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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 2014

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 2014.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Gross proceeds from disposal of securities		<b>301,048</b>	278,943
<b>Revenue</b>	3(a)	<b>8,319</b>	7,610
Net realised gain on disposal of financial assets held for trading		<b>7,689</b>	1,086
Net realised (loss)/gain on disposal of available-for-sale financial assets		<b>(3,491)</b>	6,039
Net unrealised loss on financial assets held for trading		<b>(571)</b>	(1,408)
Net unrealised loss on derivative financial instruments		<b>(6,289)</b>	(4,898)
Loss on derecognition of derivative financial instrument		<b>(18,921)</b>	–
Impairment loss on available-for-sale financial assets		<b>(55,277)</b>	–
Impairment loss on other receivables		<b>(891)</b>	–
Other income	3(b)	<b>362</b>	664
Administrative expenses		<b>(24,264)</b>	(23,688)
<b>Loss from operations</b>	5	<b>(93,334)</b>	(14,595)
Finance costs	6	<b>(74)</b>	–
<b>Loss before tax</b>		<b>(93,408)</b>	(14,595)
Income tax expense	7	<b>(154)</b>	(169)
<b>Loss for the year</b>		<b>(93,562)</b>	(14,764)
<b>Loss attributable to shareholders of the Company</b>		<b>(93,562)</b>	(14,764)
– Dividend	8	<b>–</b>	–
<b>Loss per share</b>			
– Basic, HK cents	9	<b>(16.09)</b>	(2.54)
– Diluted, HK cents	9	<b>(16.09)</b>	(2.54)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March 2014*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(93,562)</u>	<u>(14,764)</u>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Release of exchange reserve upon disposal of available-for-sale financial assets	-	241
Exchange gain on translation of foreign operations	315	882
	315	1,123
Net (loss)/gain arising on revaluation of available-for-sale financial assets	(1,770)	9,850
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	3,273	5,697
Release of investment revaluation reserve upon impairment of available-for-sale financial assets	(5,851)	-
	<u>(4,348)</u>	<u>15,547</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<u>(4,033)</u>	<u>16,670</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><u>(97,595)</u></u>	<u><u>1,906</u></u>
<b>Total comprehensive (expense)/income attributable to shareholders of the Company</b>	<u><u>(97,595)</u></u>	<u><u>1,906</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2014*

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>31,521</b>	32,588
Derivative financial instruments	11	<b>624</b>	–
Available-for-sale financial assets	10	<b>269,899</b>	277,473
		<hr/> <b>302,044</b>	<hr/> 310,061
<b>Current assets</b>			
Derivative financial instruments	11	<b>13,844</b>	34,943
Financial assets held for trading	12	<b>9,591</b>	13,461
Prepayments, deposits and other receivables		<b>64,464</b>	95,358
Tax recoverable		<b>37</b>	–
Cash and cash equivalents		<b>59,269</b>	93,282
		<hr/> <b>147,205</b>	<hr/> 237,044
<b>Current liabilities</b>			
Accruals		<b>438</b>	588
Current tax liabilities		<b>308</b>	419
		<hr/> <b>746</b>	<hr/> 1,007
<b>Net current assets</b>		<hr/> <b>146,459</b>	<hr/> 236,037
<b>Net assets</b>		<hr/> <b>448,503</b>	<hr/> 546,098
<b>Capital and reserves</b>			
Share capital		<b>116,316</b>	116,316
Reserves		<b>332,187</b>	429,782
<b>Total equity</b>		<hr/> <b>448,503</b>	<hr/> 546,098
<b>Net assets value per share (in HK\$)</b>	13	<hr/> <b>0.77</b>	<hr/> 0.94

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2014*

### 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 and investment holding.

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 HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and 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.

### *Impact of the application of HKFRS 10*

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

### *HKFRS 13 Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

### *Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to

present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **New and revised Standards and Interpretations issued but not yet effective**

#### *New and revised HKFRSs 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKFRS 11 HKFRS 9	Accounting for Acquisition of Interests in Joint Operations <sup>6</sup> Financial Instruments <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>6</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>3</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) – INT 21	Levies <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>4</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2016

Except as described below, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

#### *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.

Key requirements of HKFRS 9 are described as follows:

- 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. Specifically, 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 make 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 the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, 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.

#### *Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities*

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

If the Company is qualified as an investment entity under the amendments to HKFRS 10, instead of consolidating its subsidiaries, the Company may be required to measure its interests in subsidiaries at fair value through profit or loss. The directors of the Company are in the process of making an assessment of the impact of these amendments to the Group.

