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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 2013

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 2013.

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2013*

|  | <i>Note</i> | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i><br>(Restated) |
|--|-------------|--------------------------------|---------------------------------------|
| Gross proceeds from disposal of securities   |             | <b>278,943</b>                 | 239,268                               |
| <b>Revenue</b>   | 3(a)        | <b>7,610</b>                   | 5,411                                 |
| Net realised gain on disposal of financial assets at fair value through profit or loss |             | <b>1,086</b>                   | 1,513                                 |
| Net realised gain on disposal of available-for-sale financial assets                   |             | <b>6,039</b>                   | –                                     |
| Net unrealised loss on financial assets at fair value through profit or loss           |             | <b>(1,408)</b>                 | (1,048)                               |
| Net unrealised (loss)/gain on derivative financial instrument                          |             | <b>(4,898)</b>                 | 639                                   |
| Other income   | 3(b)        | <b>664</b>                     | 20,309                                |
| Administrative expenses  |             | <b>(23,688)</b>                | (26,214)                              |
| <b>(Loss)/Profit from operations</b>   | 5           | <b>(14,595)</b>                | 610                                   |
| Finance costs  |             | <b>–</b>                       | –                                     |
| <b>(Loss)/Profit before tax</b>  |             | <b>(14,595)</b>                | 610                                   |
| Income tax expense   | 6           | <b>(169)</b>                   | (250)                                 |
| <b>(Loss)/Profit for the year</b>  |             | <b>(14,764)</b>                | 360                                   |
| <b>(Loss)/Profit attributable to shareholders of the Company</b>                       |             | <b>(14,764)</b>                | 360                                   |
| – Dividend   | 7           | <b>–</b>                       | –                                     |
| <b>(Loss)/Earnings per share</b>   |             |                                |                                       |
| – Basic, HK cents  | 8           | <b>(2.54)</b>                  | 0.07                                  |
| – Diluted, HK cents  | 8           | <b>(2.54)</b>                  | 0.07                                  |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

|  | <b>2013</b><br><b>HK\$'000</b> | 2012<br>HK\$'000<br>(Restated) |
|--|--------------------------------|--------------------------------|
| <b>(Loss)/Profit for the year</b>  | <u><b>(14,764)</b></u>         | <u>360</u>                     |
| <b>Other comprehensive income:</b>   |                                |                                |
| Exchange loss on translating available-for-sale financial assets                               | –                              | (241)                          |
| Release of exchange reserve upon disposal of available-for-sale financial assets               | <b>241</b>                     | –                              |
| Exchange gain/(loss) on translation of foreign operations                                      | <b>882</b>                     | (270)                          |
|  | <b>1,123</b>                   | (511)                          |
| Net gain/(loss) arising on revaluation of available-for-sale financial assets                  | <b>9,850</b>                   | (5,606)                        |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets | <b>5,697</b>                   | –                              |
|  | <u><b>15,547</b></u>           | <u>(5,606)</u>                 |
| <b>Other comprehensive income/(expense) for the year, net of tax</b>                           | <u><b>16,670</b></u>           | <u>(6,117)</u>                 |
| <b>Total comprehensive income/(expense) for the year</b>                                       | <u><b>1,906</b></u>            | <u>(5,757)</u>                 |
| <b>Total comprehensive income/(expense) attributable to shareholders of the Company</b>        | <u><b>1,906</b></u>            | <u>(5,757)</u>                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

|   |             | <b>31 March<br/>2013</b> | 31 March<br>2012 | 1 April<br>2011 |
|---|-------------|--------------------------|------------------|-----------------|
|   | <i>Note</i> | <b>HK\$'000</b>          | HK\$'000         | HK\$'000        |
|   |             |                          | (Restated)       | (Restated)      |
| <b>Non-current assets</b>                                     |             |                          |                  |                 |
| Property, plant and equipment                                 |             | <b>32,588</b>            | 31,261           | 652             |
| Available-for-sale financial assets                           | 9           | <b>277,473</b>           | 442,445          | –               |
|   |             | <b>310,061</b>           | 473,706          | 652             |
| <b>Current assets</b>   |             |                          |                  |                 |
| Derivative financial instruments                              | 10          | <b>34,943</b>            | 25,362           | –               |
| Financial assets at fair value<br>through profit or loss      | 11          | <b>13,461</b>            | 5,790            | 6,830           |
| Prepayments, deposits<br>and other receivables                | 12          | <b>95,358</b>            | 3,587            | 44              |
| Cash and cash equivalents                                     |             | <b>93,282</b>            | 37,662           | 4,684           |
|   |             | <b>237,044</b>           | 72,401           | 11,558          |
| <b>Current liabilities</b>                                    |             |                          |                  |                 |
| Accruals  |             | <b>588</b>               | 1,665            | 160             |
| Current tax liabilities                                       |             | <b>419</b>               | 250              | –               |
|   |             | <b>1,007</b>             | 1,915            | 160             |
| <b>Net current assets</b>                                     |             | <b>236,037</b>           | 70,486           | 11,398          |
| <b>Non-current liability</b>                                  |             |                          |                  |                 |
| Amount due to a shareholder                                   |             | –                        | –                | 16,000          |
|   |             | –                        | –                | 16,000          |
| <b>Net assets/(liabilities)</b>                               |             | <b>546,098</b>           | 544,192          | (3,950)         |
| <b>Capital and reserves</b>                                   |             |                          |                  |                 |
| Share capital   |             | <b>116,316</b>           | 116,316          | 17,956          |
| Reserves  |             | <b>429,782</b>           | 427,876          | (21,906)        |
| <b>Total equity/(Capital deficiency)</b>                      |             | <b>546,098</b>           | 544,192          | (3,950)         |
| <b>Net assets/(liabilities) value<br/>per share (in HK\$)</b> | 13          | <b>0.94</b>              | 0.94             | (0.04)          |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2013*

