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CHINA INVESTMENT AND FINANCE GROUP LIMITED

中國投融資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1226)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) hereby present the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

| | <i>Notes</i> | 2016 HK\$'000 | 2015 HK\$'000 |
|--|--------------|--------------------------------|-----------------------|
| Gross proceeds from disposal of listed securities held for trading | | <u>151,695</u> | <u>349,285</u> |
| Revenue | 3 | 2,996 | 12,187 |
| Net realised loss on disposal of financial assets held for trading | | (33,864) | (450) |
| Net realised gain on disposal of available-for-sale investments | | 5,911 | 10,460 |
| Net unrealised gain on financial assets held for trading | | 61,030 | 9,617 |
| Net unrealised loss on derivative financial instruments | | – | (4,767) |
| Other income | 3 | 18,156 | 609 |
| Administrative expenses | | (12,755) | (24,845) |
| Profit from operations | 5 | 41,474 | 2,811 |
| Finance costs | 6 | (252) | (66) |
| Profit before tax | | 41,222 | 2,745 |
| Income tax expense | 7 | (5,532) | (2,553) |
| Profit for the year | | <u>35,690</u> | <u>192</u> |
| Profit attributable to owners of the Company | | <u>35,690</u> | <u>192</u> |
| Earnings per share | | | |
| – Basic, HK cents | 9 | <u>6.31</u> | <u>0.02</u> |
| – Diluted, HK cents | 9 | <u>6.31</u> | <u>0.02</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year | <u>35,690</u> | <u>192</u> |
| Other comprehensive income: | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translating foreign operations | | |
| Exchange difference arising during the year | – | 117 |
| Reclassification adjustment relating to disposal of foreign operations | <u>(1,044)</u> | <u>–</u> |
| | <u>(1,044)</u> | <u>117</u> |
| Available-for-sale investments | | |
| Net (loss)/gain arising on revaluation of available-for-sale investments during the year | (19,250) | 8,818 |
| Reclassification adjustments relating to available-for-sale investments disposed of during the year | 2,475 | (6,562) |
| Reclassification adjustments relating to subsidiaries disposed of during the year | <u>(10,324)</u> | <u>–</u> |
| | <u>(27,099)</u> | <u>2,256</u> |
| Other comprehensive (expense)/income for the year, net of tax | <u>(28,143)</u> | <u>2,373</u> |
| Total comprehensive income for the year | <u><u>7,547</u></u> | <u><u>2,565</u></u> |
| Total comprehensive income attributable to owners of the Company | <u><u>7,547</u></u> | <u><u>2,565</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

| | <i>Notes</i> | 2016 HK\$'000 | 2015 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | – | 709 |
| Deposit paid for acquisition of investments | | – | 20,000 |
| Available-for-sale investments | 10 | <u>105,773</u> | <u>122,505</u> |
| | | <u>105,773</u> | <u>143,214</u> |
| Current assets | | | |
| Available-for-sale investments | 10 | – | 85,666 |
| Derivative financial instruments | 11 | – | 9,077 |
| Financial assets held for trading | 12 | 524,308 | 38,699 |
| Other receivable, prepayments and deposits | | 138,341 | 141,266 |
| Current tax assets | | 27 | – |
| Cash and cash equivalents | | <u>224,846</u> | <u>75,231</u> |
| | | <u>887,522</u> | 349,939 |
| Disposal group held for sale | 13 | <u>–</u> | <u>32,669</u> |
| | | <u>887,522</u> | <u>382,608</u> |
| Current liabilities | | | |
| Margin payables | | 7,618 | – |
| Accruals | | 1,213 | 737 |
| Current tax liabilities | | <u>23</u> | <u>192</u> |
| | | <u>8,854</u> | 929 |
| Liabilities associated with disposal group held for sale | 13 | <u>–</u> | <u>216</u> |
| | | <u>8,854</u> | <u>1,145</u> |
| Net current assets | | <u>878,668</u> | <u>381,463</u> |
| Total assets less current liabilities | | <u>984,441</u> | <u>524,677</u> |
| Non-current liability | | | |
| Deferred tax liability | | <u>8,104</u> | <u>2,503</u> |
| Net assets | | <u>976,337</u> | <u>522,174</u> |
| Capital and reserves | | | |
| Share capital | | 94,083 | 183,074 |
| Reserves | | <u>882,254</u> | <u>339,100</u> |
| Total equity | | <u>976,337</u> | <u>522,174</u> |
| Net assets value per share (in HK\$) | 14 | <u>0.52</u> | <u>0.57</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

