CHINA INNOVATIVE FINANCE GROUP LIMITED
中國新金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL RESULTS

The board of directors (the "Board" or "Directors") of China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016, together with the comparative figures for the year ended 31 March 2015, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
Continuing operations			
REVENUE	5	**96,992**	3,797
COST OF SERVICES		**(43,276)**	—
Other income	6	**5,887**	—
Loss on disposal of property, plant and equipment		**(24)**	—
Fair value gains on investments at fair value through profit or loss, net	7	**240,842**	33,907
Loss on disposal of subsidiaries	18	**—**	(1,455)
Impairment loss on loans receivable	7	**(45,000)**	—
Impairment loss on interest receivable	7	**(2,232)**	—
Employee benefit expenses	7	**(38,131)**	(8,485)
Equity-settled share-based payment expenses		**—**	(40,150)
Depreciation		**(6,522)**	(1,408)
Minimum lease payments under operating lease in respect of land and buildings		**(8,401)**	(4,654)
Administrative expenses		**(46,163)**	(7,644)
Finance costs	8	**(42,033)**	(1,561)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	**111,939**	(27,653)
Income tax expense	9	**(41,459)**	(5,280)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**70,480**	(32,933)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	**1,216**	(95,794)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**71,696**	(128,727)

	Note	**2016** *HK$'000*	2015 *HK$'000*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations			
Basic	11	**HK0.39 cents**	HK(0.76) cents
Diluted	11	**HK0.39 cents**	HK(0.76) cents
From continuing operations			
Basic	11	**HK0.38 cents**	HK(0.19) cents
Diluted	11	**HK0.38 cents**	HK(0.19) cents

Details of dividend payable to owners of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**71,696**	(128,727)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified subsequently to profit or loss:		
Release of translation reserve arising on disposal of subsidiaries	**2,698**	—
Exchange difference arising on translation of financial statements of foreign operations	**(4,672)**	630
Available-for-sale investments:		
Reclassification adjustments for gains included in the consolidated income statement upon disposal of a subsidiary	**—**	(154)
Changes in fair value of available-for-sale investments	**—**	100
TOTAL OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	**(1,974)**	576
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**69,722**	(128,151)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**168,698**	2,455
Prepaid lease payments		**—**	43,776
Intangible assets	13	**1,243,156**	789,709
Biological assets		**—**	61,242
Available-for-sale investments		**4,600**	4,600
Finance lease receivables	14	**664,576**	—
Investments at fair value through profit or loss	15	**96,010**	340,800
Loans receivables	16	**155,500**	—
Restricted cash		**72,127**	—
Total non-current assets		**2,404,667**	1,242,582
CURRENT ASSETS			
Available-for-sale investments		**340,800**	—
Investments at fair value through profit or loss		**2,185,079**	337,067
Loans receivables	16	**20,000**	45,000
Finance lease receivables	14	**260,404**	—
Prepayments, deposits and other receivables		**321,532**	15,269
Restricted cash		**37,204**	—
Cash and cash equivalents		**327,621**	4,331
Total current assets		**3,492,640**	401,667

	Note	2016 HK$'000	2015 HK$'000
CURRENT LIABILITIES			
Other payables and accruals		**207,183**	2,713
Tax payable		**1,382**	432
Borrowings		**922,381**	10,503
Total current liabilities		**1,130,946**	13,648
NET CURRENT ASSETS		**2,361,694**	388,019
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,766,361**	1,630,601
NON-CURRENT LIABILITIES			
Borrowings		**499,000**	18,813
Convertible bonds		**937,705**	—
Deferred tax liabilities		**170,301**	190,715
Total non-current liabilities		**1,607,006**	209,528
Net assets		**3,159,355**	1,421,073
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,828**	4,236
Reserves		**3,154,527**	1,416,837
Total equity		**3,159,355**	1,421,073

Notes:

1. CORPORATE INFORMATION

China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, respectively.

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

The Company acts as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the "Group") involves in various kinds of financial services, including financial leasing, operation of an asset exchange platform, investments in securities, money lending and investment holding.

On 21 May 2015, the Company entered into a conditional sale and purchase agreement with Trillion Cheer Toprich Limited ("Trillion Cheer"), pursuant to which the Company conditionally agreed to dispose of, and Trillion Cheer conditionally agreed to purchase the entire issued share capital of Gold Mountain Limited ("Gold Mountain"), together with the assignment of the entire shareholder's loan and other indebtedness owed by Gold Mountain or its subsidiaries to the Group as at completion of an aggregate consideration of HKD720,000,000. Gold Mountain is principally engaged in investment in and management of the Forestlands in the People's Republic of China ("PRC"). The disposal was completed on 5 August 2015. Upon the completion, the Group discontinued the management of Forestlands and Gold Mountain Group was deconsolidated. For the presentation of the consolidated financial statements for the year ended 31 March 2016 and 2015, management of Forestlands was regarded as "discontinued operation". Details are set out in note 10.