|   | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Available-<br>for-sale<br>investment<br>revaluation<br>reserve<br><i>HK\$'000</i> | Exchange<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|---|--|--|--------------------------|
| At 1 April 2011 (restated)                      | 17,956                              | 30,647                              | –   | –                                      | (52,553)                                 | (3,950)                  |
| Issue of shares under placement<br>of share     | 75,752                              | 359,822                             | –   | –                                      | –  | 435,574                  |
| Issue of shares under subscription<br>of share  | 22,608                              | 107,388                             | –   | –                                      | –  | 129,996                  |
| Share issue expenses                            | –                                   | (11,671)                            | –   | –                                      | –  | (11,671)                 |
| Total comprehensive expenses<br>for the year    | –                                   | –                                   | (5,606)   | (511)                                  | 360                                      | (5,757)                  |
| At 31 March 2012<br>and 1 April 2012 (restated) | 116,316                             | 486,186                             | (5,606)   | (511)                                  | (52,193)                                 | 544,192                  |
| Total comprehensive income<br>for the year      | –                                   | –                                   | 15,547  | 1,123                                  | (14,764)                                 | 1,906                    |
| At 31 March 2013                                | <u>116,316</u>                      | <u>486,186</u>                      | <u>9,941</u>  | <u>612</u>                             | <u>(66,957)</u>                          | <u>546,098</u>           |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2013*

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is located at Units 03 & 05, 32/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

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

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

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

#### **Application of new and revised standards and interpretations**

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2012.

|                      |  |
|----------------------|--|
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets                |
| HKAS 12 (Amendments) | Income Taxes – Deferred Tax: Recovery of Underlying Assets |

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial assets is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The new and revised HKFRSs have no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

## **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 1 (Amendments)                               | Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans <sup>2</sup>           |
| HKFRS 7 (Amendments)                               | Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>  |
| HKFRS 9  | Financial Instruments <sup>4</sup>   |
| HKFRS 10   | Consolidated Financial Statements <sup>2</sup>   |
| HKFRS 11   | Joint Arrangements <sup>2</sup>  |
| HKFRS 12   | Disclosure of Interests in Other Entities <sup>2</sup>   |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)       | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance <sup>2</sup>   |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities <sup>3</sup>   |
| HKFRS 13   | Fair Value Measurement <sup>2</sup>  |
| HKAS 1 (Amendments)                                | Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>1</sup>   |
| HKAS 19 (2011)                                     | Employee Benefits <sup>2</sup>   |
| HKAS 27 (2011)                                     | Separate Financial Statements <sup>2</sup>   |
| HKAS 28 (2011)                                     | Investments in Associates and Joint Ventures <sup>2</sup>  |
| HKAS 32 (Amendments)                               | Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup> |
| HK(IFRIC)-Int 20                                   | Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>   |
| Annual Improvements 2009-2011 Cycle                | Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>  |

<sup>1</sup> effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> effective for annual periods beginning on or after 1 January 2015

### 3. REVENUE AND OTHER INCOME

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

|  | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| (a) Revenue:   |                                |                         |
| Dividend income from financial assets at fair value through profit or loss | <b>199</b>                     | 180                     |
| Interest income from debt securities                                       | <b>7,359</b>                   | 4,400                   |
| Interest income from brokers' accounts                                     | <b>10</b>                      | 11                      |
| Interest income from bank accounts   | <b>42</b>                      | 820                     |
|  | <b>7,610</b>                   | 5,411                   |
| (b) Other income:  |                                |                         |
| Net foreign exchange gain  | <b>656</b>                     | 4,300                   |
| Waive of shareholder's current account                                     | –                              | 16,000                  |
| Sundry income  | <b>8</b>                       | 9                       |
|  | <b>664</b>                     | 20,309                  |
|  | <b>8,274</b>                   | 25,720                  |

### 4. SEGMENT INFORMATION

For the year ended 31 March 2013 and 2012, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

#### Geographical information

The Group's revenue analysed by geographical location and information about its non-current assets (excluding available-for-sale investments) by geographical location are detailed below:

|                               | <b>Revenue</b>  |                 | <b>Non-current assets</b> |                 |
|-------------------------------|-----------------|-----------------|---------------------------|-----------------|
|                               | <b>2013</b>     | 2012            | <b>2013</b>               | 2012            |
|                               | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>           | <i>HK\$'000</i> |
| Hong Kong                     | <b>7,610</b>    | 5,411           | <b>302</b>                | 26              |
| PRC (not including Hong Kong) | –               | –               | <b>32,286</b>             | 31,235          |
|                               | <b>7,610</b>    | 5,411           | <b>32,588</b>             | 31,261          |

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. (LOSS)/PROFIT FROM OPERATIONS**

|   | <b>2013</b>            | 2012            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| (Loss)/Profit from operations has been arrived at after charging: |                        |                 |
| Directors' remunerations  |                        |                 |
| – Fees  | <b>870</b>             | 520             |
| – Other remunerations   | –                      | 3,852           |
|   | <hr/>                  | <hr/>           |
| Total directors' remunerations                                    | <b>870</b>             | 4,372           |
|   | <hr/>                  | <hr/>           |
| Staff costs   |                        |                 |
| – Salaries  | <b>4,606</b>           | 5,688           |
| – Provident fund contributions                                    | <b>79</b>              | 78              |
|   | <hr/>                  | <hr/>           |
| Total staff costs (excluding directors' remunerations)            | <b>4,685</b>           | 5,766           |
|   | <hr/>                  | <hr/>           |
| Auditors' remuneration  | <b>290</b>             | 743             |
| Depreciation  | <b>1,969</b>           | 1,688           |
| Investment manager fee  | <b>2,387</b>           | 2,500           |
| Operating lease payments<br>in respect of office premise          | <b>5,727</b>           | 4,490           |
|   | <hr/>                  | <hr/>           |

