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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

The Board of Directors (the “Board”) of China Innovative Finance Group Limited (the “Company”) hereby announces that the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2015

		For the six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
			(Restated)
CONTINUING OPERATIONS			
REVENUE	4	9,076	2,571
Cost of revenue		(3,726)	–
Other income		192	–
Fair value (loss)/gains on investments at fair value through profit or loss, net	5	(347,410)	157,745
Gain/(loss) on disposal of subsidiaries		7,264	(1,423)
Employee benefit expenses		(7,195)	(5,072)
Depreciation		(692)	(1,227)
Other expenses		(14,929)	(7,521)
Finance costs	6	(2,148)	(923)
		<hr/>	<hr/>
(LOSS)/PROFIT BEFORE TAX	5	(359,568)	144,150
Income tax credit/(charge)	7	4,285	(26,288)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(355,283)	117,862
DISCONTINUED OPERATIONS			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS, AFTER TAX	8	(6,067)	(35,594)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(361,350)	82,268
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic			(Restated)
– From continuing and discontinued operations		HK(2.09) cents	HK1.94 cents
– From continuing operations		HK(2.05) cents	HK2.78 cents
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Diluted		
– From continuing and discontinued operations	HK(2.09) cents	HK1.94 cents
– From continuing operations	HK(2.05) cents	HK2.78 cents
	<u>(361,350)</u>	<u>82,268</u>
(LOSS)/PROFIT FOR THE PERIOD		
OTHER COMPREHENSIVE INCOME		
Items that may subsequently be reclassified to profit or loss:		
Available-for-sale investments:		
Reclassification adjustments for gains included in the condensed consolidated income statement upon disposal of a subsidiary	–	(154)
Exchange difference arising on translation of financial statements of foreign operations	(6,656)	11,954
	<u>(6,656)</u>	<u>11,954</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(368,006)</u>	<u>94,068</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		16,219	2,455
Prepaid lease payments		–	43,776
Intangible assets	11	1,529,649	789,709
Biological assets		–	61,242
Available-for-sale investments		4,600	4,600
Loan receivables	12	1,072,502	–
Other receivables		15,873	–
Investments at fair value through profit or loss	13	340,800	340,800
		<hr/>	<hr/>
Total non-current assets		2,979,643	1,242,582
		<hr/>	<hr/>
CURRENT ASSETS			
Loan receivables	12	349,596	45,000
Accounts receivables		9,553	–
Investments at fair value through profit or loss	13	762,580	337,067
Prepayments, deposits and other receivables		185,786	15,269
Available-for-sale investments		12,183	–
Pledged and restricted bank deposits		73,220	–
Cash and cash equivalents		91,449	4,331
		<hr/>	<hr/>
Total current assets		1,484,367	401,667
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other payables and accruals		289,084	2,713
Borrowings	14	247,890	10,503
Income tax payable		995	432
		<hr/>	<hr/>
Total current liabilities		537,969	13,648
		<hr/>	<hr/>
NET CURRENT ASSETS		946,398	388,019
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,926,041	1,630,601
		<hr/> <hr/>	<hr/> <hr/>

		30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Borrowings	14	810,708	18,813
Other payables		155,910	–
Deferred tax liabilities		324,411	190,715
		<hr/>	<hr/>
Total non-current liabilities		1,291,029	209,528
		<hr/>	<hr/>
Net assets		2,635,012	1,421,073
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Issued capital	15	4,826	4,236
Reserves		2,630,186	1,416,837
		<hr/>	<hr/>
Total equity attributable to owners of the Company		2,635,012	1,421,073
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015

1. CORPORATE INFORMATION

China Innovative Finance Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and 29th Floor, China United Centre, 28 Mable Road, North Point, Hong Kong, respectively.

Pursuant to a special resolution passed on 18 September 2015 and with the approval of the Registrar of Companies in Bermuda on 24 September 2015 and the Registrar of Companies in Hong Kong on 8 October 2015, the name of the Company was changed from Heritage International Holdings Limited to China Innovative Finance Group Limited.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollar (“HKD”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands except when otherwise indicated.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2015 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited 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 31 March 2015.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2015, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period.

