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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 2016**

The Board of Directors (the “Board”) of China Innovative Finance Group Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

		For the six months ended	
		30 September	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	114,482	9,076
Cost of revenue		(77,945)	(3,726)
Other income		2,505	192
Fair value losses on investments at fair value through profit or loss, net	6	(539,598)	(347,410)
Gain on disposal of subsidiaries		—	7,264
Employee benefit expenses	6	(22,540)	(7,195)
Depreciation		(7,866)	(692)
Minimum lease payments under operating leases in respect of land and buildings		(5,420)	(2,529)
Administrative expenses		(43,336)	(12,400)
Finance costs	5	(61,873)	(2,148)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(641,591)	(359,568)
Income tax credit	7	90,848	4,285
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(550,743)	(355,283)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		—	(6,067)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(550,743)	(361,350)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	8		
Basic			
— From continuing and discontinued operations		HK(2.86) cents	HK(2.09) cents
— From continuing operations		HK(2.86) cents	HK(2.05) cents
Diluted			
— From continuing and discontinued operations		HK(2.86) cents	HK(2.09) cents
— From continuing operations		HK(2.86) cents	HK(2.05) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2016*

	For the six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(550,743)</u>	<u>(361,350)</u>
OTHER COMPREHENSIVE LOSS		
Items that may subsequently be reclassified to condensed consolidated income statement:		
Exchange difference arising on translation of financial statements of foreign operations	<u>(11,431)</u>	<u>(6,656)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(562,174)</u>	<u>(368,006)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2016*

		30 September 2016	31 March 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		160,529	168,698
Intangible assets		1,269,528	1,243,156
Available-for-sale investments	10	4,600	4,600
Finance lease receivables	11	563,318	664,576
Loans receivables	12	—	155,500
Investments at fair value through profit or loss	13	502,921	96,010
Restricted cash		69,805	72,127
		<hr/>	<hr/>
Total non-current assets		2,570,701	2,404,667
CURRENT ASSETS			
Available-for-sale investments	10	—	340,800
Finance lease receivables	11	206,730	260,404
Loans receivables	12	168,000	20,000
Investments at fair value through profit or loss	13	1,596,553	2,185,079
Prepayments, deposits and other receivables		250,732	321,532
Restricted cash		20,907	37,204
Cash and cash equivalents		225,754	327,621
		<hr/>	<hr/>
Total current assets		2,468,676	3,492,640
CURRENT LIABILITIES			
Other payables and accruals		168,766	207,183
Borrowings		851,742	922,381
Tax payable		1,058	1,382
		<hr/>	<hr/>
Total current liabilities		1,021,566	1,130,946
NET CURRENT ASSETS			
		<hr/>	<hr/>
		1,447,110	2,361,694
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		4,017,811	4,766,361

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings	471,990	499,000
Convertible bonds	949,249	937,705
Deferred tax liabilities	81,323	170,301
	<u>1,502,562</u>	<u>1,607,006</u>
Total non-current liabilities		
Net assets	<u>2,515,249</u>	<u>3,159,355</u>
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Issued capital	4,797	4,828
Reserves	2,510,452	3,154,527
	<u>2,515,249</u>	<u>3,159,355</u>
Total equity		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

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.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 (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 Interim 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.

The Interim 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 2016.

Except as described below, the Group’s accounting policies applied in preparing the Interim Financial Statements are consistent with those policies applied in preparing the annual financial statements for the year ended 31 March 2016.

(b) Application of new and revised Hong Kong Financial Reporting Standards

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 2016, 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 HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory Deferral Accounts

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.

(c) Judgements and estimates

In preparing the Interim Financial Statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2016.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's chief operating decision maker ("CODM"). The Group has three reportable operating segments from continuing operations. Details are as follows:

- (i) the investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;
- (ii) the money lending segment engages primarily in money lending operations in Hong Kong; and
- (iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform.

For the year ended 31 March 2016, the Group's management of the Forestlands was discontinued. The segment information reported does not include any amounts for the discontinued operation.

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

Comparative figures from the prior period have been re-presented to conform to the current period's presentation due to the business of investment holdings, property investment and management of the Forestlands were no longer operated.