### 3. REVENUE AND OTHER INCOME

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Revenue:		
Dividend income from financial assets held for trading	<b>562</b>	199
Interest income from debt securities	<b>7,470</b>	7,359
Interest income from brokers' accounts	–	10
Interest income from bank accounts	<b>287</b>	42
	<hr/> <b>8,319</b> <hr/>	<hr/> 7,610 <hr/>
(b) Other income:		
Net foreign exchange gain	<b>362</b>	656
Sundry income	–	8
	<hr/> <b>362</b> <hr/>	<hr/> 664 <hr/>
	<hr/> <b>8,681</b> <hr/>	<hr/> 8,274 <hr/>



#### 4. SEGMENT INFORMATION

For the year ended 31 March 2014 and 2013, 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 and derivative financial instruments) by geographical location are detailed below:

	Revenue		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	8,319	7,610	1,443	302
PRC (not including Hong Kong)	–	–	30,078	32,286
	<u>8,319</u>	<u>7,610</u>	<u>31,521</u>	<u>32,588</u>

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 FROM OPERATION

	2014 HK\$'000	2013 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remunerations		
– Fees	730	870
– Other remunerations	–	–
Total directors' remunerations	<u>730</u>	<u>870</u>
Staff costs		
– Salaries	4,634	4,606
– Provident fund contributions	95	79
Total staff costs (excluding directors' remunerations)	<u>4,729</u>	<u>4,685</u>
Auditors' remuneration	350	290
Depreciation	2,574	1,969
Investment manager's fee	960	2,387
Loss on disposal of property, plant and equipment	614	–
Operating lease payments in respect of office premise	<u>3,345</u>	<u>5,727</u>

## 6. FINANCE COSTS

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Margin financing interest wholly repayable within five year	<u>74</u>	<u>–</u>

## 7. INCOME TAX EXPENSE

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Provision for the year	176	169
Over-provision in respect of prior year	<u>(22)</u>	<u>–</u>
	<u>154</u>	<u>169</u>

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated profits for both years while PRC subsidiary is subject to PRC Corporate Income Tax at 25% (2013: 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.

## 8. DIVIDEND

The directors do not recommend the payment of a dividend for the years ended 31 March 2014 and 2013.

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of approximately HK\$93,562,000 (2013: HK\$14,764,000) and the weighted average number of 581,580,000 (2013: 581,580,000) ordinary shares in issue during the year.

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

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### The Group

Available-for-sale financial assets comprise of:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Unlisted equity securities ( <i>note 1</i> )	79,800	99,800
Fair value adjustment	(3,936)	2,243
	<u>75,864</u>	<u>102,043</u>
Listed debt securities ( <i>note 2</i> )	18,720	26,934
Fair value adjustment	(4,446)	(1,658)
	<u>14,274</u>	<u>25,276</u>
Unlisted convertible debt securities (excluding fair value of embedded derivative) ( <i>note 3</i> )	130,786	140,798
Fair value adjustment	13,678	9,356
	<u>144,464</u>	<u>150,154</u>
Unlisted debt security	35,000	–
Fair value adjustment ( <i>note 4</i> )	297	–
	<u>35,297</u>	<u>–</u>
Total	<u><u>269,899</u></u>	<u><u>277,473</u></u>

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		Fair value				At		Net assets attributable to the investments	
				At cost		adjustment		fair value		to the	
				2014	2013	2014	2013	2014	2013	2014	2013
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forest Investment Company Limited (note a)	Hong Kong	29.00%	29.00%	34,800	34,800	1,500	2,552	36,300	37,352	40,219	42,789
Plexson Limited (note b)	Hong Kong	15.00%	15.00%	45,000	45,000	(5,436)	(433)	39,564	44,567	35,657	44,325
Profit Win Fund Limited (note c)	Bermuda	-	0%	-	20,000	-	124	-	20,124	-	20,124
				<u>79,800</u>	<u>99,800</u>	<u>(3,936)</u>	<u>2,243</u>	<u>75,864</u>	<u>102,043</u>		