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions
Amendments to HKFRSs Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs Annual Improvements to HKFRSs 2011–2013 Cycle

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.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker. The Group has five reportable operating segments. Details are as follows:

- (i) the property investment segment engages primarily in the investments in properties for rental income potential and/or appreciation in values;
- (ii) the investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages primarily in money lending operations in Hong Kong;
- (iv) the financial leasing segment engages primarily in the direct financial leasing and advisory services;
- (v) the investment holding segment engages primarily in investment holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation;

In the current period, the Group's management of the Forestlands segment was discontinued. In the year ended 31 March 2015, the Group's Chinese medicine clinic operation in Hong Kong was discontinued. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 8.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that unallocated expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than tax recoverable and unallocated corporate assets. Goodwill is allocated to the financial leasing segment as described in note 11; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities.

	Property investment		Investments in securities		Money lending		Financial leasing		Investment holding		The Group total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
												(Restated)
Segment revenue												
Revenue from external customers	50	820	-	1,396	2,232	355	6,794	-	-	-	9,076	2,571
Other income	-	-	-	-	-	-	-	-	41	-	41	-
Total	50	820	-	1,396	2,232	355	6,794	-	41	-	9,117	2,571
Segment results	(3,374)	35	(346,698)	152,521	1,918	325	(5,680)	-	(10,251)	4,127	(364,085)	157,008
<i>Reconciliations:</i>												
Finance cost – allocated	-	-	(1,396)	-	-	-	(223)	-	(529)	-	(2,148)	-
Unallocated finance costs											-	(923)
Unallocated income/ (expenses)											6,665	(11,935)
(Loss)/profit before tax from continuing operation											(359,568)	144,150
Depreciation – allocated	(136)	-	-	-	-	-	(447)	-	-	-	(583)	-
Depreciation – unallocated											(109)	(1,227)
											(692)	(1,227)
Gain/(Loss) on disposal of Subsidiaries (note 8)	-	-	-	(5,706)	-	-	-	-	7,264	4,283	7,264	(1,423)
Fair value (losses)/gains on investments at fair value through profit or loss, net	-	-	(347,410)	157,745	-	-	-	-	-	-	(347,410)	157,745
Capital expenditure – allocated	714	-	-	-	-	-	100	-	-	-	814	-
Capital expenditure – unallocated											-	786
											814	786

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Segment assets:		
Property investment	1,173	–
Investments in securities	741,562	346,492
Money lending	47,232	46,025
Financial leasing	3,176,730	–
Investment holding	346,427	340,800
	<u>4,313,124</u>	<u>733,317</u>
Management of the Forestlands (now discontinued)	–	900,028
Unallocated assets	150,886	10,904
	<u>4,464,010</u>	<u>1,644,249</u>
Segment liabilities:		
Property investment	825	–
Investments in securities	61,207	9,520
Financial leasing	1,435,414	–
Investment holding	5,346	–
	<u>1,502,792</u>	<u>9,520</u>
Management of the Forestlands (now discontinued)	–	62
Deferred tax liabilities	324,411	190,715
Tax payable	995	432
Unallocated liabilities	800	22,447
	<u>1,828,998</u>	<u>223,176</u>

Geographical information

The Group's revenue is substantially derived from its external customers in Hong Kong and the PRC.

The Group's operations are mainly located in Hong Kong and other parts of the PRC. All segments are carried out in Hong Kong except for the financial leasing segment that is carried out in other parts of the PRC. The geographical location of the non-current assets is based on the physical location of the asset. In the case of property, plant and equipment, prepaid lease payments, and biological assets, and the location of the operation to which they are allocated. In the case of goodwill and favourable lease assets included in intangible assets, and other receivables classified as financial assets. The information about the Group's revenue and non-current assets by geographical location is set out below:

	Revenue from external customers		Non-current assets <i>(note)</i>	
	30 September 2015 (Unaudited) <i>HK\$'000</i>	30 September 2014 (Unaudited) <i>HK\$'000</i> <i>(Restated)</i>	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
Hong Kong	2,282	2,571	1,594	1,512
Other parts of the PRC	6,794	–	1,560,147	895,670
	<u>9,076</u>	<u>2,571</u>	<u>1,561,741</u>	<u>897,182</u>

Note: Non-current assets exclude available-for-sale investments, investments at fair value through profit or loss, loan receivables and other financial assets.

4. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable; interest income from money lending operations; leasing and consultancy services income from financial leasing operations; dividend and interest income from investments at fair value through profit or loss; and interest income from a convertible bond during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Leasing income from sales and lease back	6,773	–
Consultancy services income	21	–
Gross rental income	50	820
Interest income from money lending operations	2,232	355
Interest income from a convertible bond	–	375
Dividend income from investments at fair value through profit or loss	–	1,021
	<hr/>	<hr/>
	9,076	2,571
	<hr/> <hr/>	<hr/> <hr/>

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Employee benefit expenses (including directors' remuneration):		
Directors' remuneration:		
– Fee	–	–
– Salaries, allowances and benefits in kind (excluding an estimated value of a director's quarter plus the related charges borne by the Group totaling approximately HK\$ Nil (2014: HK\$720,000))	1,949	2,587
Retirement benefit scheme contributions (defined contribution scheme)	18	31
	1,967	2,618
Other staff's costs:		
– Salaries and allowances	5,070	2,072
– Retirement benefit scheme contributions (defined contribution scheme)	158	61
– Staff severance payment	–	321
	5,228	2,454
Total employee benefit expenses	7,195	5,072
Sales proceeds from disposal of trading securities	(62,812)	(225,370)
Cost of trading securities	49,084	235,572
– realised (gains)/losses	(13,728)	10,202
– unrealised losses/(gains)	361,138	(167,947)
Fair value losses/(gains) on investments at fair value through profit or loss, net:	347,410	(157,745)
Net foreign exchange loss	1	22

Note:

On 26 August 2014, the Group and an independent third party, Power Global Limited (“Power Global”) entered into a termination deed pursuant to which the Group and the Power Global agreed to terminate an options agreement to purchase the entire interest in Apex Corporate Investments Limited and its subsidiaries dated 11 July 2011. The fair value of the Options Agreement was recognised as derivative financial instruments as at 31 March 2014. Upon the Termination, fair value losses on derivative financial instruments have been recognised in the condensed consolidated income statement for the six months ended 30 September 2014.

6. FINANCE COSTS

	For the six months ended 30 September	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years (<i>note</i>)	223	166
Interest on margin and other loans wholly repayable within five years	1,396	310
Amortised interest on bonds	529	447
	<u>2,148</u>	<u>923</u>

Note: The Group's bank borrowings containing on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such borrowings is disclosed as "Interest on bank borrowings wholly repayable within five years."

7. INCOME TAX CREDIT/(CHARGE)

	For the six months ended 30 September	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax credit – Hong Kong Profits Tax Overprovision in prior period	432	–
Current tax – PRC Enterprise Income Tax	(995)	–
Deferred tax credit/(charge)	4,848	(26,288)
Total income tax credit/(charge) recognised in profit and loss	<u>4,285</u>	<u>(26,288)</u>

Hong Kong Profits Tax credit was provided for the six months ended 30 September 2015, as there was an overprovision of tax from prior period. No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2014 as the Group either had no assessable profits arising in Hong Kong or the assessable profits for the period were wholly absorbed by tax losses brought forward.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 September 2015. No provision for PRC Enterprise Income Tax was made for the six months ended 30 September 2014 as the Group had no assessable profits derived in the PRC.

8. DISCONTINUED OPERATION

Disposal of entire interest in Gold Mountain

On 21 May 2015, the Company entered into a conditional sale and purchase agreement with Trillion Cheer, pursuant to which the Company conditionally agreed to dispose of, and Trillion Cheer conditionally agreed to purchase, the entire issued share capital of Gold Mountain, together with the assignment of the entire shareholder's loan and other indebtedness owed by Gold Mountain or its subsidiaries to the Group as at completion for an aggregate consideration of approximately HK\$720,000,000. Gold Mountain is principally engaged in investment in and management of the Forestlands in the PRC. The disposal was completed on 5 August 2015.