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

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

The consolidated financial statements are prepared in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|-----------------------|---|
| 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 application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|--------------------------------------|--|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 14 | Regulatory Deferral Accounts ² |
| HKFRS 15 | Revenue from Contracts with Customers ¹ |
| HKFRS 16 | Lease ³ |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ² |
| Amendments to HKAS 1 | Disclosure Initiative ² |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ² |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ² |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ² |

| | |
|--|--|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle ² |

- 1 Effective for accounting periods beginning on or after 1 January 2018, with earlier application permitted.
- 2 Effective for accounting periods beginning on or after 1 January 2016, with earlier application permitted.
- 3 Effective for accounting periods beginning on or after 1 January 2019, with earlier application permitted.
- 4 No mandatory effective date but is available for early adoption.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets (e.g. (i) the Group’s investments in unlisted equity securities, listed and unlisted debt securities that are currently classified as available-for-sale financial assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss; and (ii) unlisted convertible debt securities of which the host contract currently classified as available-for-sale financial assets while the embedded derivative currently classified as financial assets at fair value through profit or loss, may have to be measured at fair value at the end of subsequent reporting entirely, with changes in the fair value being recognised in profit or loss). Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income are as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue: | | |
| Dividend income from financial assets at held for trading | 48 | 161 |
| Interest income from debt securities | 2,617 | 10,527 |
| Interest income from other receivables | – | 1,430 |
| Interest income from brokers | 325 | – |
| Interest income from bank accounts | 6 | 69 |
| | <u>2,996</u> | <u>12,187</u> |
| Other income: | | |
| Net foreign exchange gain | – | 18 |
| Sundry income | 126 | 591 |
| Net gain on disposal of subsidiaries | 18,030 | – |
| | <u>18,156</u> | <u>609</u> |
| | <u><u>21,152</u></u> | <u><u>12,796</u></u> |

4. SEGMENT INFORMATION

For the years ended 31 March 2016 and 2015, the Group's revenue and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's business were operated in a single segment, it is not considered meaningful to provide a business segment analysis of financial performance.

Geographical information

During the years ended 31 March 2016 and 2015, all activities of the Group are based in Hong Kong and all of the Group's revenue was derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

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

5. PROFIT FROM OPERATION

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit from operation has been arrived at after charging: | | |
| Directors' remunerations | | |
| – Fees | 1,357 | 1,103 |
| – Other remunerations | 286 | 62 |
| | <hr/> | <hr/> |
| Total directors' remunerations | 1,643 | 1,165 |
| | <hr/> | <hr/> |
| Staff costs | | |
| – Salaries | 3,220 | 4,756 |
| – Provident fund contributions | 93 | 99 |
| | <hr/> | <hr/> |
| Total staff costs (excluding directors' remunerations) | 3,313 | 4,855 |
| | <hr/> | <hr/> |
| Auditors' remuneration | 380 | 350 |
| Depreciation | 200 | 2,527 |
| Investment manager fee | 960 | 960 |
| Loss on disposal of property, plant and equipment | 509 | – |
| Operating lease payments in respect of office premise | 413 | 2,056 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. FINANCE COSTS

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Margin financing interest wholly repayable within five year | 252 | 66 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. INCOME TAX EXPENSE

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <i>Current tax:</i> | | |
| Hong Kong Profits Tax: | | |
| Provision for the year | 38 | 66 |
| Over-provision in respect of prior year | (107) | (30) |
| | <u> </u> | <u> </u> |
| | (69) | 36 |
| | | |
| PRC Enterprise Income Tax: | | |
| Provision for the year | – | 14 |
| | <u> </u> | <u> </u> |
| | – | 50 |
| | <u> </u> | <u> </u> |
| | | |
| <i>Deferred tax:</i> | | |
| Charges for the year | 5,601 | 2,503 |
| | <u> </u> | <u> </u> |
| | 5,532 | 2,553 |
| | <u> </u> | <u> </u> |

Hong Kong Profits Tax was calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for both years.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies was 25% for the years ended 31 March 2016 and 2015.

8. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 March 2016 and 2015.

9. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the profit attributable to owners of the Company of HK\$35,690,000 (2015: HK\$192,000) and the weighted average number of 565,210,000 (2015 restated: 820,349,000) ordinary shares in issue during the year.