Following the acquisition (the "Acquisition") of Hong Kong Leasing Limited ("Hong Kong Leasing" and its subsidiaries (collectively referred to as "Hong Kong Leasing Group") on 1 September 2015, the Group was newly involved in financial leasing. Details of the Acquisition are set out in note 17.

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong CO (Cap. 622) regarding preparation of financial statements and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual consolidated financial statements have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in these consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or the Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments, conversion options embedded in a convertible bond, biological assets, derivative financial instruments and investments at fair value through profit or loss, which have been measured at fair values or fair values less costs of disposal, as appropriate, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised amendments and interpretation ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which have become effective for the accounting period beginning on or after 1 April 2015.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

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.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segment's assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of HKAS 40; and

b) the transaction meets the definition of a business combination under HKFRS 3.

The application of the amendments to 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.

HKAS 19 (Amendments) *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

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 2012–2014 cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[4]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 16 and HKAS 41 *Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investment in subsidiaries, joint ventures and associates in its separate financial statements

- At cost;

- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or

- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

HKFRS 9 *Financial Instruments*

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

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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 investment and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entity 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types 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.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain of loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investor' interests in that associate or joint venture. Similarly, gains and losses resulting from the measurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 ***Investment entities: Applying the consolidation exception***

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 29 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

Amendments to HKFRS 11 ***Accounting for Acquisitions of Interest in Joint Operations***

The amendments to HKFRS 11 provide guidance on how to account for acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

HKFRS 14 ***Regulatory Deferral Accounts***

HKFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous Generally Accepted Principles requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

HKFRS 15 ***Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 16 ***Leases***

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application, but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's chief operating decision maker ("CODM"). For the year ended 31 March 2016, the Group had three reportable operating segments from continuing operations. Details are as follows:

(i) the investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(ii) the money lending segment engages primarily in money lending operations in Hong Kong; and

(iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform.

In the current year, the Group's management of the Forestlands segment was discontinued. In the year ended 31 March 2015, the Group's Chinese medicine clinic operation in Hong Kong was discontinued. The segment information reported does not include any amounts for the discontinued operations, which are described in more detail in note 10.

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

Comparative figures from the prior year have been re-presented to conform to the current year's presentation due to the business of property investment and management of the Forestlands were no longer operated during the year ended 31 March 2016.

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

- all assets are allocated to reportable segments other than tax recoverable and unallocated corporate assets such as property, plant and equipment. Goodwill is allocated to the financial leasing segment as described in note 13; and

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities such as other payables and accruals.

	Investments in securities		Money lending		Financial leasing		Unallocated		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
										(restated)
Segment revenue:										
Revenue from external customers	**—**	1,397	**8,215**	1,380	**87,377**	—	**—**	1,020	**95,592**	3,797
Other income	**—**	—	**—**	—	**1,400**	—	**—**	—	**1,400**	—
Total	**—**	1,397	**8,215**	1,380	**88,777**	—	**—**	1,020	**96,992**	3,797
Segment results	**114,397**	28,387	**(39,747)**	1,318	**69,655**	—	**—**	1,808	**144,305**	26,513
Reconciliation:										
Unallocated income									**80**	—
Unallocated finance costs									**—**	(1,484)
Equity-settled share-based payment expenses									**—**	(40,150)
Unallocated expenses									**(32,446)**	(12,532)
Profit/(loss) before tax from continuing operations									**111,939**	(27,653)
Other segment information:										
Finance costs — allocated	**(41,042)**	(77)	**—**	—	**(991)**	—			**(42,033)**	(77)
Finance costs — unallocated									**—**	(1,484)
									(42,033)	(1,561)
Depreciation — allocated	**—**	—	**—**	—	**(3,476)**	—			**(3,476)**	—
Depreciation — unallocated									**(3,046)**	(1,408)
									(6,522)	(1,408)
(Loss)/gain on disposal of subsidiaries	**—**	(5,632)	**—**	90	**—**	—			**—**	(5,542)
Fair value gains on investments at fair value through profit or loss, net	**184,133**	33,907	**—**	—	**56,709**	—			**240,842**	33,907
Impairment of loans receivable	**—**	—	**(45,000)**	—	**—**	—			**(45,000)**	—
Capital expenditure — allocated*	**—**	—	**—**	—	**455**	—			**455**	—
Capital expenditure — unallocated*									**2,913**	976
									3,368	976

* Capital expenditure consists of additions to property, plant and equipment.