The profit from the discontinued operations for the interim period is analysed as follow:

	Period from 1 April 2015 to 5 August 2015
	Gold Mountain
	(Unaudited)
	<i>HK\$'000</i>
Loss from discontinued operations for the period	(6,067)
Gain on disposal of Gold Mountain and its subsidiaries	7,264
	<hr/>
	1,197
	<hr/> <hr/>

The results of the management of the Forestlands for the interim period is as follows:

	Period from 1 April 2015 to 5 August 2015
	Gold Mountain
	(Unaudited)
	<i>HK\$'000</i>
Other income	14
Administrative expenses	(7,501)
	<hr/>
Loss before tax	(7,487)
Income tax credit	1,420
	<hr/>
Loss from discontinued operations for the period	(6,067)
	<hr/> <hr/>

The net assets of Gold Mountain at the date of disposal were as follows:

	As at 5 August 2015
	Gold Mountain
	(Unaudited)
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	846
Biological assets	61,310
Goodwill	101,883
Prepaid lease payment	44,473
Intangible assets	682,147
Cash and cash equivalents	2,149
Prepayments, deposits and other receivables	1,733
Other payables and accruals	(57)
Deferred tax liabilities	(184,446)
Translation reserve	2,698
	<hr/>
Net assets disposed of	712,736
	<hr/>
Gain on disposal of subsidiaries	
Consideration received	720,000
Net assets disposed of	(712,736)
	<hr/>
	7,264
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	720,000
Less: cash and cash equivalents disposed of	(2,149)
	<hr/>
	717,851
	<hr/> <hr/>

9. EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

(a) Basic earnings per share

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
		(restated)
For continuing and discontinued operations:		
(Loss)/profit for the purposes of basic earnings per share	(361,350)	82,268
For continuing operations:		
(Loss)/profit for the purposes of basic earnings per share	(355,283)	117,862
For discontinued operations:		
Loss for the purposes of basic earnings per share	(6,067)	(35,594)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share for the period	17,292,079	4,235,930
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited)
Basic earnings per share for the discontinued operations attributable to owners of the Company	(0.04)	(0.84)

(b) Diluted earnings per share

No adjustment has been made for the weighted average number of ordinary shares from the basic earnings per share amounts presented for the six months ended 30 September 2015 and 2014 as there was no dilutive potential ordinary shares in existence as at 30 September 2015 and 2014.

10. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2014: Nil).

11. INTANGIBLE ASSETS

	License	Favourable lease asset	Goodwill	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2015 (audited)	–	687,826	101,883	789,709
Acquisition of subsidiaries	1,297,000	–	232,649	1,529,649
Amortisation during the period	–	(5,679)	–	(5,679)
Disposal of subsidiaries (<i>Note 8</i>)	–	(682,147)	(101,883)	(784,030)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2015 (unaudited)	<u>1,297,000</u>	<u>–</u>	<u>232,649</u>	<u>1,529,649</u>

Note:

- (a) Favourable lease asset represents the terms of the Forestlands use rights granted to the acquired subsidiaries which are favourable relative to the market terms as at the date of acquisition. Favourable lease asset is amortised on straight-line basis over the remaining term of the lease of the Forestlands.
- (b) Goodwill was arising from the acquisition and has been allocated to a cash generating unit that is expected to benefit from the acquisition. The entire carrying amount of goodwill has been allocated to the financial leasing segment.

12. LOAN RECEIVABLES

	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
Loan receivables	1,422,098	45,000
Less: amount classified as current assets	(349,596)	(45,000)
	<hr/>	<hr/>
Amount classified as non-current assets	<u>1,072,502</u>	<u>–</u>

Loan receivables as at 30 September 2015 represented receivables arising from the money lending business and financial leasing business of the Group. The interest of money lending business is at fixed contractual rate of 9.8% per annum (31 March 2015: at fixed interest rate of 9.8% per annum). The effective interest rate of such loans as at 30 September 2015 is 9.8% (31 March 2015: 9.8%) per annum.