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

- All assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and
- All liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities such as convertible bonds and other payables and accruals.

	Investments in securities		Money lending		Financial Leasing		Unallocated		Consolidated	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September		30 September		30 September	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue										
Revenue from external customers	847	—	9,083	2,232	104,552	6,794	—	50	114,482	9,076
Other income	—	—	—	—	—	—	—	41	—	41
Total	<u>847</u>	<u>—</u>	<u>9,083</u>	<u>2,232</u>	<u>104,552</u>	<u>6,794</u>	<u>—</u>	<u>91</u>	<u>114,482</u>	<u>9,117</u>
Segment results	<u>(601,100)</u>	<u>(348,094)</u>	<u>9,004</u>	<u>1,918</u>	<u>66,639</u>	<u>(5,903)</u>	<u>—</u>	<u>(13,625)</u>	<u>(525,457)</u>	<u>(365,704)</u>
					(Note)					
Reconciliations:										
Unallocated finance costs									(60,944)	(529)
Unallocated (expenses)/income									(55,190)	6,665
Loss before tax from continuing operations									<u>(641,591)</u>	<u>(359,568)</u>

Note:

There was a fair value gain on investments at fair value through profit or loss of approximately HK\$64,271,000 included in the segment results of the financial leasing segment. The fair value gain on investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value gain on an unlisted investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such unlisted investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such fair value gain on investment have been recorded under the financial leasing segment.

The whole financial leasing segment are separately and regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance.

4. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financial leasing income	53,525	6,773
Consultancy services income (<i>note a</i>)	48,964	21
Gross rental income	—	50
Interest income from money lending operations	7,471	2,232
Handling fee income (<i>note b</i>)	3,675	—
Dividend income from investments at fair value through profit or loss	847	—
	<u>114,482</u>	<u>9,076</u>

Notes:

- a Consultancy services income arising from the financial leasing segment represents income derived from consultancy services provided for the financial leasing customers, including but not limited to:
- (i) formulation of financial leasing structure;
 - (ii) provision of legal analysis;
 - (iii) provision of advice on transaction arrangement; and
 - (iv) financial and taxation analysis.
- b Included in handling fee income was an amount of approximately HK\$2,063,000 from financial leasing segment and approximately HK\$1,612,000 from money lending segment.

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years (<i>note</i>)	4,468	223
Interest on margin and other loans	416	1,396
Imputed interest on bonds	573	529
Imputed interest on convertible bonds	56,416	—
	<u>61,873</u>	<u>2,148</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".

6. LOSS BEFORE TAX

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

	For the six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' remuneration):		
Directors' remuneration:		
— Fee	—	—
— Salaries and allowances	5,680	1,949
— Retirement benefits scheme contributions (defined contribution scheme)	27	18
— Emolument shares	2,219	—
	<hr/>	<hr/>
	7,926	1,967
Other staff's costs:		
— Salaries and allowances	14,312	5,070
— Retirement benefits scheme contributions (defined contribution scheme)	302	158
	<hr/>	<hr/>
	14,614	5,228
Total employee benefits expenses	<hr/> <hr/>	<hr/> <hr/>
	22,540	7,195

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

	For the six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales proceeds from disposal of trading securities	(300,103)	(62,812)
Cost of trading securities	<u>376,174</u>	<u>49,084</u>
Realised losses/(gains) from investments at fair value through profit or loss — trading securities (<i>note 13(e)</i>)	76,071	(13,728)
Unrealised (gains)/losses from investments at fair value through profit or loss — trading securities (<i>note 13(e)</i>)	<u>(36,182)</u>	<u>361,138</u>
Fair value losses on investments at fair value through profit or loss — trading securities, net	<u>39,889</u>	<u>347,410</u>
Realised losses from investments at fair value through profit or loss — derivative financial instruments (<i>note 13(e)</i>):		
Futures contracts	8,396	—
Call options	495,400	—
Unrealised gains from investments at fair value through profit or loss — derivative financial instruments (<i>note 13(e)</i>):		
Futures contracts	(4,055)	—
Warrants	<u>(32)</u>	<u>—</u>
Fair value losses on investments at fair value through profit or loss — derivative financial instruments, net	<u>499,709</u>	<u>—</u>
Fair value losses on investments at fair value through profit or loss, net	<u>539,598</u>	<u>347,410</u>
Net foreign exchange losses	<u>5,344</u>	<u>1</u>
Net loss on early redemption of a convertible bond	<u>275</u>	<u>—</u>