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

	2016	2015
	HK$'000	*HK$'000*
Segment assets:		
Investment in securities	**2,333,070**	346,492
Money lending	**327,403**	46,025
Financial leasing	**2,633,497**	—
Management of the Forestlands (now discontinued)	**—**	900,028
	5,293,970	1,292,545
Unallocated assets	**603,337**	351,704
Total assets	**5,897,307**	1,644,249
Segment liabilities:		
Investment in securities	**1,696,011**	9,520
Money lending	**—**	—
Financial leasing	**787,858**	—
Management of the Forestlands (now discontinued)	**—**	62
	2,483,869	9,582
Deferred tax liabilities	**170,301**	190,715
Tax payable	**1,382**	432
Unallocated liabilities	**82,400**	22,447
Total liabilities	**2,737,952**	223,176

Revenue from external customers

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

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**37,412**	—

Geographical information

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

	Revenue from external customers		**Non-current assets *(note)***	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**8,215**	2,777	**157,928**	1,512
Other parts of the PRC	**87,377**	—	**1,326,053**	895,670
	95,592	2,777	**1,483,981**	897,182

Note: Non-current assets exclude available-for-sale investments, finance lease receivables, conversion options embedded in a convertible bond, investments at fair value through profit or loss, loans receivables and financial assets included in deposits.

5. REVENUE

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

An analysis of revenue from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Leasing income	**48,315**	—
Consultancy services income	**38,982**	—
Gross rental income	**—**	1,020
Interest income from money lending operations	**6,183**	1,380
Interest income from a convertible bond	**—**	375
Handling fee income	**3,512**	—
Dividend income from investments at fair value through profit or loss	**—**	1,022
	96,992	3,797

6. OTHER INCOME

An analysis of other income from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**3,307**	—
Government subsidy *(note)*	**2,377**	—
Sundry income	**203**	—
	5,887	—

Note: This is the one-off subsidy received from the PRC government regarding the setting up of financial institution in Shanghai Pudong area.

7. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration:		
— audit services	**2,290**	830
— non-audit services	**630**	125
Employee benefit expenses:		
Directors' remuneration:		
— Fee	**638**	410
— Salaries and allowances	**8,302**	4,169
— Retirement benefit scheme contributions (defined contribution scheme)*	**36**	48
— Emolument Shares	**2,781**	—
	11,757	4,627
Other staff's costs:		
— Salaries and allowances	**20,313**	3,585
— Retirement benefit scheme contributions (defined contribution scheme)*	**1,061**	176
— Termination benefits	**5,000**	97
	26,374	3,858
Total employee benefit expenses	**38,131**	8,485
Sales proceeds from disposal of trading securities	**(189,768)**	(240,102)
Cost of trading securities	**176,184**	247,927
Realised (gains)/losses from investments at fair value through profit or loss — trading securities	**(13,584)**	7,825
Unrealised losses/(gains) from investments at fair value through profit or loss — trading securities	**262,732**	(41,732)
Fair value losses/(gains) on investments at fair value through profit or loss — trading securities, net	**249,148**	(33,907)
Realised losses from investments at fair value through profit or loss — derivative financial instruments	**4,587**	—
Unrealised gains from investments at fair value through profit or loss — derivative financial instruments	**(494,577)**	—
Fair value gains on investments at fair value through profit or loss — derivative financial instruments, net	**(489,990)**	—
Fair value gains on investment at fair value through profit or loss, net	**240,842**	33,907
Net foreign exchange loss	**10,271**	—
Impairment loss on loans receivable	**45,000**	—
Impairment loss on interest receivable	**2,232**	—

* As at 31 March 2016, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2015: Nil).

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,671**	166
Interest on margin and other loans	**2,621**	387
Amortised interest on bonds	**1,138**	1,008
Amortised interest on convertible bonds	**35,603**	—
	42,033	1,561

9. INCOME TAX EXPENSE

No provision for current Hong Kong profits tax had been made for the year ended 31 March 2016 as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong Profits Tax was provided for at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2015.

PRC Enterprise Income Tax was provided for at the rate of 25% on the estimated assessable profit for the year ended 31 March 2016. No provision for PRC Enterprise Income Tax was made for the year ended 31 March 2015 as the Group had no assessable profits derived from the PRC.