Loan receivables from financial leasing segment as at 30 September 2015 were receivables in respect of assets leased as follows:

The Group entered into sale-and-leaseback financing agreements with the borrowers by passing the legal titles of the collaterals to the Group as security and leasing back of the same collaterals to the borrowers. The collaterals held comprise property, plant and equipment transferred. The original terms of finance leases entered into ranged from 1 year to 5 years for the period ended 30 September 2015 (31 March 2015: Nil). Effective interest rates of the Group's loan receivables as at 30 September 2015 were ranging from 9% to 20% per annum (31 March 2015: nil). The borrowers have options to purchase the collaterals for a nominal amount at the end of lease terms.

As at 30 September 2015 (31 March 2015: nil), the loan receivables were secured by (i) personal guarantee executed by legal representatives or directors of individual borrowers, and/or (ii) secured by corporate guarantee, property collateral and the finance bureau of a county in the PRC.

The directors of the Group consider that the fair value of loan receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

An aged analysis of loan receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Gross loan receivables		
– Within 1 year	349,596	45,000
– 1 to 5 years	1,072,502	–
Total	1,422,098	45,000
	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Net loan receivables		
– Within 1 year	349,596	45,000
– 1 to 5 years	1,072,502	–
Total	1,422,098	45,000

The table below illustrates the gross and net amounts of loan receivables which the Group expects to receive in the following consecutive accounting years:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Gross loan receivables		
– Within 1 year	349,596	45,000
– 1 to 5 years	1,072,502	–
Total	<u>1,422,098</u>	<u>45,000</u>

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Net loan receivables		
– Within 1 year	349,596	45,000
– 1 to 5 years	1,072,502	–
Total	<u>1,422,098</u>	<u>45,000</u>

The aged analysis of the loan receivables that are not considered to be impaired is as follows:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Past due but not impaired	45,000	–
Neither past due nor impaired	1,377,098	45,000
	<u>1,422,098</u>	<u>45,000</u>

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Non-current assets		
Unlisted equity investment, designated as at fair value through profit or loss upon initial recognition (<i>note a</i>)	340,800	340,800
Current assets		
Held-for-trading listed equity investments, at fair value (<i>note b</i>):		
Hong Kong	740,939	337,067
Elsewhere	21,641	–
	762,580	337,067

Note:

- (a) The unlisted equity investment at 30 September 2015 and 31 March 2015 was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The unlisted equity investment and the listed equity investments form a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment strategy. Their performances are regularly reviewed by the key management personnel of the Group.

The fair value of unlisted equity investments was estimated by independent professionally qualified valuers with reference to the subscription prices of other recent share allotments of those investees with other independent third parties.

- (b) At 30 September 2015 and 31 March 2015, the listed equity investments were held for trading and were classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments were determined by quoted bid prices in active markets.

- (c) At 30 September 2015, the Group has a listed equity investment with carrying amount of approximately HK\$543,000,000, which exceed 10% of the Group's total assets. At 31 March 2015, the Group has an unlisted equity investment with carrying amount of approximately HK\$340,800,000 and a listed equity investment with carrying amount of approximately HK\$322,400,000, each of which exceed 10% of the Group's total assets. Particulars of these investments are as follows:

Company name	Place of incorporation	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Group as at end of reporting period
<i>At 30 September 2015</i>				
Simsen International Corporation Ltd.	Bermuda	Securities, bullion and forex operations and money lending activities and pawn loan and finance lease	Ordinary shares of HK\$0.001 each	4.58%
<i>At 31 March 2015</i>				
HEC Capital Limited	Cayman Islands	Investment holding, property investment, investment advisory and financial services, investment in securities trading and money lending	Ordinary shares of HK\$0.1 each	6.18%
China Smarter Energy Group Holdings Limited (formerly known as Rising Development Holdings Limited)	Bermuda	Investment holding, trading of securities, trading of fur garment and skins, and business of mining natural resources and clean energy operation	Ordinary shares of HK\$0.01 each	3.72%

- (d) At the end of the reporting period, the Group's investments in listed equity securities with carrying value of approximately HK\$762,580,000 (31 March 2015: HK\$3,776,000) was pledged as a security for margin and other loans advanced by a financial institution (note 14(c)). The Group's investment in listed equity securities with carrying value of approximately HK\$571,642,000 (31 March 2015: HK\$10,891,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which has not been utilised as at the end of the reporting period (note 14(c)).