7. INCOME TAX CREDIT

	For the six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits Tax	—	—
— Over-provision for Hong Kong Profits Tax in prior period	—	432
— People's Republic of China ("PRC") Enterprise Income Tax	<u>(2,731)</u>	<u>(995)</u>
	<u>(2,731)</u>	<u>(563)</u>
Deferred tax credit, net	<u>93,579</u>	<u>4,848</u>
Total income tax credit recognised in condensed consolidated income statement	<u>90,848</u>	<u>4,285</u>

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 September 2016 as the Group did not generate any assessable profits arising in Hong Kong during the period.

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.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 September 2016 and 2015.

8. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(a) Basic loss per share

	For the six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
For continuing and discontinued operations:		
Loss for the purpose of basic loss per share	(550,743)	(361,350)
For continuing operations:		
Loss for the purpose of basic loss per share	(550,743)	(355,283)
For discontinued operations:		
Loss for the purpose of basic loss per share	—	(6,067)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share for the period (<i>'000 share</i>)	19,284,491	17,292,079
	<i>HK cents</i> (Unaudited)	<i>HK cents</i> (Unaudited)
Basic loss per share for the discontinued operations attributable to owners of the Company	—	(0.04)

(b) Diluted loss per share

The potential ordinary shares arising from the conversion of share options and convertible bonds had an anti-dilutive effect on the basic loss per share hence they were ignored in the calculation of diluted loss per share.

9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the current period (2015: Nil).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets		
Club membership debenture, at fair value (<i>note a</i>)	<u>4,600</u>	<u>4,600</u>
Current assets		
Unlisted equity investment at cost (<i>note b</i>)		
— In Hong Kong	<u>—</u>	<u>340,800</u>

Notes:

- (a) Club membership debenture was designated as an available-for-sale financial asset at initial recognition and has no fixed maturity date or coupon rate. The fair value of club membership debenture is based on its quoted price in an open market taking into account the estimated transfer fee upon sale. The Group does not intend to dispose the investments in the near future.

During the six months ended 30 September 2016 and 2015, no fair value gain on available-for-sale investments was recognised in condensed consolidated statement of other comprehensive income.

- (b) During the year ended 31 March 2016, the Group had subscribed 56,800,000 shares of Joint Global Limited (“Joint Global”), a company incorporated in Republic of the Marshall Islands, at a consideration of approximately HK\$340,800,000.

In June 2016, the Group disposed of 56,800,000 shares of Joint Global, in exchange for 48,000,000 shares of HEC Capital Limited (“HEC Capital”) (note 13(b)).

11. FINANCE LEASE RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Present value of minimum lease payments receivable	770,048	924,980
Less: Current portion included under current assets	<u>(206,730)</u>	<u>(260,404)</u>
Amounts due after one year included under non-current assets	<u>563,318</u>	<u>664,576</u>

As at 30 September 2016, finance lease receivables of approximately HK\$574,352,000 were pledged to secure the bank borrowings obtained by the Group (31 March 2016: approximately HK\$668,467,000).

The directors of the Company are of the view that the credit risk inherent in the Group’s outstanding finance lease receivables balances is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 30 September 2016 and 31 March 2016.