	2016	2015
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**—**	(7,010)
— Over-provision for Hong Kong Profits Tax in prior year	**432**	—
— PRC Enterprise Income Tax	**(4,316)**	—
	(3,884)	(7,010)
Deferred tax (expense)/credit	**(37,575)**	1,730
Total income tax expense recognised in profit or loss	**(41,459)**	(5,280)

10. DISCONTINUED OPERATIONS

On 21 May 2015, the Company entered into a conditional sale and purchase agreement with Trillion Cheer, pursuant to which the Company conditionally agreed to dispose of, and Trillion Cheer conditionally agreed to purchase, the entire issued share capital of Gold Mountain, together with the assignment of the entire shareholder's loan and other indebtedness owed by Gold Mountain or its subsidiaries to the Group as at completion for an aggregate consideration of HK$720,000,000.

Gold Mountain is principally engaged in investment in and management of the Forestlands in the PRC, the results of which are classified as discontinued operation and are set out below.

On 5 November 2014, Power Global and High Rhine entered into a sales and purchase agreement, pursuant to which Power Global agreed to sell and High Rhine agreed to purchase the entire share capital of Apex together with the assignment of the outstanding shareholder loan advanced by the Company to Apex Group, for a consideration of HK$500,000. The transaction was completed on 20 November 2014.

Apex Group principally involved in Chinese medicine clinic operation, the results of which are classified as discontinued operation and are set out below.

The comparative loss has been re-presented to include the operation classified as discontinued in the current year.

	Note	**2016**	2015
		HK$'000	*HK$'000*
Profit/(loss) for the year from discontinued operation of management of the Forestlands			
REVENUE		**—**	—
Other income		**14**	168
Fair value loss on biological assets		**—**	(9,936)
Impairment loss on goodwill	13	**—**	(42,552)
Employee benefit expenses		**(373)**	(1,018)
Depreciation		**(100)**	(275)
Amortisation of prepaid lease payment		**(370)**	(1,075)
Amortisation of intangible assets	13	**(5,679)**	(16,377)
Minimum lease payments under operating leases in respect of land and buildings		**(553)**	(1,516)
Other expenses		**(426)**	(2,499)
Loss before taxation		**(7,487)**	(75,080)
Income tax credit		**1,420**	6,578
Loss for the year from discontinued operations		**(6,067)**	(68,502)
Gain on disposal of subsidiaries	18	**7,283**	—
		1,216	(68,502)

	2016	2015
	HK$'000	*HK$'000*
Loss for the year from discontinued operation of Chinese medicine clinic		
REVENUE	**—**	1,292
Changes in inventories and consumables used	**—**	(273)
Fair value loss on derivative financial instruments	**—**	(19,763)
Employee benefit expenses	**—**	(1,375)
Depreciation	**—**	(868)
Minimum lease payments under operating leases in respect of land and buildings	**—**	(1,807)
Loss on disposal of property, plant and equipment	**—**	(3,102)
Other expenses	**—**	(998)
Loss before taxation	**—**	(26,894)
Income tax expense	**—**	—
Loss for the year from discontinued operations	**—**	(26,894)
Loss on disposal of subsidiaries	**—**	(398)
	—	(27,292)

11. EARNINGS/(LOSS) PER SHARE FOR PROFITS/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**71,696**	(128,727)
Number of shares '000		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**18,293,308**	16,943,718
Effect of dilutive potential ordinary shares		
Share options	**94,507**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**18,387,815**	16,943,718
Basic earnings/(loss) per share (in HK cents)	**0.39**	(0.76)
Diluted earnings/(loss) per share (in HK cents)	**0.39**	(0.76)

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**71,696**	(128,727)
Less: (Earnings)/loss for the year attributable to owners of the Company from discontinued operations	**(1,216)**	95,794
Earnings/(loss) for the purposes of basic and diluted earnings per share from continuing operations	**70,480**	(32,933)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.01 cents (2015: loss per share of HK$0.57 cents), based on the earnings for the year from discontinued operations of HK$1,216,000 (2015: loss of HK$95,794,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

12. DIVIDENDS

No dividend was paid or proposed for the year ended 31 March 2016 (2015: Nil), nor has any dividend been proposed since the end of the reporting period.