14. BORROWINGS

	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
<i>Note</i>		
Interest-bearing bank borrowings:	(a)	
– portion of bank borrowings due for repayment within one year	155,008	–
– portion of bank borrowings due for repayment after one year	792,338	–
Bonds due for repayment:	(b)	
– within one year	955	983
– after one year	18,370	18,813
Margin and other loans	91,927	9,520
	<u>1,058,598</u>	<u>29,316</u>
Less: amount classified as current liabilities	<u>(247,890)</u>	<u>(10,503)</u>
Amount classified as non-current liabilities	<u>810,708</u>	<u>18,813</u>
Analysed as:		
Secured	1,000,287	9,520
Unsecured	58,311	19,796
	<u>1,058,598</u>	<u>29,316</u>

Note:

(a) Interest-bearing bank borrowings

As at 30 September 2015, the Group's term loans were variable-rate borrowings which carried effective interest ranging from 1.7% to 3.2% per annum. The maturities for term loans outstanding, being the year when the last instalment of the bank borrowings falls due, were in the year of 2016.

As at 30 September 2015, the Group's factoring loans were fixed-rate borrowings which carried effective interest rates ranging from 7.1% to 8.0% per annum. The Group's term loans were secured by bankers' guarantee issued by the PRC banks in the form of standby letter of credit. The Group was required to deposit HK\$38,779,375 to the PRC banks to secure the bankers' guarantee as at 30 September 2015. In addition, the Group's term loans were secured by personal guarantees executed by directors of the Company.

As at 30 September 2015, the Group's factoring loans were secured by pledged deposits of HK\$76,432,898, and loans receivable of HK\$772,084,855. Details of the secured loans receivable are set out in Note 12 to the financial statement.

As at 31 March 2015, the Group has no bank borrowings after the Group has disposed the entire share capital of Golden Victory Holdings Limited during the period.

(b) Bonds

	<i>HK\$'000</i>
At 1 April 2015 (audited)	19,796
Interest charged calculated at an effective interest rate (<i>note 6</i>)	529
Less: repayment during the period	<u>(1,000)</u>
At 30 September 2015 (unaudited)	<u><u>19,325</u></u>

(c) Pledge of assets

As at 30 September 2015, margin and other loans are secured by the listed equity investment with carrying amount of approximately HK\$762,580,000 (31 March 2015: 3,776,000).

15. ISSUED CAPITAL

	30 September 2015		31 March 2015	
	<i>Number</i>	<i>HK\$</i>	<i>Number</i>	<i>HK\$</i>
Authorised:				
Ordinary shares of HK\$0.00025 each (as at 30 September 2015 and 31 March 2015)				
At beginning of period	2,000,000,000,000	500,000,000	500,000,000,000	500,000,000
Shares subdivision	<u>–</u>	<u>–</u>	<u>1,500,000,000,000</u>	<u>–</u>
At end of the period	<u><u>2,000,000,000,000</u></u>	<u><u>500,000,000</u></u>	<u><u>2,000,000,000,000</u></u>	<u><u>500,000,000</u></u>
Issued and fully paid:				
At beginning of period	16,943,718,244	4,235,930	2,823,953,041	2,823,953
Issue of new share (<i>note</i>)	2,361,112,121	590,278	–	–
Bonus issue	–	–	1,411,976,520	1,411,977
Share subdivision	<u>–</u>	<u>–</u>	<u>12,707,788,683</u>	<u>–</u>
At end of the period	<u><u>19,304,830,365</u></u>	<u><u>4,826,208</u></u>	<u><u>16,943,718,244</u></u>	<u><u>4,235,930</u></u>