*Note 2:*

**Listed debt securities**

Name of investee companies	Place of incorporation/ establishment	At cost		Fair value		At		Bond interest income			
				adjustment		fair value		income			
				2014	2013	2014	2013	2014	2013	2014	2013
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hidili Industry International Development Limited (note d)	Cayman Islands	18,720	18,720	(4,446)	(1,556)	14,274	17,164	2,147	-		
Winsway Coking Coal Holdings Limited (note e)	British Virgin Islands	-	8,214	-	(102)	-	8,112	453	-		
		<u>18,720</u>	<u>26,934</u>	<u>(4,446)</u>	<u>(1,658)</u>	<u>14,274</u>	<u>25,276</u>	<u>2,600</u>	<u>-</u>		

*Note 3:***Unlisted convertible debt securities**

Name of investee companies	Place of incorporation	At cost		Fair value adjustment		At fair value		Bond interest income	
		2014	2013	2014	2013	2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Double Sky Holdings Limited (note f)	Hong Kong	-	55,277	-	5,851	-	61,128	864	400
IGO Seating Limited (note g)	Hong Kong	38,097	38,097	4,413	1,275	42,510	39,372	400	300
Yuet Join Industrial Limited (note h)	Hong Kong	47,424	47,424	2,332	2,230	49,756	49,654	2,637	-
Yiu Tec Metal Engineering Limited (note i)	Hong Kong	45,265	-	6,933	-	52,198	-	432	-
		<u>130,786</u>	<u>140,798</u>	<u>13,678</u>	<u>9,356</u>	<u>144,464</u>	<u>150,154</u>	<u>4,333</u>	<u>700</u>

*Note 4:***Unlisted debt security**

Name of investee company	Place of incorporation establishment	At cost		Fair value adjustment		At fair value		Bond interest income	
		2014	2013	2014	2013	2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Full Ever Industrial Company Limited (note j)	Hong Kong	35,000	-	297	-	35,297	-	537	-

*Notes:*

- (a) Forest Investment Company Limited (“Forest”), a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC.
- (b) Plexson Limited (“Plexson”), a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC.

- (c) Profit Win Fund Limited (“Profit Win”) is a closed-ended fund which primary objective is to achieve superior private equity return. The Group held 25,764 non-voting, profit-sharing share of Profit Win. In the opinion of directors, the Group did not own voting right of these shares.

During the year ended 31 March 2014, the Group had expressed its willingness of redemption to Profit Win Investment Management Limited for all 25,764 shares that the Group held.

- (d) 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.
- (e) 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.

During the year ended 31 March 2014, the issuer repurchased the debt securities from the Group.

- (f) A 5-year convertible bond issued by Double Sky Holdings Limited (“Double Sky”), 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 2011. The convertible bond carries fixed interest rate at 0.5% per annum, paid semi-annually, and 10% on earnings before interest and tax of Double Sky, paid semi-annually, with date of maturity on 11 December 2016 and is guaranteed by a sole shareholder of Double Sky. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

During the year, the Group recognised approximately HK\$864,000 (2013: HK\$400,000) as bond interest income from Double Sky. However, only bond interest of approximately HK\$106,000 was received. In view of the failure to pay the outstanding interest of approximately HK\$891,000 and issues disclosed in note 15(a), impairment loss on available-for-sale financial assets and other receivable of approximately HK\$55,277,000 and HK\$891,000 respectively was recognised in profit or loss for the year.

- (g) 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 11 December 2016 and is guaranteed by the beneficial owners of Double Sky. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

- (h) A 3-year (extensible for 2 years) convertible bond issued by Yuet Join Industrial Limited (“Yuet Join”), 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 at fixed interest rate at 5% per annum, paid semi-annually, with date of maturity on 10 March 2016 (extensible to 10 March 2018 upon the agreement by both parties) and is guaranteed by the shareholders of Yuet Join. The Group has the option to convert the convertible bond to 29.79% of the equity interest of the issuers at any time and from time to time before the maturity date.
- (i) A 2-year convertible bond issued by Yiu Tec Metal Engineering Limited (“Yiu Tec”), a private company with limited liability which business is principally engaged in the production of public shelter with high-difficult sheet metal, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2014. The convertible bond carries at fixed interest rate at 7.7% per annum, paid quarterly, with date of maturity on 17 February 2016, extensible for 3-year upon the agreement by both parties. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at six months before the maturity date.
- (j) A 2-year bond issued by Full Ever Industrial Company Limited (“Full Ever”), a private company with limited liability which business is principally engaged in trading of knitted gloves, was acquired at a face value of HK\$35,000,000 during the year ended 31 March 2014, with fixed interest rate at 5% per annum, paid quarterly, and date of maturity on 8 December 2015, extensible for 3-year upon the agreement by both parties.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

### *The Group*

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Embedded derivatives in convertible bonds	<b>14,468</b>	34,943
Analysed for reporting purposes as:		
Current assets	<b>13,844</b>	34,943
Non-current assets	<b>624</b>	–
	<b>14,468</b>	34,943

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.