**6. INCOME TAX EXPENSE**

|                                | <b>2013</b>            | 2012            |
|--------------------------------|------------------------|-----------------|
|                                | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Provision for the year, HK tax | <b>169</b>             | 250             |
|                                | <hr/> <hr/>            | <hr/> <hr/>     |

Hong Kong Profits Tax is calculated at 16.5% of the estimated profits for both years while PRC subsidiary is subject to PRC Corporate Income Tax at 25% (2012: 25%).

Deferred tax assets are not recognised for tax losses carry forward due to the uncertainty of realisation of related tax benefit through future taxable profits.



## 7. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 March 2013 and 2012.

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of the Company of approximately HK\$14,764,000 (2012: profit of approximately HK\$360,000, restated) and the weighted average number of 581,580,000 (2012: 518,425,356) ordinary shares in issue during the year.

There were no potential dilutive shares for both years, therefore the basic and diluted loss/earnings per share is the same.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### The Group

Available-for-sale financial assets comprise:

|   | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Unlisted equity securities ( <i>note 1</i> )  | 99,800                  | 251,479                               |
| Less: fair value adjustment   | 2,243                   | (320)                                 |
|   | <u>102,043</u>          | <u>251,159</u>                        |
| Listed debt securities ( <i>note 2</i> )  | 26,934                  | 99,537                                |
| Less: fair value adjustment   | (1,658)                 | (5,660)                               |
|   | <u>25,276</u>           | <u>93,877</u>                         |
| Unlisted convertible debt securities<br>(excluding fair value of embedded derivative) ( <i>note 3</i> ) | 140,798                 | 97,277                                |
| Less: fair value adjustment   | 9,356                   | 132                                   |
|   | <u>150,154</u>          | <u>97,409</u>                         |
| Total   | <u><u>277,473</u></u>   | <u><u>442,445</u></u>                 |

The unlisted equity securities and unlisted convertible debt securities are measured at fair value and are classified as Level 3 fair value measurement. Fair value is estimated using discounted cash flow method (the “DCF”) and binomial option pricing model respectively. Details of which the model’s parameters adopted were shown in corresponding note to each category of available-for-sale financial assets.

For unlisted equity instruments, there is no objective evidence of impairment as a significant or prolonged decline in fair value of the security below their costs.

For debt instruments, there is 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:*

### Unlisted equity securities

| Name of investee companies                                      | Place of incorporation/ establishment | Percentage of effective interest held |        | At cost       |                | Fair value adjustment |              | At fair value  |                | Net assets attributable to the investments |          |
|---|---------------------------------------|---------------------------------------|--------|---------------|----------------|-----------------------|--------------|----------------|----------------|--|----------|
|   |                                       |                                       |        | 2013          | 2012           | 2013                  | 2012         | 2013           | 2012           | 2013                                       | 2012     |
|   |                                       |                                       |        | HK\$'000      | HK\$'000       | HK\$'000              | HK\$'000     | HK\$'000       | HK\$'000       | HK\$'000                                   | HK\$'000 |
| China Clean Sky Resource International Holding Limited (note a) | Hong Kong                             | -                                     | 30.00% | -             | 70,000         | -                     | -            | -              | 70,000         | -  | 82,681   |
| Ka Hang Development Limited (note b)                            | Hong Kong                             | -                                     | 21.66% | -             | 101,400        | -                     | -            | -              | 101,400        | -  | 101,173  |
| Forest Investment Company Limited (note c)                      | Hong Kong                             | 29.00%                                | -      | 34,800        | -              | 2,552                 | -            | 37,352         | -              | 42,789                                     | -        |
| Plexson Limited (note d)  | Hong Kong                             | 15.00%                                | -      | 45,000        | -              | (433)                 | -            | 44,567         | -              | 44,325                                     | -        |
| Profit Win Fund Limited (note e)                                | Bermuda                               | 0%                                    | 0%     | 20,000        | 20,000         | 124                   | (42)         | 20,124         | 19,958         | 20,124                                     | -        |
| Enterprise Emerging Market Fund (note f)                        | Curacao                               | -                                     | 0.13%  | -             | 30,078         | -                     | (178)        | -              | 29,900         | -  | 8,769    |
| Cisenique Investment Fund (note g)                              | Curacao                               | -                                     | 3.6%   | -             | 30,001         | -                     | (100)        | -              | 29,901         | -  | 30,066   |
|   |                                       |                                       |        | <u>99,800</u> | <u>251,479</u> | <u>2,243</u>          | <u>(320)</u> | <u>102,043</u> | <u>251,159</u> |  |          |

*Note:*

No dividend for the above companies was received during the year (2012: HK\$nil) and dividend cover for the above companies were not applicable.