13. INTANGIBLE ASSETS

	License HK$'000	Favourable Lease asset HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2014				
Acquisition of subsidiaries	—	703,635	144,319	847,954
Amortisation during the year	—	(16,377)	—	(16,377)
Impairment loss for the year	—	—	(42,552)	(42,552)
Exchange realignment	—	568	116	684
At 31 March 2015 and 1 April 2015	—	687,826	101,883	789,709
Acquisition of subsidiaries *(note 17)*	447,000	—	796,156	1,243,156
Disposal of subsidiaries *(note 18)*	—	(682,147)	(101,883)	(784,030)
Amortisation during the year	—	(5,679)	—	(5,679)
At 31 March 2016	447,000	—	796,156	1,243,156

14. FINANCE LEASE RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000*
Present value of minimum lease payments receivables	**924,980**	—
Less:		
Current portion included under current assets	**(260,404)**	—
Amounts due after one year included under non-current assets	**664,576**	—

Financial lease receivables of approximately HK$668,467,000 were pledged to secure the bank borrowings obtained by the Group.

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

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

	2016 ***HK$'000***	2015 *HK$'000*
Minimum lease payments receivables	**1,093,980**	—
Less:		
Unearned finance income related to minimum lease payments receivables	**(169,000)**	—
Present value of minimum lease payments receivables	**924,980**	—

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

	2016	2015
	HK$'000	*HK$'000*
— Within one year	**337,485**	—
— In the second year	**282,439**	—
— In the third to fifth years	**474,056**	—
	1,093,980	—

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

	2016	2015
	HK$'000	*HK$'000*
— Within one year	**260,404**	—
— In the second year	**226,532**	—
— In the third to fifth years	**438,044**	—
	924,980	—

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

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 March 2015

On 12 June 2014, the Group through its indirectly wholly-owned subsidiary and HEC Capital Limited entered into a subscription agreement ("Subscription Agreement") pursuant to which the Group agreed to subscribe 38,000,000 subscription shares at a subscription price of HK$228,000,000 (the "Subscription"). Details of the Subscription Agreement are set out in the Company's announcement dated on 12 June 2014. After the Subscription, the amount of the investments at fair value through profit of loss was HK$340,800,000 as at 31 March 2015.

Under the Subscription Agreement, the Issuer guarantees and warrants to the Group that the audited consolidated net profit after tax of HEC Capital Limited for the accounting period ended 31 March 2014 shall be not less than HK$250,000,000 (the "Guaranteed Profit"). The audited consolidated net profit after tax of the HEC Capital Limited for the accounting period ended 31 March 2014 was HK$394,000,000, which is higher than the Guaranteed Profit. Thus, no adjustment was made regarding the consideration of the Subscription.

For the year ended 31 March 2016

During the year ended 31 March 2016, the Group has invested equity, approximately 8.33% of entire equity interest of an unlisted company incorporated in the PRC with a consideration of approximately HK$39,604,000. As at 31 March 2016, the fair value of the unlisted shares was approximately HK$96,010,000.

16. LOANS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Loans receivables	**220,500**	45,000
Less: allowance for impairment loss	**(45,000)**	—
Non-current portion	**175,500**	45,000
Less: amount classified as current assets	**(20,000)**	(45,000)
Non-current portion	**155,500**	—

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 10% per annum (2015: 9.8% per annum). The grants of these loans were approved and monitored by the Group's management.

Except for a loan receivable with a carrying amount of HK$155,500,000 (2015: Nil) as at 31 March 2016, which was secured by the pledge of collateral, all of the loans receivables as at 31 March 2016 and 2015 were unsecured.

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

	2016	2015
	HK$'000	*HK$'000*
Loans receivables:		
Within 90 days	**175,500**	—
180 days to one year	**—**	45,000
	175,500	45,000

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

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	**—**	2,489
Impairment loss for the year	**45,000**	—
Written off as uncollectible	**—**	(2,489)
At end of year	**45,000**	—

The allowance for impairment loss of loans receivable as at 31 March 2016 was an individually impaired loans receivable amount of HK$45,000,000 with an original carrying amount of HK$45,000,000. As at 31 March 2015, there is no allowance for impairment loss of loans receivable.

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

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

	2016	2015
	HK$'000	*HK$'000*
Past due but not impaired	**—**	—
Neither past due nor impaired	**175,500**	45,000
	175,500	45,000

17. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2016

Acquisition of Hong Kong Leasing Group

On 1 September 2015, the Group acquired the entire share capital of Hong Kong Leasing pursuant to a Sales and Purchase Agreement dated 8 April 2015 at a total consideration of HK$1,581,945,000. The consideration was settled by way of allotment and issue of shares by the Company.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of financial leasing in the PRC. Goodwill of approximately HK$796,156,000 arising from the acquisition is attributable to the financial leasing segment of the Group.