Reconciliation between the minimum lease payments receivable and the present value of minimum lease payments receivable under such leases is set out below:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Minimum lease payments receivable	892,941	1,093,980
Less:		
Unearned finance income related to minimum lease payments receivable	<u>(122,893)</u>	<u>(169,000)</u>
Present value of minimum lease payments receivable	<u>770,048</u>	<u>924,980</u>

The table below analyses the Group's minimum lease payments receivable under finance leases by relevant maturity groupings:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
— Within one year	269,947	337,485
— In the second year	355,743	282,439
— In the third to fifth years	<u>267,251</u>	<u>474,056</u>
	<u>892,941</u>	<u>1,093,980</u>

The table below analyses the Group's present value of minimum lease payments receivable under finance leases by relevant maturity groupings:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
— Within one year	206,730	260,404
— In the second year	313,600	226,532
— In the third to fifth years	<u>249,718</u>	<u>438,044</u>
	<u>770,048</u>	<u>924,980</u>

The carrying amounts of the Group's finance lease receivables are principally denominated in RMB.

12. LOANS RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Loans receivables	213,000	220,500
Less: allowance for impairment loss	(45,000)	(45,000)
	168,000	175,500
Less: amount classified as current assets	(168,000)	(20,000)
Non-current portion	—	155,500

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 16% to 18% per annum (31 March 2016: 4% (plus investment income of 40%) to 10% per annum). The grants of these loans were approved and monitored by the Group's management.

Except for loans receivable with a carrying amount of HK\$158,000,000 (31 March 2016: HK\$155,500,000) as at 30 September 2016 which were secured by the pledge of collateral and personal guarantees, all of the loans receivables as at 30 September 2016 and 31 March 2016 were unsecured.

An aged analysis of loans receivables (net of impairment), determined based on the age of the loans receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Loans receivable:		
Within 90 days	—	175,500
91 days to 180 days	168,000	—
	168,000	175,500

The movements in the allowance for impairment loss of loans receivables are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
At beginning of period/year	45,000	—
Impairment loss for the period/year	—	45,000
At end of period/year	45,000	45,000

The allowance for impairment loss of loans receivables as at 30 September 2016 and 31 March 2016 was an individually impaired loans receivable amount of HK\$45,000,000 with an original carrying amount of HK\$45,000,000.

The individually impaired loans receivable relates to a borrower that was in financial difficulties and had defaulted in the payments of both interest and principal.

An aged analysis of the loans receivable (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	168,000	175,500

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets		
Unlisted equity investments, designated as at fair value through profit or loss upon initial recognition (<i>note a and e</i>)		
In Hong Kong (<i>note b</i>)	340,800	—
In PRC (<i>note c</i>)	162,121	96,010
	502,921	96,010
Current assets		
Held-for-trading unlisted fund investment, at fair value (<i>note d and e</i>)		
In the Cayman Islands	164,392	—
Held-for-trading listed equity investments, at fair value (<i>note d, e and f</i>)		
In Hong Kong	866,896	1,119,830
In PRC	7,135	4,933
	874,031	1,124,763
Derivative financial instruments, at fair value (<i>note e and g</i>)		
Call options (<i>note h</i>)	—	497,000
Futures contracts (<i>note i</i>)	557,460	562,678
Warrants	670	638
	558,130	1,060,316
	1,596,553	2,185,079

Notes:

- (a) The unlisted equity investments at 30 September 2016 and 31 March 2016 was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The unlisted equity and fund investments 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 performance are regularly reviewed by the key management personnel of the Group.

- (b) In June 2016, the Group disposed of 56,800,000 shares of Joint Global, in exchange for 48,000,000 shares of HEC Capital (note 10(b)). HEC Capital is an investment holding company. Its subsidiaries are principally engaged in the business of investment holding, property investment, investment advisory and financial services, investment in securities trading and money lending. Details were set out in the Company's announcement dated 26 October 2016.
- (c) The Company subscribed 30,000,000 shares of Yunnan Highway Construction Group, representing 8.33% of its issued share capital, at a consideration of approximately HK\$39,604,000 for the year ended 31 March 2016. As at 31 March 2016, the fair value of this unlisted equity investment was approximately HK\$96,010,000 and an unrealised gain of approximately HK\$56,406,000 was recognised in the consolidated income statement for the year ended 31 March 2016.

As at 30 September 2016, the fair value of this unlisted equity investment was approximately HK\$161,327,000 and an unrealised gain of approximately HK\$65,317,000 was recognised in the condensed consolidated income statement during the six months ended 30 September 2016.