Diluted earning per share is same as the basic earning per share as there were no potential ordinary shares in issue during both years.

During the year, the Company implemented the share consolidation of every five shares of par value HK\$0.01 each into one consolidated share of HK\$0.05 each (the “Share Consolidation”), and issued 1,672,592,000 shares at HK\$0.25 per share on the basis eight offer shares for every one existing consolidated share (the “Open Offer”). The Share Consolidation and Open Offer were completed on 14 December 2015 and 14 January 2016, respectively. Accordingly, the weighted average number of shares for the purposes of basic and diluted earnings per share has been adjusted for both years.

10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Unlisted equity securities (<i>note 1</i>) | 105,773 | 79,800 |
| Less: fair value adjustment | – | (5,405) |
| | <u>105,773</u> | <u>74,395</u> |
| Unlisted convertible debt securities (<i>note 2</i>) | – | 85,521 |
| Less: fair value adjustment | – | 12,944 |
| | <u>–</u> | <u>98,465</u> |
| Unlisted debt security (<i>note 3</i>) | – | 35,000 |
| Less: fair value adjustment | – | 311 |
| | <u>–</u> | <u>35,311</u> |
| Total | <u>105,773</u> | <u>208,171</u> |
| Analysed for reporting purpose as: | | |
| Current | – | 85,666 |
| Non-current | <u>105,773</u> | <u>122,505</u> |
| | <u>105,773</u> | <u>208,171</u> |

For unlisted equity instruments, there was no objective evidence of impairment (i.e. a significant or prolonged decline in fair value of the security below their costs).

For debt instruments, there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and of which has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Note 1:

Details of principal unlisted equity securities held by the Group are as follows:

| Name of investee companies | Place of incorporation/ establishment | Percentage of effective interest held | | Fair value | | | | Net assets attributable to the investments | | | |
|-----------------------------------|---------------------------------------|---------------------------------------|----------|------------|----------|------------|----------|--|----------|--------|--------|
| | | 2016 | 2015 | At cost | | adjustment | | At fair value | | | |
| | | | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | | |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| Peak Zone Group Limited | British Virgin Islands | 25.00% | - | 75,000 | - | (19,250) | - | 55,750 | - | 1,319 | - |
| Help U Credit Finance Limited | Hong Kong | 28.08% | - | 50,000 | - | - | - | 50,000 | - | 20,676 | - |
| Plexson Limited | Hong Kong | - | 15.00% | - | 45,000 | - | (6,250) | - | 38,750 | - | 33,762 |
| Forest Investment Company Limited | Hong Kong | - | 29.00% | - | 34,800 | - | 845 | - | 35,645 | - | 35,358 |

Note 2:

Details of principal unlisted convertible debts securities held by the Group are as follows:

| Name of investee companies | Place of incorporation/ establishment | At cost | | Fair value adjustment | | At fair value | | Bond interest income | |
|------------------------------|---------------------------------------|---------|--------|-----------------------|--------|---------------|--------|----------------------|-------|
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | | | | | | | |
| IGO Seating Limited | Hong Kong | - | 38,097 | - | 10,013 | - | 48,110 | 239 | 398 |
| Yuet Join Industrial Limited | Hong Kong | - | 47,424 | - | 2,676 | - | 50,100 | 623 | 2,500 |

Note 3:

Details of the unlisted debts security held by the Group are as follows:

| Name of investee companies | Place of incorporation/ establishment | Fair value | | | | At | | Bond interest | |
|--------------------------------------|--|------------|----------|------------|----------|------------|----------|---------------|----------|
| | | At cost | | adjustment | | fair value | | income | |
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Full Ever Industrial Company Limited | Hong Kong | - | 35,000 | - | 311 | - | 35,311 | 1,755 | 1,750 |

11. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Embedded derivatives in convertible bonds | - | 9,077 |

Note:

The amounts represent the fair value of the conversion option embedded in the convertible bonds as disclosed elsewhere in these notes to the consolidated financial statements. The derivative financial instruments are measured at fair values at the end of reporting period.

No unrealised gain or loss on derivative financial instruments had been recognised in profit or loss during the year (2015: Net unrealised gain of approximately HK\$4,767,000) as the derivatives embedded in the convertible bonds have been disposed of during the year.

12. FINANCIAL ASSETS HELD FOR TRADING

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Listed equity securities in Hong Kong, at fair value | <u>524,308</u> | <u>38,699</u> |

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

The Group has pledged certain financial assets held for trading with carrying amount of approximately HK\$48,135,000 (2015: nil) to secure margin payables.