None of the goodwill recognised is expected to be deductible for income tax purpose. The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognized at the date of acquisition.

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	14,001
Intangible assets	447,000
Finance lease receivables	834,494
Investment at fair value through profit or loss	17,717
Prepayments and other receivables	201,432
Cash and cash equivalents	172,114
Other payables and accruals	(91,615)
Bank borrowings	(779,210)
Deferred tax liabilities	(111,750)
Total identifiable net assets of subsidiaries assumed	704,183
Consideration receivables *(note)*	81,606
Goodwill *(note 13)*	796,156
	1,581,945
Total consideration satisfied by:	
Allot and issue of 2,361,112,121 new shares of the Company	1,581,945

Note:

Pursuant to the amended sales and purchase agreement, the base consideration shall be adjusted if the net asset value as stated in the Completion Audit Accounts is less than HK$389,000,000. Accordingly, 121,799,905 shares are to be repurchased by the company from the Vendors at no consideration. Details were set out in the Company's announcements dated 15 April 2016 and 21 April 2016.

Acquisition of Park Rise Investments Limited

On 19 January 2016, the Group acquired the entire share capital of Park Rise Investments Limited pursuant to a Sales and Purchase Agreement dated 13 January 2016 at a total consideration of approximately HK$157,988,000. Park Rise Investments Limited is an investment holding company and its major asset is an aircraft. The consideration was settled by cash.

The acquisition has been accounted for as an acquisition of asset. The effect of the acquisition is summarised as follows:

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	156,574
Cash and cash equivalents	556
Deposits and prepayments	2,637
Accruals	(1,779)
Total identifiable net assets of subsidiaries assumed	157,988
Total consideration satisfied by:	
Cash consideration paid during the year ended 31 March 2016	157,988

18. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2016

During the year ended 31 March 2016, the Group had entered into an agreement with an independent third party for the disposal of its subsidiaries. The aggregate net assets of these subsidiaries at their respective dates of disposal were as follows:

	2016 ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**846**
Biological assets	**61,310**
Goodwill	**101,883**
Prepaid lease payment	**44,473**
Intangible assets	**682,147**
Cash and cash equivalents	**2,149**
Prepayments, deposits and other receivables	**1,733**
Other payables and accruals	**(76)**
Deferred tax liabilities	**(184,446)**
Translation reserve	**2,698**
	712,717
Gain on disposal of subsidiaries	**7,283**
Consideration satisfied by cash and net inflow of cash and cash equivalents in respect of disposal of subsidiaries	**720,000**

Gain on disposal of approximately HK$7,283,000 has been included in profit for the year from discontinued operations for the year ended 31 March 2016.

19. COMPARATIVE FIGURES

As explained in note 10, due to the classification of discontinued operations, the loss/profit from continuing operations and the profit/loss from discontinued operations in the consolidated income statement have been revised. Accordingly, certain prior year comparative amounts have been reclassified and restated to conform to the current year's presentation.

20. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following significant events of the Group, not disclosed elsewhere in the consolidated financial statements, took place:

(a) On 12 April 2016, the Company announced that the Company and Taiping Petrochemical Financial Leasing Co., Ltd. entered into a non-legally binding strategic cooperation agreement, pursuant to the agreement, the parties will cooperate, but not limited to, in general credit facilities, leasing projects and general financial services. For further details of the cooperation, please refer to the announcements of the Company dated 12 April 2016.

(b) On 13 April 2016, the board of directors of the Company announced that on 11 April 2016, the Company has received from the China Construction Bank Corporation Limited Shenzhen Branch an approval of a comprehensive credit facilities of an amount up to RMB1,100,000,000 to the Company and its related companies, the actual terms of the credit facilities will be further negotiated upon individual loan application. For more detailed information, see the announcement of the Company dated 13 April 2016.

(c) On 15 April 2016 and 21 April 2016, the Company announced that a repurchase adjustment event has arisen, which pursuant to the amended S&P agreement on 2015, regarding the base consideration of acquisition shall be subject to adjustment by way of repurchase the Company shares at nil consideration.

On 14 June 2016, the Company held a Special General Meeting and approved the off-market buy-back of 117,870,706 ordinary Shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary Shares in the Company from Mr. Gao Chuanyi at nil consideration. The share repurchase relates to the acquisition of Hong Kong Leasing Group. Further details are contained in the Company's announcements dated 15 April 2016 and 21 April 2016.

(d) On 18 May 2016, the Company announced that the parties to the Sale & Purchase Agreement entered into a termination agreement in relation to the Acquisition (the "Termination Agreement"), pursuant to which the parties thereto have agreed to terminate the Sale & Purchase Agreement with effect from the date thereof and each party shall be released and discharged from all their obligations under the Sale & Purchase Agreement.