During the six months ended 30 September 2016, the Group had an unlisted equity investment in PRC of approximately HK\$794,000 at fair value via acquisition of a subsidiary.

- (d) At 30 September 2016 and 31 March 2016, the unlisted fund investment and 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 unlisted fund and listed equity investments were determined by quoted prices in active markets.

(e) (i) Details of the Group's investments at fair value through profit or loss as at 30 September 2016:

Name of investments	Number of shares/units held as at 30 September 2016	Percentage of shareholding as at 30 September 2016 %	Net unrealised gains/(losses) for period ended 30 September 2016 HK\$'000 (Unaudited)	Dividends received for period ended 30 September 2016 HK\$'000 (Unaudited)	Fair value as at		Percentage to the Group's net assets as at 30 September 2016 %	Investment cost HK\$'000 (Unaudited)
					30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)		
Non-current assets								
Unlisted shares in Hong Kong								
HEC Capital Limited	48,000,000	4.35	—	—	340,800	—	13.55	340,800
Unlisted shares in PRC								
Shanghai Ningfeng Network Construction Company Limited	N/A	12	—	—	794	—	0.03	794
Yunnan Highway Construction Group	30,000,000	8.33	65,317	—	161,327	96,010	6.41	39,604
			65,317	—	162,121	96,010	6.44	40,398
			<u>65,317</u>	<u>—</u>	<u>502,921</u>	<u>96,010</u>	<u>19.99</u>	<u>381,198</u>
Current assets								
Listed shares in PRC								
Western Securities (stock code: 2673)	259,000	0.01	(1,093)	—	7,133	324	0.28	8,008
Guidong Electric Power (stock code: 600310)	100	0.00	—	—	1	4,608	0.00	1
HuaXia Bank (stock code: 600015)	100	0.00	—	—	1	1	0.00	1
			(1,093)	—	7,135	4,933	0.28	8,010
Unlisted fund in the Cayman Islands								
Haitong International Investment Fund	200,000	N/A	8,892	—	164,392	—	6.54	155,500
Listed shares in Hong Kong								
China Smarter Energy Group Holdings Limited (stock code: 1004)	777,736,000	9.95	—	—	559,970	559,970	22.26	511,153
Far East Holdings International Limited (stock code: 36)	11,814,000	1.08	9,216	—	16,658	7,442	0.66	24,009
Huatai Securities Co., Ltd (stock code: 6886)	2,600	0.00	(7)	1	41	48	0.00	64
Skyway Securities Group Limited (stock code: 1141)	32,500,000	0.21	357	—	6,727	6,370	0.27	15,343
Huarong International Financial Holdings Limited (stock code: 993)	150,000,000	4.49	(46,500)	—	283,500	330,000	11.27	750,000
Disposed securities				846		216,000		
			(36,934)	847	866,896	1,119,830	34.46	1,300,569
			<u>(29,135)</u>	<u>847</u>	<u>1,038,423</u>	<u>1,124,763</u>	<u>41.28</u>	<u>1,464,079</u>
Unrealised gains from investments at fair value through profit or loss — trading securities (note 6)			<u>36,182</u>					

Name of investment	Stock code	Quantity	Disposal	Cost	Realised
			amount		gain/(loss)
			HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	(Unaudited)	(Unaudited)
AIA Group Limited	#1299	1,080,000	50,336	50,369	(33)
China Development Bank Financial Leasing Co., Ltd	#1606	20,000,000	39,433	40,403	(970)
Hong Kong Exchanges and Clearing Ltd.	#388	170,000	32,980	32,591	389
Tencent Holdings Ltd.	#700	200,000	32,806	32,310	496
Carnival Group International Holdings Limited	#996	200,000,000	140,000	216,000	(76,000)
Realised losses of HK securities for the period			<u>295,555</u>	<u>371,673</u>	<u>(76,118)</u>
Realised gains of PRC securities for the period					<u>47</u>
Realised losses from investments at fair value through profit or loss — trading securities (note 6)					<u>(76,071)</u>