Details of principal listed equity securities held by the Group as at 31 March 2016 are as follows:

| Name of investee company | Place of incorporation | Number of share held | Percentage of interest held | Accumulated Cost <i>HK\$'000</i> | Accumulated unrealised gain/(loss) <i>HK\$'000</i> | Market value <i>HK\$'000</i> | Net assets attributable to the investments <i>HK\$'000</i> | Dividend received during the year <i>HK\$'000</i> |
|------------------------------|------------------------|----------------------|-----------------------------|-------------------------------------|---|---------------------------------|---|--|
| WLS Holdings Limited | Bermuda | 278,990,000 | 2.19% | 23,756 | 66,916 | 90,672 | 6,517 | 31 |
| China 33 Media Group Limited | Cayman Islands | 403,622,000 | 7.01% | 53,997 | (1,526) | 52,471 | 45,499 | - |
| KPM Holding Limited | Cayman Islands | 15,625,000 | 3.91% | 25,460 | 25,790 | 51,250 | 2,768 | - |
| RCG Holdings Limited | Bermuda | 74,000,000 | 4.86% | 18,500 | 19,240 | 37,740 | 33,618 | - |

13. DISPOSAL GROUP HELD FOR SALE

On 31 March 2015, the Company entered into the agreement with Perfect Scheme Limited, an independent third party, pursuant to which the Company has conditional agreed to sell 100% of the issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of the Company at the consideration of HK\$39,000,000, which will be satisfied by HK\$1,000,000 in cash and issuance of 76,000,000 shares of Lerado Group (Holding) Company Limited, a holding company of Perfect Scheme Limited, which shares is listed on the Stock Exchange of Hong Kong Limited (the "Disposal"). Accordingly, all the assets and liabilities attributable to Garron International Strategic Limited and its subsidiary ("Disposal Group") have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2015. The Disposal Group was not a separate major line of business or geographical area of operation, therefore, the Disposal was not classified as discontinued operation. As the net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, no impairment loss has been recognised. The transaction was completed on 17 April 2015.

At 31 March 2015, the major classes of assets and liabilities classified as held for sale are as follows:

| | <i>HK\$'000</i> |
|---|----------------------|
| Property | 7,720 |
| Investment properties | 20,694 |
| Other receivables, prepayment and deposit | 2 |
| Cash and cash equivalent | <u>4,253</u> |
| Total assets classified as held for sale | <u><u>32,669</u></u> |
| Accrual and total liabilities classified as held for sale | <u><u>216</u></u> |

14. NET ASSET VALUE PER SHARE

Net assets value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$976,337,000 (2015: approximately HK\$522,174,000) by the number of shares in issue at 31 March 2016, being 1,881,666,000 (2015: 915,370,000).

15. RELATED PARTY TRANSACTIONS

During the years ended 31 March 2016 and 2015, the Group had entered into the following transactions with the investment manager of the Group which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|--------------------------|
| China Everbright Securities (HK) Limited | | |
| Investment manager's fee | 960 | 960 |
| Broker fee | 7 | 1,630 |
| Custodian fee | – | 12 |
| Interest expenses | – | 66 |
| | <u><u> </u></u> | <u><u> </u></u> |

Note:

The Company has entered into the agreement with China Everbright Securities (HK) Limited (“EBSHK”) on 6 November 2012, pursuant to which EBSHK agreed to provide investment management services to the Company for a period of three years from 6 November 2012, and extended for further three years ending 5 November 2018.

EBSHK shall be deemed as a connected person of the Company pursuant to Rule 21.13 of the Listing Rules upon the agreement becoming effective. The maximum aggregate fee to be payable by the Group to EBSHK shall not exceed HK\$960,000 per annum.

The independent non-executive directors of the Company considered that the above investment management agreements are in the best interests of the Company and were entered into on normal commercial terms, in the ordinary course of business of the Company and that investment management fee are calculated in accordance with the above agreements and are fair and reasonable so far as the Shareholders are concerned.