Net unrealised loss on derivative financial instruments of approximately HK\$6,289,000 (2013: gain of approximately HK\$4,898,000) had been recognised in profit or loss during the year.

As disclosed in note 15(a), the conversion option embedded in convertible bonds issued by Double Sky was lapsed and a loss of approximately HK\$18,921,000 was incurred in profit or loss during the year.

## 12. FINANCIAL ASSETS HELD FOR TRADING

*The Group*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	<b>9,591</b>	13,461

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

## 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\$448,503,000 (2013: approximately HK\$546,098,000) by the number of shares in issue at 31 March 2014, being 581,580,000 (2013: 581,580,000).

## 14. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2014 and 2013, 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>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Investment manager's fee paid to:		
Success Talent Investments Limited ( <i>note a</i> )	–	2,000
China Everbright Securities (HK) Limited ( <i>note b</i> )	<b>960</b>	387
	<b>960</b>	2,387
Broker fee paid to:		
China Everbright Securities (HK) Limited	<b>1,350</b>	570

*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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Directors' fee	<b>730</b>	870

## 15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 31 March 2014, World Fame Investment Limited ("World Fame"), a wholly-owned subsidiary of the Company, as the plaintiff filed legal proceedings against Double Sky Holdings Limited, Mr. Ying, 廣東愷撒威登食品科技有限公司 (Guangdong Kaisa Weideng Food Technology Company Limited) and 中山市樂邦巧克力食品有限公司 (Zhongshan Shi Lebang Chocolate Products Company Limited) as joint defendants to 佛山市中級人民法院 (Foshan Municipal Intermediate People's Court) (the "Court") for breach of a convertible bond subscription agreement dated 12 December 2011 (as supplemented by supplemental agreements dated 8 June 2012 and 27 September 2013 respectively). World Fame demanded immediate repayment of the total default sum of HK\$80,891,163 plus interest accrued from 31 March 2014 to the date of fully settlement of such amount. On 28 April 2014, upon application of World Fame, the Court took relevant preservation measures to seal up available/known assets of the joint defendants.

For further details of the above litigation proceedings, please refer to the Company's announcements dated 28 April 2014.

- (b) On 6 June 2014, the Company received a High Court action issued on 5 June 2014 wherein Mr. Zhou Weiquan, a non-executive Directors (duties, rights and position suspended from 4 June 2014) claims against the Company and other Directors for inspection of documents and for obtaining copies of those documents from the Company.

For further details of the above litigation proceedings, please refer to the Company's announcements dated 6 June 2014.

- (c) On 9 June 2014, the Company proposed issue of share by way of open offer of 290,790,000 ordinary share of HK\$0.20 each at a subscription price of HK\$0.20 per share on 9 June 2014 (the "Open Offer"). If the Open Offer completed, the issued share capital will be increased from approximately HK\$116,316,000 to HK\$174,474,000. These new shares rank pari passu in all respect with existing shares. Details of the Open Offers have been disclosed in the announcement dated on 9 June 2014. The net proceeds to be raised from the Open Offer will amount to approximately HK\$56,600,000 which will be used for future investments opportunities of the Group and general working capital of the Group.

- (d) On 16 June 2014, the Company received a letter with a sealed copy of an originating summons (the “1st Originating Summons”) issued on 12 June 2014 by Mr. Wei Zhuofu (the “Applicant”) in the Court of First Instance of the High Court of Hong Kong against (i) the Company as 1st defendant; and (ii) six Directors, namely, Mr. Chan Cheong Yee, Mr. Liao Jintian, Mr. Zhou Han Jie, Mr. Ha Tak-Kong, Mr. Leung Kwong Kin and Mr. Tsang Hin Man Terrence as 2nd to 7th defendants, seeking a permanent injunction restraining the Company from proceeding with the Open Offer to existing Qualifying Shareholders of the Company. The Applicant alleged in the 1st Originating Summons that (i) the Open Offer constitutes a breach of directors’ fiduciary duty and duty of care and skill to the Company; and (ii) the Open Offer is made for improper purposes including the dilution of the Applicant’s shareholding in the Company. Hearing for the injunction application is scheduled on 11 July 2014.