Derivative financial instruments

Futures	Number of contract		Valuation as at			Unrealised gain/(loss)
			30 September 2016			
			Short	Long	Long-short	
		Short	Long	Long-short	gain/(loss)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
10-Year U.S. Treasury Bond	0	25	—	12,690	12,690	(5)
2-Year U.S. Treasury Bond	0	70	—	29,668	29,668	(2)
3-Year U.S. Treasury Bond	0	9	—	11,729	11,729	(95)
5-Year U.S. Treasury Bond	0	43	—	10,130	10,130	(120)
3-Month Eurodollar Rate	0	132	—	253,397	253,397	(516)
E-mini S&P 500	0	45	—	37,672	37,672	(307)
Wheat	26	0	4,050	—	(4,050)	1,266
Natural Gas	0	16	—	3,603	3,603	(331)
Japanese Yen	0	9	—	8,623	8,623	24
Canadian Dollar	0	24	—	14,189	14,189	323
Corn	34	0	4,437	—	(4,437)	(14)
Platinum	0	15	—	6,013	6,013	(198)
Silver	0	8	—	5,956	5,956	238
Low Sulphur Diesel	0	14	—	4,863	4,863	387
Gasoline	0	9	—	4,203	4,203	120
Heating Oil	0	9	—	4,536	4,536	170
Coffee	0	11	—	4,845	4,845	730
Live Cattle	15	0	4,656	—	(4,656)	58
British Pound	8	0	5,036	—	(5,036)	269
Crude Oil	11	0	4,162	—	(4,162)	(105)
Copper	10	0	4,283	—	(4,283)	(82)
Cotton	0	20	—	5,276	5,276	(86)
Soybean	0	11	—	4,066	4,066	(604)
Soybean Meal	31	0	7,198	—	(7,198)	460
Gold	0	7	—	7,145	7,145	35
Swiss Franc	20	0	20,053	—	(20,053)	323
Lead	11	30	4,526	12,343	7,817	1,852
Mexican Peso	40	0	7,925	—	(7,925)	759
Euro	0	21	—	22,942	22,942	(294)
Lean Hog	25	0	3,408	—	(3,408)	491
Aluminum	132	168	42,791	54,462	11,671	(804)
Zinc	3	20	1,380	9,187	7,807	479
Australian Dollar	0	21	—	12,449	12,449	(223)
Sugar	0	26	—	5,191	5,191	(151)
Nickel	16	25	7,838	12,243	4,405	8
			121,743	557,421	435,678	4,055
Short contract receivable					121,782	
Fair value as at 30 September 2016					<u>557,460</u>	
Unrealised gains for the period ended						
30 September 2016 — futures contracts						
(note 6)						<u>4,055</u>
Realised losses for the period ended						
30 September 2016 — futures contracts						
(note 6)						<u>(8,396)</u>

	Fair value as at		Investment cost	Disposal amount	Net realised loss	Net unrealised
	30 September 2016	31 March 2016			for the period ended	gain for the period ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	30 September 2016	30 September 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
					(note 6)	(note 6)
Call options						
China New City Commercial Development Limited (stock code: 1321)	—	497,000	1,400	1,600	(495,400)	—
Warrants						
Mission Capital Holdings Limited — Warrant (stock code: 1153)	670	638	8	—	—	32
				1,600	(495,400)	32

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

- (ii) As at 30 September 2016, the Group has listed equity investments with carry amount of approximately HK\$559,970,000 (31 March 2016: Nil), which exceed 10% of the Group's total assets. Particulars of these investments are as follows:

Company	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	Percentage to the Group's total assets as at 30 September 2016	Investment cost
					%	HK\$'000
						(Unaudited)
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	9.95%	11.11	511,153

- (f) As at 30 September 2016, the Group's investments in listed equity securities with carrying value of approximately HK\$621,082,000 (31 March 2016: approximately HK\$835,644,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group for the investments.

As at 30 September 2016, the Group's investments in listed equity securities with carrying value of approximately HK\$236,250,000 (31 March 2016: approximately HK\$275,000,000) were pledged to a bank to secure a term loan granted to the Group.

