| Total | | | | | <u><u>13,584</u></u> |

The above table sets out those investments which constitutes a significant portion of the net asset value of the Group.

The performance and prospects of the Group's major investments during the year were detailed as follows:

1. YUNNAN HIGHWAY CONSTRUCTION GROUP (“YUNNAN GROUP”)

The Company subscribed for 8.33% of the enlarged registered capital of Yunnan Group, which is a private company, at a cash consideration of RMB33 million during the year. As at 31 March 2016, the Company held 8.33% of the enlarged registered capital of Yunnan Group. The investment is measured at fair value upon initial recognition. Yunnan Group is engaged in survey, design and contract foreign or domestic highways, bridge, tunnel, airport, docks, housing, infrastructure and all kinds of blasting projects. Yunnan Group applied for initial public offering in 2015 on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) in the PRC.

**2. CARNIVAL GROUP INTERNATIONAL HOLDINGS LIMITED (“CARNIVAL”)
(STOCK CODE: 996)**

The Company acquired 200 million shares in Carnival, representing approximately 1.34% of its entire issued share capital, during the year and recognised an unrealized gain of HK\$116 million as at 31 March 2016. Carnival is engaged in theme based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the PRC.

**3. CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED (“SMARTER
ENERGY”) (STOCK CODE: 1004)**

The Company held approximately 778 million shares in Smarter Energy, representing approximately 9.95% of its entire issued share capital, during the year and recognised an unrealized gain of approximately HK\$8 million as at 31 March 2016. Smarter Energy focuses on the alternative energy segment including solar energy, renewable energy and energy developed from waste which is supported by the government. Following the completion of the acquisition of Rander International Limited in February 2016, which constituted a very substantial acquisition under the Listing Rules, Smarter Energy can continue its development in and to diversify its portfolio of the solar energy business and will provide additional revenue streams to the company.

**4. HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED (“HUARONG”)
(STOCK CODE: 993)**

The Company acquired 150 million shares in Huarong, representing approximately 4.49% of its entire issued share capital, during the year and recognized an unrealized loss of HK\$420 million as at 31 March 2016. Huarong is engaged in brokering and dealing in securities, futures and options contracts and provision of margin financing services; provision of securities underwriting and sponsoring and financial advisory services, asset management services and direct investments. In September 2015, it was merged by China Huarong Asset Management Company Limited, one of the largest state-owned assets management companies. The management believe that with the strong background of the new investor, Huarong can continue the momentum in the last quarter of 2015 and focus on growing its businesses permitted under its licences issued under the SFO.

5. OTHER SHARES LISTED IN HONG KONG OR THE PRC

Apart from disclosed above, the Company has invested in other 6 companies listed on the stock exchanges of Hong Kong or the PRC. The fair value of each of these shares represented less than 1% of the net assets value of the Company as at 31 March 2016.

AVAILABLE-FOR-SALE INVESTMENTS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Current assets | | |
| Unlisted equity investment at cost (<i>Note</i>) | | |
| — Outside Hong Kong | <u>340,800</u> | <u>—</u> |

Note: During the year ended 31 March 2016, the Group had purchased 56,800,000 shares of Joint Global Limited, a company incorporated in the Republic of the Marshall Islands, at a consideration of approximately HK\$340,800,000. The directors of the Company considered no impairment loss recognised as the recoverable amount is greater than its carrying amount.

Looking forward, the Company expects that the capital markets in Hong Kong and the PRC will remain challenging for 2016, with major economic indicators for both economies continue to show signs of recession. In particular, monetary policies implemented or to be implemented by the Governments of U.S., the PRC, European Union and Japan to accelerate their economic growth, may cause the capital markets to be volatile, as speculations on the timing and magnitude of these policies by market participants can cause significant turbulence in the market. Apart from concerns in international capital market, political factors such as uncertainties in U.S. elections, the potential exit of the United Kingdom from the European Union and political instability occurred in the Asia region may increase the volatility of the market even further.

GENERAL

The above additional information does not affect other information contained in the Result Announcement and the other contents of the Result Announcement remain unchanged.

By order of the Board
China Innovative Finance Group Limited
Ji Kewei
Deputy Chairman

Hong Kong, 13 July 2016

As at the date of this announcement, the Company has three executive directors, being Mr. Ji Kewei, Mr. Yau Wai Lung and Mr. Ma Chao; one non-executive director, being Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.