STATEMENT FROM THE MANAGEMENT

The board (the “Board”) of directors (the “Directors”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2016 (the “Year”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2016, the Group recorded gross proceeds from disposal of securities of approximately HK\$151.7 million, representing a decrease of approximately 56.6%, as compared to the amount of approximately HK\$349.3 million for the last year. The Group recorded in revenue of approximately HK\$3.0 million, representing a decrease of approximately 75.4% as compared to the amount of approximately HK\$12.2 million for the last year. The Company recorded a profit attributable to the owners of the Company for the year amounted to approximately HK\$35.7 million (2015: approximately HK\$0.2 million). The audited consolidated net assets of the Group as of 31 March 2016 amounted to approximately HK\$976.3 million (2015: approximately HK\$522.2 million). The net asset per share of the Group was amounted to approximately HK\$0.52 (2015: approximately HK\$0.57). The decrease in net asset value per share of the Company over the Year was principally resulted from (i) the placement of 130,000,000 ordinary shares of the Company at par value of HK\$0.01 each at a subscription price of HK\$0.275 per share completed in June 2015; (ii) the share consolidation and open offer as mentioned in the heading of “Capital Structure” below; and the total comprehensive income attributable to owners of the Company for the Year of approximately HK\$7.5 million.

The net profit significantly improved from approximately HK\$0.2 million for year ended 31 March 2015 to approximately HK\$35.7 million for the Year mainly attributable to the aggregate effect of the increase in net profit on investment in listed securities from approximately HK\$9.3 million for the year ended 31 March 2015 to approximately HK\$27.2 million for the Year, the increase in profit on disposal of unlisted investments from approximately HK\$10.5 million to approximately HK\$23.9 million* for the Year and the decrease in administrative expenses from approximately HK\$24.8 million for the year ended 31 March 2015 to approximately HK\$12.8 million for the Year.

* Included in the amount of HK\$23.9 million was profit via disposal of subsidiaries holding unlisted investments of approximately HK\$18.0 million.

Investment Review

As at 31 March 2016, the Group's major investments were as follows:

| Investments | Description |
|--|---|
| Listed equities | HK\$524.3 million of a portfolio of listed shares in twenty five companies |
| Direct investment in unlisted equities | HK\$105.8 million in two direct investments in unlisted equities securities |
| Total | HK\$630.1 million |

The investment portfolio as at 31 March 2016 of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China. The investment portfolio of the Company is of approximately HK\$630.1 million. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

Price Risk

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets held for trading and available-for-sale ("AFS") financial assets. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets held for trading were higher or lower by 5% as at 31 March 2016, the Group's profit for the year would increase by approximately HK\$26.2 million (2015: HK\$1.9 million) or decrease by approximately HK\$26.2 million (2015: Changed to loss of approximately HK\$1.7 million). If the price of the respective investments held by the Group as AFS financial assets were higher or lower by 5% as at 31 March 2016 (2015: 5%), the Group's equity as at 31 March 2016 would increase or decrease by approximately HK\$5.3 million (2015: HK\$10.9 million).

Prospects

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

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

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

Dividend

The Board has resolved not to recommend a payment of final dividend.

Liquidity and Financial Resources

As at 31 March 2016, the Group had margin payables to financial institutions of approximately HK\$7.6 million (2015: Nil). The Group had bank balances and cash on hand of approximately HK\$224.8 million (2015: HK\$75.2 million), which was mainly placed in bank and other financial institutions as deposits.

Capital Structure

During the Year, the Company has adopted the following capital exercises:

- (a) On 20 January 2015, the Company proposed to effect the capital reduction of issued shares and sub-division of unissued shares which has become effective on 21 May 2015. The capital reduction of issued shares and sub-division of unissued shares involved the following:
 - (i) the paid-up capital of each of the issued shares be reduced from HK\$0.20 to HK\$0.01 per issued share by cancelling the paid-up capital to the extent of HK\$0.19 per issued share by way of a reduction of capital, so as to form new shares with par value of HK\$0.01 each;
 - (ii) the credit arising from the capital reduction be applied to offset the entire accumulated losses of the Company as at the effective date of the capital reduction with the remaining balance of such credit (if any) to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with all applicable laws and the memorandum and articles of association of the Company and as the board of directors considers appropriate; and
 - (iii) immediately following the capital reduction, each of the authorised but unissued shares with par value of HK\$0.20 each be subdivided into twenty unissued new shares with par value of HK\$0.01 each, and such new shares shall rank pari passu in all respects with each other and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

- (b) On 21 May 2015, the Company entered into a subscription agreement (the “Subscription Agreement”) to issue and allot a total of 130,000,000 shares (“Subscription Shares”) at par value of HK\$0.01 each in the Company to Wonder Time Holdings Limited (“Wonder Time”) at a price of HK\$0.275 (the “Subscription Price”) per Subscription Share (“Subscription”). These new shares rank pari passu in all respect with the then existing shares. This transaction has been completed on 2 June 2015.