On 17 June 2014, the Company received a letter with a copy of an interlocutory injunction (the “Interlocutory Application”) issued on 17 June 2014 by the Applicant in the Court against (i) the Company as 1st defendant; and (ii) six Directors, namely, Mr. Chan Cheong Yee, Mr. Liao Jintian, Mr. Zhou Han Jie, Mr. Ha Tak-Kong, Mr. Leung Kwong Kin and Mr. Tsang Hin Man Terrence as 2nd to 7th defendants, seeking an interlocutory injunction restraining the Company from proceeding with the Open Offer to existing Qualifying Shareholders of the Company. The Applicant alleged in the Injunction Application that the Open Offer is made for improper purposes including the dilution of the Applicant’s shareholding in the Company. The legal counsels of the Company attended the hearing for the Interlocutory Application on 19 June 2014. The Applicant’s case was dismissed by the High Court of Hong Kong and costs of the proceedings were awarded to all defendants.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 16 June 2014, 17 June 2014 and 19 June 2014 respectively.

- (e) On 25 June 2014, the Company received a letter with a sealed copy of an originating summons (the “2nd Originating Summons”) issued on 25 June 2014 by Mr. Zhou Weiquan (the “Plaintiff”) in the Court of First Instance of the High Court of Hong Kong against (i) the Company as 1st defendant; and (ii) six Directors as 2nd to 7th defendants, seeking the declaration of the suspension and/or removal of the Plaintiff as a director of Company is invalid, and the hearing is scheduled on 16 October 2014.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 25 June 2014.

## 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 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the year ended 31 March 2014, the Group recorded an increase in gross proceeds from disposal of securities from approximately HK\$278,943,000 to approximately HK\$301,048,000, representing an increase of approximately 7.92%. The Group recorded an increase in revenue from approximately HK\$7,610,000 to approximately HK\$8,319,000, representing an increase of approximately 9.32%. The loss attributable to the owners of the Company for the year amounted to approximately HK\$93,562,000 as compared to the loss for last year amounted to approximately HK\$14,595,000. The audited consolidated net assets of the Group as of 31 March 2014 amounted to approximately HK\$448,503,000 (2013: approximately HK\$546,098,000). The net assets per share of the Group was amounted to approximately HK\$0.77 (2013: net assets per share was approximately HK\$0.94).

The negative effect on the results of the Group for the year ended 31 March 2014 is mainly attributable to the impairment loss will be fully provided for the principal amount of approximately HK\$80 million of the convertible bonds issued by Double Sky Holdings Limited during the year.

### Investment Review

As at 31 March 2014, the Group’s major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed equities	HK\$9.6 million of a portfolio of listed shares in eight companies
Listed debt securities	HK\$14.3 million of bonds issued by one listed company
Unlisted debt securities	HK\$35.3 million of bonds issued by one unlisted company
Convertible bonds	HK\$158.9 million in three unlisted convertible bonds securities
Direct investment in unlisted equities	HK\$75.9 million in two direct investments in unlisted equities securities
Total	HK\$294 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\$294 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 and 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 at fair value through profit or loss were higher or lower by 5% as at 31 March 2014, the Group's loss for the year would increase or decrease by approximately HK\$480,000 (2013: HK\$673,000). 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 2014 (2013: 5%), the Group's equity as at 31 March 2014 would increase or decrease by approximately HK\$14,220,000 (2013: HK\$13,874,000).

### **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 2014, 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\$59,269,000 (2013: HK\$93,282,000), which was mainly placed in bank and other financial institution as deposits.

## **Gearing Ratio**

As at 31 March 2014, no gearing ratio has been presented as no interest bearing debt existed.

## **Employees**

During the year ended 31 March 2014, the Group had retained nine employees (2013: twelve employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK\$4,634,000 (2013: approximately HK\$4,685,000). 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 2014, 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 2014.

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

For the year ended 31 March 2014, 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 2014, 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 2014, 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 2014 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 2014 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>) under the section of "Annual Report and Announcements". The 2014 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, 26 June 2014

*As at the date of this announcement, the Board comprises Mr. CHAN Cheong Yee as the executive Directors, Mr. LIAO Jintian, Mr. ZHOU Weiquan (duties, rights and position suspended from 4 June 2014) and Mr. ZHOU Han Jie as the non-executive Directors, and Mr. HA Takkong, Mr. LEUNG Kwong Kin and Mr. TSANG Hin Man Terence as the independent non-executive Directors.*