(e) As at 27 June 2015, the Company has incurred a substantial unrealized losses from investments at fair value through profit or loss — derivative financial instruments due to the decrease in share price of the underlying security.

CHIEF EXECUTIVE REPORT

On behalf of the board of directors (the "Board" or the "Directors") of China Innovative Finance Group Limited, ("CIFG" or the "Company" and, together with its subsidiaries, the "Group") (stock code: 0412.HK), I am pleased to present the annual results of CIFG for the 12 months ended 31 March 2016.

For CIFG, 2015/2016 was a year filled with both challenges as well as spectacular progress in our business. On 1 September last year, the Group officially completed the acquisition of Hong Kong Leasing Limited and its subsidiaries, with the Group renamed as CIFG Group, signifying the Group's vision of becoming an integrated financial service platform offering a full range of licensed services.

For the year ended 31 March 2016, the Group's turnover grew by 2,454%, year-on-year, to HK$96,992,000. The turnaround to profitability during the year was mainly attributable to change in fair value amounting to approximately HK$241 million (Year ended 31 March 2015: approximately HK$34 million), which was accounted for in the income statement for the current period, as well as profit before tax contributed from the leasing business amounting to approximately HK$70 million (Year ended 31 March 2015: nil). Profit attributable to owners of the Company amounted to HK$72 million (Year ended 31 March 2015: loss of approximately HK$129 million).

The financial market in 2016 has been dominated by risks associated with uncertainties in the outlook of monetary policies, global financial crises and the slowdown in China's economic growth. Conditions have been improved following measures adopted by the central bank of China to stabilise the RMB exchange rate by utilising the nation's foreign exchange reserves and tightening the regulation of capital flow, and to enhance economic growth and domestic liquidity by lowering benchmark interest rates and the bank reserve ratio. In connection with the financial industry, the General Office of the State Council published the "Guiding Opinion on Expediting the Development of the Financial Leasing Business" (《關於加快融資租賃業發展的指導意見》) in September last year as an important policy document in support of the financial leasing business, underpinning the determination of the government to drive the development of this sector. Such policies have provided strong support for CIFG as it strives to enhance its market competitiveness as a company positioned at the "wind gap" of the development of China's financial industry.

On the back of invaluable experiences inherited from the past, CIFG has been engaged in vigorous endeavours to deliver value to the community through the diversity of its innovative businesses and to add value for shareholders. The inclusion of the Group in the Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index during the year has facilitated the further expansion of the Group's investors' base, while effectively enhancing the public image and market position of the Company and providing a booster for the development of the Company's business.

The Group formulated short-term to long-term strategies for business development during the reporting period. Last year, we focused on achieving our short-term goals of broadening our coverage in the innovative financial service sector and enlarging our market share, while building a comprehensive network across China and establishing additional presence. During the reporting period, the Group completed the first step of its strategic move by securing strategic partners. These included China Taiping Insurance Holdings Company Limited, Haitong International Securities Group Limited and CCB International (Holdings) Limited, which have subscribed for our convertible bonds in a vote of confidence for the Group. Moreover, the Group entered into a strategic cooperation agreement with Beijing Wangrong Tianxia Financial Information Services Co., Ltd (北京網融天下金融信息服務有限公司) ("Licaifan" (理財範)) in May this year to embark on strategic cooperation in "industrial financing for listed companies". The Group tapped further into the Internet finance sector by commencing its consumer finance business through Licaifan, a well-established platform, with the benefit of mutual sharing of resources. Synergies are expected to be created between such new venture and the Group's existing businesses.

Future prospects

In 2016, many banks have adopted a tightened loan policy and reduced their lending to businesses, given volatile financial credit risks in the context of increasing uncertainties in the global economy and the economic downside of China. However, this might be favourable to the development of the financial leasing business, which is emerging to fill the gap left by traditional banking services by providing short to medium-term financing solutions to enterprises. For 2016, we anticipate continued volatility and uncertainties in economies around the world, including China, but we also believe that there will be underlying market opportunities.

On the back of a sound and efficient operating system developed since last year, the Group will embark on business expansion on all fronts and seek consistent asset growth, enrichment in product lines and improvements in operating results through horizontal integration and vertical expansion. In the medium term, CIFG will make dedicated efforts to create strategic synergies among various innovative financial service operations within its business regime and usher in the growth cycle of the enterprise. The Group intends to achieve its medium-term target of growing its customer base and making a major breakthrough in transaction scale through acquisitions and its own online financial services platform, leveraging unique policy support and advantages offered in different provinces in China, including Shenzhen and Qianhai Shenzhen-Hong Kong Cooperation Zone.