- (g) Derivative financial assets are categorised as financial assets at fair value through profit or loss unless they are designated as hedges.
- (h) During the year ended 31 March 2016, the Group entered into legally binding options agreements (the "Options Agreements") with a number of independent third parties (the "Put Option Holders") whereby the Group had been granted by the Put Option Holders options to be purchased (the "Call Options") by the Group, for a period of one year, 70,000,000 ordinary shares of China New City Commercial Development Limited ("China New City") (Stock Code: 1321), a company listed on the Main Board of the Stock Exchange in Hong Kong.

The fair value of the Call Options was approximately HK\$497,000,000 for the year ended 31 March 2016 and thus an unrealised gain of approximately HK\$495,600,000 was recognised in the consolidated income statement during the year.

During the period ended 30 September 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of all 70,000,000 Call Options, at a consideration of HK\$1,600,000 in view of the declining underlying share prices of China New City. Accordingly, a realised loss of approximately HK\$495,400,000 was recognised in the condensed consolidated income statement during the period.

- (i) Futures contracts are financial instruments for trading of commodities with a financial institution. Futures contracts are measured at the quoted price in active markets. They were financed by the margin facilities granted by the financial institution. Accordingly, futures contracts with carrying value of approximately HK\$557,460,000 (31 March 2016: approximately HK\$562,678,000) were pledged to the financial institution to secure the margin facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss of approximately HK\$551 million for the six months ended 30 September 2016 (2015: loss of approximately HK\$361 million). The loss is mainly attributable to the fair value loss arising from investments at fair value through profit or loss for the six months ended 30 September 2016 of approximately HK\$540 million (2015: loss of approximately HK\$347 million). The Group is an investment holding company with the following major lines of business:

a) Financial leasing

The financial leasing business recorded a positive result of approximately HK\$67 million for the six months ended 30 September 2016 (2015: loss of approximately HK\$6 million) which has been consolidated into the Group after the date of completion of the acquisition of the entire issued share capital of Hong Kong Leasing Limited on 1 September 2015.

b) Investments in securities

The Group's securities portfolio had an unrealised fair value loss on investments at fair value through profit or loss of approximately HK\$24 million for the six months ended 30 September 2016 and a realised loss of approximately HK\$580 million.

c) Money lending business

The money lending business has recorded a turnover of approximately HK\$9 million for the six months ended 30 September 2016 (2015: approximately HK\$2 million). The increase in turnover was mainly due to the expansion of the business, the accumulated lending principal of which amounted to approximately HK\$364 million for the six months ended 30 September 2016 (2015: HK\$45 million). The Group will continue to use a cautious approach to manage risk and upkeep the profitability of the business.

d) Asset Trading Platform

The Group engaged in trading business relating to the leasing facilities, leasing assets and other related leasing properties, and provision of spot trading platform and marketing services and consulting services relating to the aforesaid businesses.

The Group's wholly-owned subsidiary, Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd., which is based in Qianhai, and benefitting from the preferential policy of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Cooperation Area, plans to be a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform.

The management believes that the unique financial leasing transaction platform, which is one of only seven financial transaction platforms which possess the "Trading Business Qualification", can achieve synergy effect with other business segments of the Group to capture business opportunities in the finance leasing industry.

e) Factoring

The Group entered into a sales and purchase agreement with Beijing Taitong Hengye Investment Company Limited to acquire the entire issued share capital of China Innovative Finance Zhonghong (ShenZhen) Business Factoring Company Limited, (formerly known as Shenzhen Qianhai Haotian Zhonghong Business Factoring Company Limited) on 2 September 2016. The acquisition was completed on 6 September 2016.

The said company is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen.

The factoring business recorded a loss of approximately HK\$100,000 for the six months ended 30 September 2016. The management believes that the factoring business can generate a stable income source and can achieve potential business synergies with other business segments of the Group after its development stage.

PROSPECT

The Group continues to expand to a variety of financial services serving the China and Hong Kong markets and is actively seeking other acquisition and related assets investment opportunities in the area of financial services in both Greater China and other parts of the world to enhance its performance and increase shareholders' value.

The Company has been selected as a constituent of the Hang Seng Composite LargeCap & MidCap Index, effective after the market close of 2 September 2016. This will enable the shares of the Company to be traded under the Shanghai-Hong Kong Stock Connect Scheme.