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015 (audited)	16,943,718,244	4,236	1,649,764	1,654,000
Share issue (<i>note</i>)	2,361,112,121	590	1,581,355	1,581,945
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2015 (unaudited)	19,304,830,365	4,826	3,231,119	3,235,945
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: On 8 April 2015, the Board announced that the Group entered into a sales and purchase agreement with China Hover Dragon Group Limited and Mr. Gao Chuanyi to acquire the entire issued share capital of Hong Kong Leasing. The consideration was settled by way of allotment and issue of the share by the Company on 4 September 2015. Further details are set out in the Company's next day disclosure return dated 4 September 2015, the Company's circular dated 30 July 2015 and the Company's announcement dated 10 April 2015.

16. COMPARATIVE FIGURE

As explained in note 8 to the consolidated financial statements, due to the classification of discontinued operation, the loss from continuing operations and the loss from discontinued operation in the consolidated income statement have been revised. Accordingly, certain prior period comparative amounts have been reclassified and restated to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss of approximately HK\$361,350,000 for the six months ended 30 September 2015 (2014: profit of approximately HK\$82,268,000). The loss is mainly attributable to the unrealised fair value loss arising from equity investments at fair value through profit or loss for the six months ended 30 September 2015. The Group is an investment holding company with the following major lines of business:

a) **Financial leasing**

On 1 September 2015, the Group completed the acquisition of a group of companies, which were principally engaged in financial leasing business, consultancy services, provision of financial guarantee and operation of financial services platform in the PRC. For further details of the acquisition, please refer to the announcements of the Company dated 10 April 2015 and 2 September 2015 and the circular of the Company dated 30 July 2015.

The financial leasing business recorded a loss of approximately HK\$5.7 million for the period concerned. However, the management believes that the unique financial leasing transaction platform can generate a stable income source and can provide potential business synergies for the Group in the long run.

b) **Investment in listed securities**

The Group's securities portfolio had an unrealised fair value loss on investments at fair value through profit or loss of approximately HK\$361.1 million for the six months ended 30 September 2015 and a realised gain of approximately HK\$13.7 million.

c) **Money lending business**

The Group's wholly owned subsidiary, namely, Heritage (JeJu) Investments Limited, engaged in money lending business and recorded a gain of approximately HK\$2.2 million for the period concerned. The Group is optimistic in the money lending business and plans to increase its effort in this line of business. Although the business environment is still challenging, however, with low gearing and solid financial position, our management believes that a cautious approach in the money lending field will enable the Group to manage risk and conduct this business profitably.

d) **Investment holding**

As at 30 September 2015, the Group held an unlisted investment at fair value in the amount of approximately HK\$340.8 million. The shareholding in this unlisted investment represented an equity interest of 6.18% in the investee.

e) Investment in forest interest in the PRC (now discontinued)

The Group owned a group of companies whose principal asset is the Forestlands with a total area of approximately 63,035.29 mu located in Qinglong Manchu Autonomous County of Hebei Province, the PRC. The Group recognised prepaid lease payments, favourable lease asset, goodwill and biological assets as the major non-current assets on its books after the acquisition in prior years.

Having considered the continuous losses incurred, the Group disposed the investment in forest interest in August 2015 with a consideration of HK\$720,000,000 to Trillion Cheer, an independent third party, so that the Group can focus on the development of the money lending and financial leasing business while seeking opportunities to diversify into other areas in order to enhance the Group's performance and increase shareholders' value.

PROSPECT

In addition to the Group's continued involvement in the money lending business and the investments in listed and unlisted securities, the Group expands into a variety of financial services serving in the PRC markets. On 1 September 2015, the Group has completed the acquisition of a group of companies that provides financial leasing services, including a financial leasing transaction services platform (O2O) with cross-border Renminbi business products and integrated financial products; it also provides leasing transactions consultation services, guarantees, factoring business and other related businesses.