As at the date of the Subscription Agreement, the entire issued share capital of Wonder Time was beneficially owned by Lerado Group (Holdings) Company Limited (“Lerado”, now known as Lerado Financial Group Company Limited), a company listed on main board of the Stock Exchange. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Wonder Time is a professional investor (as defined in the SFO as extended by the Professional Investor Rules). The Group is interested in 76,000,000 shares of Lerado, representing approximately 8.59% of its issued share capital, as at the date of the Subscription Agreement. Save as disclosed above, each of Wonder Time and its ultimate beneficial owner is not a connected person of the Company.

The Subscription proceeds were intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company. The aggregate gross proceeds of the Subscription was approximately HK\$35.75 million and the aggregate net proceeds of the Subscription, after deduction of expenses, were approximately HK\$35.55 million, representing a net issue price of approximately HK\$0.273 per Subscription Share.

The Subscription Price of HK\$0.275 per Subscription Share represented:

- (i) a discount of approximately 14.1% to the closing price of HK\$0.320 per share of the Company as quoted on the Stock Exchange on 21 May 2015, being the date of the Subscription Agreement;
- (ii) a discount of approximately 1.8% to the average of the closing price of HK\$0.280 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 4.8% to the average closing price of HK\$0.289 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are securities trading and investment holding. The Board considered that the Subscription represents a good opportunity for the Company to raise additional funds and to widen the Company's shareholder base, and the terms of the Subscription Agreement were on normal commercial terms. Accordingly, the Directors considered that the terms of the Subscription Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds of approximately HK\$35.55 million were fully invested in listed equities.

- (c) During the Year, the Company has adopted (i) share consolidation for every five (5) shares of par value of HK\$0.01 each into one (1) consolidated shares of par value of HK\$0.05 each, and (ii) open offer to issue eight (8) offer shares for every one (1) consolidated share. The above share consolidation and open offer were completed on 14 December 2015 and 20 January 2016 respectively. As a result, the Company issued share capital changed from 1,045,370,000 shares of par value of HK\$0.01 each as at 13 December 2015 to 1,881,666,000 shares of HK\$0.05 each as at 20 January 2016, and there was no further change in the Company's share capital since then. Approximately HK\$418.1 million (before expenses) was raised by the open offer.

Gearing Ratio

The gearing ratio (defined as total interest-bearing liabilities/total equity) was 0.8% (2015: Nil).

Employees

During the year ended 31 March 2016, the Group had retained fourteen employees (2015: eleven employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK\$3.3 million (2015: approximately HK\$4.9 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2016, the Group has pledged listed securities of approximately HK\$48.1 million (2015: Nil) to secure the margin payables of approximately HK\$7.6 million (2015: Nil). The Group did not have significant contingent liabilities as at 31 March 2016 and 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the board of directors confirms that the Group has complied with the public float requirement of the Listing Rules for the year ended 31 March 2016.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2016, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Code") throughout the year ended 31 March 2016, with deviations from Provisions A.2.1, A.4.1 and A.6.7 of the Code.

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

Pursuant to Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive Directors of the Company were appointed for a specific term. Since all the Directors of the Company are subject to retirement by rotation according to the provisions under article 88 of the Articles of Association of the Company, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

In addition, pursuant to Provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings. Certain independent non-executive Directors and non-executive Directors could not attend all general meetings held in the year ended 31 March 2016 due to other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of the Group. Having made specific enquiry of all Directors, the Group confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the consolidated results of the Group for the year ended 31 March 2016, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, financial reporting, the adequacy of resources, qualification and experience of staff. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditors, Elite Partners CPA Limited ("the Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.chnif.com>) under the section of "Annual Report and Announcements". The 2015/16 annual report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 June 2016

As at the date of this announcement, the Board comprises Mr. CHAN Cheong Yee as executive Director; Mr. LIAO Jintian, Ms. LEE Kar Ying and Mr. WU Qi as non-executive Directors; and Mr. TSANG Hin Man Terence, Mr. LUK Simon, Ms. LIU Xiaoyin and Mr. HON Leung as independent non-executive Directors.

The English text of this announcement shall prevail over its Chinese text in case of inconsistency.