Note 2:

**Listed debt securities**

| Name of investee companies                                 | Place of incorporation/ establishment | At cost       |               | Fair value adjustment |                | At fair value |               |
|--|---------------------------------------|---------------|---------------|-----------------------|----------------|---------------|---------------|
|  |                                       | 2013          | 2012          | 2013                  | 2012           | 2013          | 2012          |
|  |                                       | HK\$'000      | HK\$'000      | HK\$'000              | HK\$'000       | HK\$'000      | HK\$'000      |
| Galaxy Entertainment Group Limited (note h)                | Hong Kong                             | -             | 20,110        | -                     | (145)          | -             | 19,965        |
| Evergrande Real Estate Group Limited (note i)              | Cayman Islands                        | -             | 21,935        | -                     | (912)          | -             | 21,023        |
| China SCE Property Holdings Limited (note j)               | Cayman Islands                        | -             | 9,882         | -                     | (1,098)        | -             | 8,784         |
| BYD Company Limited (note k)                               | PRC                                   | -             | 19,995        | -                     | (1,282)        | -             | 18,713        |
| Road King Infrastructure Limited (note l)                  | Bermuda                               | -             | 27,615        | -                     | (2,223)        | -             | 25,392        |
| Hidili Industry International Development Limited (note m) | Cayman Islands                        | <b>18,720</b> | -             | <b>(1,556)</b>        | -              | <b>17,164</b> | -             |
| Winsway Coking Coal Holdings Limited (note n)              | British Virgin Islands                | <b>8,214</b>  | -             | <b>(102)</b>          | -              | <b>8,112</b>  | -             |
|  |                                       | <b>26,934</b> | <b>99,537</b> | <b>(1,658)</b>        | <b>(5,660)</b> | <b>25,276</b> | <b>93,877</b> |

Note 3:

### Unlisted convertible debt securities

| Name of investee companies               | Place of incorporation | At cost        |               | Fair value adjustment |            | At fair value  |               |
|--|------------------------|----------------|---------------|-----------------------|------------|----------------|---------------|
|  |                        | 2013           | 2012          | 2013                  | 2012       | 2013           | 2012          |
|  |                        | HK\$'000       | HK\$'000      | HK\$'000              | HK\$'000   | HK\$'000       | HK\$'000      |
|  |                        |                | (Restated)    |                       | (Restated) |                | (Restated)    |
| Double Sky Holdings Limited<br>(note o)  | Hong Kong              | 55,277         | 55,277        | 5,851                 | 132        | 61,128         | 55,409        |
| Mountain Investment Limited<br>(note p)  | Cayman Islands         | -              | 42,000        | -                     | -          | -              | 42,000        |
| IGO Seating Limited (note q)             | Hong Kong              | 38,097         | -             | 1,275                 | -          | 39,372         | -             |
| Yuet Join Industrial Limited<br>(note r) | Hong Kong              | 47,424         | -             | 2,230                 | -          | 49,654         | -             |
|  |                        | <u>140,798</u> | <u>97,277</u> | <u>9,356</u>          | <u>132</u> | <u>150,154</u> | <u>97,409</u> |

Note:

- (a) During the year ended 31 March 2013, the Group entered into a sale and purchase agreement with a third party for the disposal of China Clean Sky Resource International Holding Limited (“CCSR”), through the sale of entire equity interest in a subsidiary, at a cash consideration of HK\$70,000,000. The consideration has been fully received during the reporting period.

CCSR, a private company with limited liability, was acquired during the year ended 31 March 2012 for a consideration of HK\$70,000,000, which represented 30% equity interest of CCSR. CCSR is principally engaged in trading of timber in Republic of Mozambique and the People’s Republic of China (“PRC”). In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of CCSR. Accordingly, CCSR has been accounted for as an available-for-sale financial asset. Since the market for these financial assets are not active, the Group establishes the value by references provided by the independent professional valuer.

- (b) During the year ended 31 March 2013, the Group entered into a legally binding agreement with Ka Hang Development Limited (“KHDL”) for the redemption of the entire equity interest in KHDL at a cash consideration of USD13,000,000 (approximately HK\$101,400,000). As at 31 March 2013, USD1,300,000 (approximately HK\$10,140,000) was received and the remaining was classified as other receivables as presented in corresponding note to these consolidated financial statements. And as at the date of this report, the Group was received a total cash consideration of USD5,200,000 (approximately HK\$40,560,000).

KHDL, a private company with limited liability, was acquired during the year ended 31 March 2012 at a consideration of USD13,000,000 (approximately HK\$101,400,000), which represented 21.66% equity interest in KHDL. KHDL is principally engaged in manufacturing and trading of aluminum. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of KHDL. Accordingly, KHDL has been accounted for as an available-for-sale financial asset. Since the market for these financial assets are not active, the Group establishes the value by references provided by the independent professional valuer.

- (c) During the year ended 31 March 2013, the Group acquired 29% equity interest in Forest Investment Company Limited (“FICL”) at a consideration of HK\$34,800,000. FICL, a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of FICL. Accordingly, FICL has been accounted for as an available-for-sale financial asset.

As at 31 March 2013, a fair value of approximately HK\$37,352,000 was derived by the independent professional valuer using a Discount Cash Flow Method (the “DCF”). In determining the fair value, a risk adjusted discount rate of 13.33% was being used.

- (d) During the year ended 31 March 2013, the Group acquired 15% equity interest in Plexson Limited (“PL”) at a consideration of HK\$45,000,000. PL, a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of PL. Accordingly, PL has been accounted for as an available-for-sale financial asset.

As at 31 March 2013, a fair value of approximately HK\$44,567,000 was derived by the independent professional valuer using DCF. In determining the fair value, a risk adjusted discount rate of 13.33% was being used.

- (e) As at 31 March 2013, the Group held 25,764 non-voting, profit-sharing shares of Profit Win Fund Limited (“PWF”). PWF had an investment portfolio amounted to approximately HK\$20,124,000, which consisted of all cash and cash equivalents due to the fact that, in the opinion of the current investment manager of PWF, it should reserve cash for opportunity of investing in other suitable investment project.