On 9 September 2015, the Group has also entered into a sales and purchase agreement with a company in the field of importation of automobiles, online and offline automobile sales and financing related services in the PRC. The Group is also actively seeking other acquisition opportunities in the area of financial services in the PRC, and believes this industry will have a bright future and will increase shareholders' value of the Company.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 13 October 2015, the Company announced that the Company and Taiping Trustees Limited ("Taiping Trustees") entered into a subscription agreement, pursuant to which the Company agreed to issue and Taiping Trustees agreed to subscribe in cash for convertible bonds in an aggregate principal amount of US\$50,000,000, which could be converted into, at HK\$0.68 per share (subject to adjustment), 573,529,411 shares of the Company.

For further details of the issue of convertible bonds, please refer to the announcements of the Company dated 13 October 2015 and 28 October 2015 respectively. The subscription was completed on 28 October 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2015, the Group's total assets and borrowings were approximately HK\$4,464,010,000 and HK\$1,058,598,000 respectively. The borrowings of the Group represented bank borrowings and two unsecured seven-year bonds with a fixed rate of interest of 5% per annum issued by the Company. The bonds were denominated in Hong Kong dollars and thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) as at 30 September 2015 was approximately 23.7%.

CURRENCY RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 September 2015, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

PLEDGE OF ASSETS

At 30 September 2015, the banking facilities of the Group were secured by bank deposits, bankers' guarantees issued by the PRC banks in the form of standby letter of credits, loans receivables and personal guarantee executed by directors of the Company. Details are set out in Note 14 to this announcement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2015 (31 March 2015: Nil).

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

There was no purchase, redemption or sale of the Company's listed securities by the Company or any of its subsidiaries during the period and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group entered into a sales and purchase agreement with China Hover Dragon Group Limited and Mr. Gao Chuanyi to acquire the entire issued share capital of Hong Kong Leasing on 8 April 2015. The acquisition was completed on 1 September 2015. The consideration was settled by way of allotment and issue of shares by the Company on 4 September 2015. Further details are set out in the Company's next day disclosure return on 4 September 2015, the Company's circular dated 30 July 2015 and the Company's announcement dated 10 April 2015 and 2 September 2015.

Save as disclosed in note 8 and above in this announcement, the Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 2015.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2015, the Group had an available workforce, including directors of the Company, of 104, of which 85 were based in the PRC. Staff costs incurred and charged to profit or loss for the period including directors' remuneration, was approximately HK\$7.2 million (six months ended 30 September 2014: HK\$5.1 million).

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution mandatory provident fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of laws of Hong Kong) for all its employees.

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations: Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive should be clearly established and set out in writing. Mr. Ji Kewei, assumed the roles of both deputy chairman and chief executive of the Company, and was in charge of the overall management of the Company. The Company considered that the combination of the roles of chairman and chief executive can promote the efficient formulation and implementation of the Company's strategies and enable the Group to grasp business opportunities efficiently and promptly. The Company has not appointed a new chairman or chief executive, but when it does so it is expected that appropriate persons will be nominated to the different roles of chairman and chief executive.

Although not less than one-third of the directors of the Company (both executive and non-executive) are subject to retirement by rotation at the Company's annual general meeting (Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction")) as specified by the Company's bye-laws, the independent non-executive directors are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

Code provision D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for any of the independent non-executive directors. All of the directors of the Company are, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the directors, this meets the objective of the Code provision D.1.4.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. For the six months ended 30 September 2015, due to overseas commitments or other prior business engagements, the non-executive director was unable to attend the annual general meeting (the “AGM”) and special general meeting held on 18 September 2015, one independent non-executive director was unable to attend all special general meetings and the AGM and one independent non-executive director was unable to attend the special general meeting held on 18 August 2015.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. The audit committee comprises three independent non-executive directors of the Company. The Company’s unaudited interim condensed consolidated financial statements for the six months ended 30 September 2015 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2015.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.cifg.com.hk). The interim report for the six months ended 30 September 2015 will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.cifg.com.hk) and also to be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 30 November 2015

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.