The Board is of the view that the Company's inclusion in the two market benchmark indices represents the recognition and confidence of the capital market in the market capitalization and trading liquidity of the Company, and will expand shareholder base and trading liquidity of the Company, resulting in realisation of the value of investment in the Company and enhancement of the Company's reputation in the capital markets.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 7 October 2016, the Company announced that the Company and Sea Venture Investments Limited ("Sea Venture") entered into a supplemental deed, pursuant to which the Company and Sea Venture agreed to amend the terms of the US\$40 million Secured Convertible Bonds to the effect that the Company may, at any time prior to the maturity of the Convertible Bonds and by giving Sea Venture not less than three trading days' notice (or such shorter time as agreed to by Sea Venture in writing), redeem the outstanding Convertible Bonds, in whole or in part, at the Applicable Redemption Amount (as defined in the announcement of the Company dated 27 July 2016). On the same day, the Company issued a redemption notice to Sea Venture exercising its redemption right to partially redeem the Convertible Bonds in the principal sum of US\$10 million at the Applicable Redemption Amount. The redemption was completed on 17 October 2016. For further details of the early redemption of convertible bonds, please refer to the announcement of the Company dated 17 October 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group's total assets and borrowings were approximately HK\$5,039 million and HK\$2,273 million respectively. The borrowings of the Group represented bank borrowings of HK\$1,304 million, three convertible bonds in the aggregate principal amount of HK\$949 million with a fixed rate of interest of 7% to 8% per annum and two unsecured seven-year bonds of HK\$20 million with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable and the bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings divided by total assets) as at 30 September 2016 was approximately 45.1% (2015: 23.7%).

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. However, during the period under review, the Group did not experience significant exposure to exchange rate fluctuations. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

PLEDGE OF ASSETS

As at 30 September 2016, the banking facilities of the Group were secured by property, plant and equipment, finance lease receivables, restricted cash and listed equity securities of the Company.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group had no material contingent liabilities and capital commitment as at 30 September 2016 (31 March 2016: Nil).

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

On 14 June 2016, the Company held a Special General Meeting and approved the off-market buy-back of 117,870,876 ordinary shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary shares in the Company from Mr. Gao Chuanyi at nil consideration. The share repurchase is related to the acquisition of Hong Kong Leasing Limited. Further details are set out in the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 2016.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2016, the Group had a workforce, including directors of the Company, of 106, of which 66 were based in the PRC. Staff costs incurred and charged to profit or loss for the period including directors' remuneration was approximately HK\$23 million (2015: HK\$7 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 2016, 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. Yau Wai Lung, an executive director, has been primarily responsible for the leadership of the Board and overall management and operation of the Company since he was appointed as the executive director on 19 August 2014. Mr. Ji Kewei has assumed the roles of both deputy chairman and chief executive of the Company, and has been in charge of the overall management of the Company since he was appointed on 11 September 2015. The Company considered that the combination of the roles of deputy chairman and chief executive could promote the efficient formulation and implementation of the Company's strategies which enabled the Group to grasp business opportunities efficiently and promptly. On 18 October 2016, after resignation of Mr. Ji Kewei as both deputy chairman and chief executive of the Company, Mr. Li Hang, a non-executive director of the Company, was appointed as the chairman of the Company. The nomination committee of the Company is still seeking for suitable candidate to fill the casual vacancy of chief executive of the Company in order to comply with the Code Provision A.2.1.

Although not less than one-third of the directors of the Company (both executive and non-executive directors) 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) as specified by the Company's bye-laws, the independent non-executive directors are not appointed for a specific term. Therefore, 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 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 2016, due to overseas commitments or other prior business engagements, one non-executive director and two independent non-executive directors of the Company were unable to attend the special general meeting of the Company held on 14 June 2016 whereas one non-executive director and one independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 19 September 2016.

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 2016 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 2016.

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 2016 will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.cifg.com.hk) and also be dispatched to the shareholders of the Company in due course.

By order of the Board
China Innovative Finance Group Limited
Yau Wai Lung
Executive Director

Hong Kong, 28 November 2016

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