During the year ended 31 March 2012, the Group entered into a subscription agreement with Profit Win Investment Management Limited to purchase 25,764 non-voting, profit-sharing shares of PWF at a consideration of USD2,567,000 (approximately HK\$20,000,000). PWF is a closed-ended fund which primary objective is to achieve superior private equity return with a strong focus on Mainland lucrative high growth sector with the manager extensive and exclusive networking and project sourcing capability. In the opinion of directors, the Group did not own voting right of these shares.

- (f) During the year ended 31 March 2013, the Group had expressed its willingness of redemption to the issuer of Enterprise Emerging Markets Fund (“EEMF”) for all 38,462 shares of Class I that the Group had owned. Upon the agreed redemption agreement, the Group has received an amount of approximately HK\$30,188,000 representing the NAV of EEMF as at the date of redemption.

During the year ended 31 March 2012, the Group entered into a subscription agreement with Enterprise Emerging Markets Fund B.V. to purchase 38,462 shares of Class I of EEMF for a consideration of USD3,846,200 (approximately HK\$30,078,000). EEMF is an investment fund, which offers a variety of investment profiles including various levels of volatility and investment diversification, while bearing no or little correlation to equity or fixed income market.

- (g) During the year ended 31 March 2013, the Group had expressed its willingness of a redemption to the issuer of Cistenique Investment Fund (“CIF”) for all 38,462 shares of Class Z thereof. Upon the agreed redemption agreement, the Group has received an amount of approximately HK\$29,993,000 representing the NAV of CIF as at the date of redemption.

During the year ended 31 March 2012, the Group entered into a subscription agreement with Cistenique Investment Fund B.V. to purchase 38,462 shares of Class Z of CIF for a consideration of USD3,846,200 (approximately HK\$30,000,000). CIF is an investment fund, which offers a variety of investment profiles including various levels of volatility and investment diversification, while bearing no or little correlation to equity or fixed income market.

- (h) As at 31 March 2012, the Group held debt securities issued by Galaxy Entertainment Group Limited, a listed company in Hong Kong which is principally engaged in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and the PRC, with fixed coupon rate 4.63% and date of maturity on 16 December 2013. The debt securities were listed in Berlin Exchange. Bond interest income of approximately HK\$847,000 was recognised during the year (2012: approximately HK\$539,000). During the year ended 31 March 2013, the debt securities were disposed of with a realised loss of approximately HK\$39,000.
- (i) As at 31 March 2012, the Group held debt securities issued by Evergrande Real Estate Group Limited, a listed company in Hong Kong which is principally engaged in the property development, property investment management, property construction, hotel and other property development related services in the PRC, with fixed coupon rate 9.25% and date of maturity on 19 January 2016. The debt securities were listed in Singapore Exchange. Bond interest income of approximately HK\$2,291,000 was recognised during the year (2012: approximately HK\$1,333,000). During the year ended 31 March 2013, the debt securities were disposed of with a realised gain of approximately HK\$3,261,000.

- (j) As at 31 March 2012, the Group held debt securities issued by China SCE Property Holdings Limited, a listed company in Hong Kong which is principally engaged in property development, property investment and property management in the PRC, with fixed coupon rate 10.5% and date of maturity on 14 January 2016. The debt securities were listed in Hong Kong Exchange. Bond interest income of approximately HK\$1,185,000 was recognised during the year (2012: approximately HK\$697,000). During the year ended 31 March 2013, the debt securities were disposed of with a realised gain of approximately HK\$1,408,000.
- (k) As at 31 March 2012, the Group held debt securities issued by BYD Company Limited, a listed company in Hong Kong which is principally engaged in the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products, with fixed coupon rate 4.5% and date of maturity on 28 April 2014. The debt securities were listed in Berlin Exchange. Bond interest income of approximately HK\$879,000 was recognised during the year (2012: approximately HK\$551,000). During the year ended 31 March 2013, the debt securities were disposed of with a realised gain of approximately HK\$601,000.
- (l) As at 31 March 2012, the Group held debt securities issued by Road King Infrastructure Limited, a listed company in Hong Kong which is principally engaged in development, operation and management of toll roads through the infrastructure joint ventures and operation of property development and investment business in the PRC, with fixed coupon rate 6% and date of maturity on 25 February 2014. The debt securities were listed in Singapore Exchange. Bond interest income of approximately HK\$1,458,000 was recognised during the year (2012: approximately HK\$1,007,000). During the year ended 31 March 2013, the debt securities were disposed of with a realised gain of approximately HK\$705,000.
- (m) As at 31 March 2013, the Group held debt securities issued by Hidili Industry International Development Limited, a listed company in Hong Kong which is principally engaged in mining and sale of coke, raw coal and clean coal, with fixed coupon rate 8.63% and date of maturity on 11 April 2015. There was no bond interest income recognised for the year (2012: HK\$nil).
- (n) As at 31 March 2013, the Group held debt securities issued by Winsway Coking Coal Holdings Limited, a listed company in Hong Kong which is principally engaged in the processing and trading of coking coal and related products, development of coal mills and production of coking coal, rendering of logistics services and investment holding in a jointly controlled entity developing coal mines, with fixed coupon rate 8.5% and date of maturity on 4 August 2016. The debt securities were listed in Singapore Exchange. There was no bond interest income recognised for the year (2012: HK\$nil).
- (o) A 5-year convertible bond issued by Double Sky Holdings Limited (“DSHL”), a private company with limited liability which business is principally engaged in food processing and related business in the PRC, was acquired at a face value of HK\$80,000,000 during the year ended 31 March 2012. The convertible bond carries fixed interest rate at 0.5% per annum, paid semi-annually, and 10% on the earnings before interest and tax of DSHL, according to the audited consolidated financial statements of DSHL for the corresponding year ended 31 March, paid semi-annually, with date of maturity on 11 December 2016 and is guaranteed by a sole shareholder of DSHL. The Group has the right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond, plus an amount equal

to 10% of the outstanding principal amount. The Group shall have the right to convert the whole or part of the principal amount of the convertible bond into shares at any time and from time to time before the maturity date. If the Group holds over 30% of shareholding of DSHL after the execution in conversion process, the voting right of these shareholding will be limited to 30%. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of DSHL.

At initial recognition, the amounts of the consideration of HK\$80,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$55,277,000 and HK\$24,723,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

As at 31 March 2013, a fair value of approximately HK\$61,128,000 (2012: approximately HK\$55,409,000) was derived by the independent professional valuer using a Binomial Option Pricing Model. In determining the fair value, a risk free rate of 0.334% (2012: 0.513%), a credit spread of 11.075% (2012: 11.057%) and expected volatility of 22.927% (2012: 32.670%) were incorporated into the model.

Bond interest income of approximately HK\$400,000 was recognised during the year (2012: approximately HK\$133,333).

- (p) A 5-year convertible bond issued by Mountain Investment Limited (“MIL”), a private company with limited liability which is principally engaged in flame retardant and decorative materials business in the PRC, was acquired at a face value of HK\$42,000,000 during the year ended 31 March 2012. The convertible bond carries fixed interest rate at 1% per annum, paid semi-annually, and 8% of the earnings before interest and tax of MIL, according to the consolidated audited financial statement of MIL for the corresponding year ended 31 March, paid semi-annually, with date of maturity on 11 December 2016. The Group has a right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond, plus an amount equal to 8% of the outstanding principal amount. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. If the Group holds over 30% of shareholding of MIL after the execution in conversion process, the voting right of these shareholding will be limited to 30%. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of MIL.

During the year ended 31 March 2013, the Group had disposed of a convertible bond issued by MIL through the sale of the entire equity interest in a subsidiary, for a consideration of approximately HK\$42,160,000. The consideration has been fully received during the reporting period.

There was no bond interest income recognised during the year (2012: approximately HK\$140,000).



- (q) A 5-years convertible bond issued by IGO Seating Limited (“IGO”), a private company with limited liability which business is principally engaged in furniture related doings, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries fixed interest rate at 0.8% per annum, paid annually, with date of maturity on 2 July 2017 and is guaranteed by the beneficial owners of IGO. The Group has a right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond, plus an amount equal to 20% of the outstanding principal amount. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. If the Group holds over 30% of shareholding of IGO after the execution in conversion process, the voting right of these shareholding will be limited to 30%. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of IGO.

At initial recognition, the amount of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$38,097,000 and HK\$11,903,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

As at 31 March 2013, a fair value of the debt component of approximately HK\$39,372,000 was derived by the independent professional valuer using a Binomial Option Pricing Model. In determining the fair value, a risk free rate of 0.413%, a credit spread of 11.057% and expected volatility of 48.163% were being used.

Bond interest income of approximately HK\$300,000 was recognised during the year.

- (r) A 3-year (extensible for 2 years) convertible bond issued by Yuet Join Industrial Limited (“YJIL”), a private company with limited liability which business is principally engaged in manufacturing of electronic generator and related business, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries fixed interest rate at 5% per annum, paid semi-annually, with date of maturity on 10 March 2016 (extensible to 10 March 2018) and is guaranteed by the shareholders of YJIL. The Group has a right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. The Group holds over 29.79% of shareholding of YJIL after the execution in conversion process, the voting right of these shareholding will be limited to 29.79%. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of YJIL.

At initial recognition, the amount of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$47,424,000 and HK\$2,576,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

As at 31 March 2013, a fair value of the debt component of approximately HK\$49,654,000 was derived by the independent professional valuer using a Binomial Option Pricing Model. In determining the fair value, a risk free rate of 0.331%, a credit spread of 4.99% and expected volatility of 29.45% were being used.

There was no bond interest income recognised during the year.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

### *The Group*

|   | <b>2013</b>     | 2012       |
|---|-----------------|------------|
|   | <b>HK\$'000</b> | HK\$'000   |
|   |                 | (Restated) |
| Embedded derivatives in convertible bonds | <b>34,943</b>   | 25,362     |

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.

Binomial option pricing model was used for valuation of the conversion options embedded in the three convertible bonds. The inputs into the binomial option pricing models of the convertible bonds as at 31 March 2013 were as follows:

|                            | <b>Double Sky</b>      |             | <b>IGO</b>             |             | <b>Yuet Join</b>          |             |
|----------------------------|------------------------|-------------|------------------------|-------------|---------------------------|-------------|
|                            | <b>Holding Limited</b> |             | <b>Seating Limited</b> |             | <b>Industrial Limited</b> |             |
|                            | <b>2013</b>            | <b>2012</b> | <b>2013</b>            | <b>2012</b> | <b>2013</b>               | <b>2012</b> |
|                            |                        | (Restated)  |                        | (Restated)  |                           | (Restated)  |
| Exercise price (in HK'000) | 80,000                 | 80,000      | 50,000                 | –           | 50,000                    | –           |
| Risk free rate (per annum) | 0.334%                 | 0.513%      | 0.413%                 | –           | 0.331%                    | –           |
| Credit spread (per annum)  | 11.057%                | 11.057%     | 11.057%                | –           | 4.990%                    | –           |
| Volatility                 | 22.927%                | 32.670%     | 48.163%                | –           | 29.45%                    | –           |
| Time to maturity           | 3.7 years              | 4.7 years   | 4.258 years            | –           | 3 years                   | –           |

Volatility of the value of conversion shares was determined based on the historical volatilities of the share prices of companies that are considered comparable to the issuers of the convertible bonds.

Net unrealised loss on derivative financial instruments of approximately HK\$4,898,000 (2012: gain of approximately HK\$639,000) had been recognised in profit or loss during the year.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

*The Group*

|  | <b>2013</b>     | 2012     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Financial assets at fair value through profit or loss: |                 |          |
| Listed securities in Hong Kong, at market value        | <b>13,461</b>   | 5,790    |

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

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|  | <b>The Group</b> |          | <b>The Company</b> |          |
|--|------------------|----------|--------------------|----------|
|  | <b>2013</b>      | 2012     | <b>2013</b>        | 2012     |
|  | <b>HK\$'000</b>  | HK\$'000 | <b>HK\$'000</b>    | HK\$'000 |
| Interest receivable from debt securities | <b>1,522</b>     | 1,807    | –                  | –        |
| Other receivables                        | <b>91,400</b>    | –        | –                  | –        |
| Deposits paid                            | <b>2,259</b>     | 1,780    | <b>2,258</b>       | 1,780    |
|  | <hr/>            | <hr/>    | <hr/>              | <hr/>    |
| Financial assets                         | <b>95,181</b>    | 3,587    | <b>2,258</b>       | 1,780    |
| Prepayments                              | <b>177</b>       | –        | <b>177</b>         | –        |
|  | <hr/>            | <hr/>    | <hr/>              | <hr/>    |
|  | <b>95,358</b>    | 3,587    | <b>2,435</b>       | 1,780    |

Other receivables represent the consideration receivable arising from the disposal of an available-for-sale financial asset, 21.66% equity interest of Ka Hang Development Limited. This was secured by a forestry ownership certificate owned by an independent third party, of which the forest is located at Mashi Village, Shixing Country, PRC, covering an area of approximately 3,506 acres of land, and personally guaranteed by three other independent third parties. As at the date of this report, an additional amount of USD3,900,000 (approximately HK\$30,420,000) was received from Ka Hang Development Limited.

## 13. NET ASSETS 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\$546,098,000 (2012: approximately HK\$544,192,000, restated) by the number of shares in issue at 31 March 2013, being 581,580,000 (2012: 581,580,000).

#### 14. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2013 and 2012, the Group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

|  | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Investment manager's fee paid to:                          |                                |                         |
| Success Talent Investments Limited ( <i>note a</i> )       | <b>2,000</b>                   | 2,500                   |
| China Everbright Securities (HK) Limited ( <i>note b</i> ) | <b>387</b>                     | –                       |
|  | <hr/> <b>2,387</b> <hr/>       | <hr/> 2,500 <hr/>       |
| Broker fee paid to:  |                                |                         |
| China Everbright Securities (HK) Limited                   | <b>570</b>                     | –                       |
|  | <hr/> <b>570</b> <hr/>         | <hr/> – <hr/>           |

*Note:*

- (a) The Company entered into an investment management agreement (“Previous Agreement”) with Success Talent Investments Limited from 18 January 2011 to 31 May 2011 and renewed the Previous Agreement on 27 May 2011 for a period from 1 June 2011 to 31 March 2014 with effect from 1 June 2011. Success Talent Investments Limited was entitled to receive an investment management fee on a monthly basis at HK\$250,000. On 28 September 2012, the Company sent a written confirmation notice to Success Talent to terminate the Previous Agreement with effect from 30 November 2012.
- (b) The Company has entered into an investment management agreement (“Existing 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.

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

Remuneration for key management personnel, including amounts paid to the Company's Directors and certain of the highest paid employees is as follows:

|  | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Directors' fee                           | <b>870</b>                     | 520                     |
| Salaries, allowance and benefits in kind | –                              | 3,852                   |
|  | <hr/> <b>870</b> <hr/>         | <hr/> 4,372 <hr/>       |

## 15. PRIOR YEAR ADJUSTMENT

In December 2011, the Group entered into a contract to subscribe a 5-year convertible bond issued by Double Sky Holdings Limited, a company incorporated in Hong Kong, at a consideration of HK\$80,000,000. Pursuant to the contractual terms, the Group may, at any time from the date of contract commencement to the maturity date on 11 December 2016, convert its right in holding such convertible bond to the issuer's ordinary shares.

The convertible bond consists of two components which are the bond component ("host contract") and the call option. The Group had previously recognised and classified such convertible bond as a whole, as an available-for-sale financial asset but not separately accounted for the embedded derivative from the host contract under the conditions in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement". By virtue of the standard, the call option embedded into the convertible bond should have been accounted for as an embedded derivative while the host contract should have been accounted for as an available-for-sale financial asset. As a result of the above mentioned consequence, comparative figures have been restated and summarised below.

### For the year ended 31 March 2012

#### (i) Consolidated Statement of Comprehensive Income

|  | <i>Notes</i> | <b>For the year<br/>ended 31<br/>March 2012<br/>HK\$'000</b> |
|--|--------------|--|
| Loss for the year, as previously reported  |              | (279)  |
| Gain recognised as a result of<br>increase in fair value of embedded derivatives | b            | <u>639</u>   |
| Profit for the year, as restated   |              | <u>360</u>   |
| Loss per share, HK cents, as previously reported                                 |              | <u>0.05</u>  |
| Earnings per share, HK cents, as restated  |              | <u>0.07</u>  |
| <b>Other comprehensive income/(expense)</b>                                      |              |  |
| Other comprehensive income/(expense) for the year,<br>as previously reported     |              | (6,249)  |
| Gain arising from revaluation of available-for-sale financial assets             | a            | <u>132</u>   |
| Other comprehensive income/(expense) for the year, as restated                   |              | <u>(6,117)</u>   |

**(ii) Consolidated Statement of Financial Position**

As at 31 March 2012

|   | As<br>previously<br>reported<br>HK\$'000 | Adjustments |              | Notes | As<br>restated<br>HK\$'000 |
|---|--|-------------|--------------|-------|----------------------------|
|   |  | HK\$'000    | HK\$'000     |       |                            |
| Assets and liabilities                              |  |             |              |       |                            |
| – Available-for-sale financial assets               | 467,036                                  | (24,723)    | 132          | a     | 442,445                    |
| – Embedded derivatives                              | –  | 24,723      | 639          | b     | 25,362                     |
|   | <u>467,036</u>                           | <u>–</u>    | <u>771</u>   |       | <u>467,807</u>             |
| Total effect on assets and liabilities              | <u>467,036</u>                           | <u>–</u>    | <u>771</u>   |       | <u>467,807</u>             |
| Equity  |  |             |              |       |                            |
| – Available-for-sale investment revaluation reserve | 5,738                                    | –           | (132)        | a     | 5,606                      |
| – Accumulated losses/(Retained profits)             | 279                                      | –           | (639)        | b     | (360)                      |
|   | <u>6,017</u>                             | <u>–</u>    | <u>(771)</u> |       | <u>5,246</u>               |
| Total effect on equity                              | <u>6,017</u>                             | <u>–</u>    | <u>(771)</u> |       | <u>5,246</u>               |

*Notes:*

- (a) The adjustment represents the subsequent measurement on increase in fair value of the available-for-sale financial asset. The increase has been recognised in other comprehensive income.
- (b) The adjustment represents the subsequent measurement on increase in fair value of the embedded derivative. The increase has been recognised in profit or loss.

**STATEMENT FROM THE MANAGEMENT**

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2013.

**MANAGEMENT DISCUSSION AND ANALYSIS  
FINANCIAL RESULTS**

For the year ended 31 March 2013, the Group recorded an increase in gross proceeds from disposal of securities from approximately HK\$239,268,000 to approximately HK\$278,943,000, representing an increase of approximately 16.58%. The Group recorded an increase in revenue from approximately HK\$5,411,000 to approximately HK\$7,610,000, representing an increase of approximately 40.64%. The loss attributable to the owners of the Company for the year amounted to approximately HK\$14,764,000 as compared to the profit for last year amounted to approximately HK\$360,000. The substantial increase in loss during the year was mainly due to the waiver of

shareholder's loan of HK\$16,000,000 during the year ended 31 March 2012. The audited consolidated net assets of the Group as of 31 March 2013 amounted to approximately HK\$546,098,000 (2012: approximately HK\$544,192,000). The net assets per share of the Group was amounted to approximately HK\$0.94 (2012 restated: net assets per share was approximately HK\$0.94).

### **Investment Review**

As at 31 March 2013, the Group's major investments were as follows:

| <b>Investments</b>                     | <b>Description</b>   |
|--|--|
| Listed equities                        | HK\$13.5 million of a portfolio of listed shares in eleven companies       |
| Listed debt securities                 | HK\$25.2 million of bonds issued by two listed companies                   |
| Investment funds                       | HK\$20.1 million in one investment fund                                    |
| Convertible bonds                      | HK\$185.1 million in three unlisted convertible bonds securities           |
| Direct investment in unlisted equities | HK\$81.9 million in two direct investments in unlisted equities securities |
| Total                                  | HK\$325.8 million  |

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China during the year. The investment portfolio of the Company is of approximately HK\$325.8 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 at fair value through profit or loss. 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 at fair value through profit or loss were higher or lower by 5% as at 31 March 2013, the Group's loss for the year would increase or decrease by approximately HK\$673,000 (2012: HK\$289,000). 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 2013 (2012: 5%), the Group's equity as at 31 March 2013 would increase or decrease by approximately HK\$13,874,000 (2012: HK\$23,351,000).

## **Prospects**

We expect the global market will continue to face significant challenge. The US and European debt problems have developed to a complicated situation. However, given a strong growth of the PRC, the Company will still take these opportunities to continue to invest in the PRC.

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the present continuous economic improvement in the PRC, 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 2013, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$93,282,000 (2012: HK\$37,661,667), which was mainly placed in bank and other financial institution as deposits.

## **Gearing Ratio**

As at 31 March 2013, no gearing ratio has been presented as no interest bearing debt existed.

## **Employees**

During the year ended 31 March 2013, the Group had retained seven employees (2012: twelve employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK\$4,685,000 (2012: approximately HK\$5,766,000). 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**

Throughout the year ended 31 March 2013, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

## **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 2013.



## **PURCHASE, SALE AND REDEMPTION OF SHARES**

For the year ended 31 March 2013, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Code") throughout the year ended 31 March 2013, with deviations from code provisions A.4.1 of the Code that non-executive directors should be appointed for a specific term, subject to re-election.

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted the Model Code 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 2013, 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 2013 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. The work performed by Elite Partners CPA Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

## **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 2013 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.hkex.com.hk>) and the Company's website (<http://www.chnif.com.hk>) under the section of "Annual Report and Announcements". The 2013 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**  
*Executive Director*  
**Chan Cheong Yee**

Hong Kong, 20 June 2013

*As at the date of this announcement, the Board comprises Mr. CHAN Cheong Yee as the executive Directors, Mr. LIAO Jintian and Mr. ZHOU Weiquan as the non-executive Directors, and Mr. CHEN Kaizhi, Mr. HA Takkong, Mr. LO Chi Ming and Mr. LEUNG Kwong Kin as the independent non-executive Directors.*