In addition, as a strategic partner of banks, CIFG will provide a platform for domestic leasing and lending transactions to help resolve issues relating to loan assets, leased assets and investment products of banks, with a view to bringing benefits to all parties involved. In the longer term, we are confident that we will grow into a reputable and influential non-banking financial institution offering a full range of comprehensive services.

May I take this opportunity to express appreciation to my fellow Directors and all employees for their wise counsel and total dedication during the past year which was full of challenges. I must also thank the shareholders and customers for their unfailing trust and support, which has provided constant driving force for our innovation and growth.

Ji Kewei
Deputy Chairman and Chief Executive

27 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has recorded a turnaround performance from a net loss of approximately HK$128,727,000 for the year ended 31 March 2015 to a net profit of approximately HK$71,696,000 for the year ended 31 March 2016. The profit is mainly attributable to the unrealized fair value gain of approximately HK$231,845,000 (2015: HK$41,732,000) arising from investments at fair value through profit or loss and the net profit of approximately HK$50,639,000 (2015: nil) from the financial leasing segment.

With an aim of supporting our business development, the Group has been continuously introducing institutional investors and strategic partners, such as Haitong International Investment Fund SPC, Taiping Trustees Limited and Sea Venture Investments Limited (an investment vehicle of China Construction Bank International) by way of the subscription to our convertible bonds with an aggregated amount of USD130 million (HK$1,007.5 million).

The proceeds from the convertible bonds were used for the Group's business development and working capital. During the reporting period, HK$187.5 million was used to obtain new contracts in the financial leasing business, HK$206 million was lent to our client as principal in the money lending segment, HK$365 million was invested in the securities and futures market for capital appreciation.

The Company is a financial investment holding company with its subsidiaries engaged in the following major lines of business during the fiscal year ended 31 March 2016.

a) Financial leasing

On 1 September 2015, the Group has completed the acquisition of a group of companies, which principally engages in financial leasing business, provision of consultancy services, provision of financial guarantee and operation of financial services platform in Hong Kong, Shenzhen, Shanghai and Beijing. The main subsidiaries include 翔龍融資租賃（深圳）有限公司(Shenzhen Hover Dragon Financial Leasing Co, Ltd.), 翔龍融資租賃（上海）有限公司 (Shanghai Hover Dragon Financial Leasing Co. Ltd.), 翔龍融資租賃（北京）有限公司 (Beijing Hover Dragon Financial Leasing Co. Ltd.) and 深圳亞太租賃資產交易中心有限公司 (Shenzhen Asia-Pacific Leasing Assets Exchange Center Co. Ltd.), covering leasing services of engineering facilities, medical, environmental protection and transportation facilities, etc. For further details of the acquisition, please refer to the announcements of the Company dated 10 April 2015 and 2 September 2015 and the circular of the Company dated 30 July 2015.

The financial leasing business recorded a positive result of approximately HK$70 million for the year ended 31 March 2016 (2015: nil) which has been consolidated into the Group after the date of completion of the acquisition on 1 September 2015. The management believes that the unique financial leasing transaction platform, which is one of only seven financial transaction platforms which possess the "Trading Business Qualification", can provide synergy effect with other segments of the Group to capture business opportunities in finance leasing industry.

b) Investment in listed and unlisted securities

The Group's securities portfolio had an unrealized fair value gain on investment at fair value through profit or loss of approximately HK$232 million for the year ended 31 March 2016 and a realized gain of approximately HK$9 million.

c) **Money lending business**

In January 2016, the money lending business segment operated with a Money Lenders Licence newly issued by the Hong Kong Government. Lending business will focus on lending with short term, high interest rate, collateral and low risk, aiming to optimizing funding reserve for financing lending. The business has recorded a turnover of approximately HK$8.2 million compared to last year's turnover of approximately HK$1 million. The increase of turnover was mainly due to the expansion of the business, the borrowing principal amounted to HK$371 million (2015: HK$45 million). The Group will continue to use a cautious approach to manage risk and upkeep the profitability of the business.

d) **Asset Trading Platform**

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

The Group's wholly-owned subsidiary, 深圳亞太租賃資產交易中心有限公司 (Shenzhen Asia-Pacific Leasing Assets Exchange Center. Co., Ltd.), rooted in Qianhai, and benefitting from the policy advantages of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Cooperation Area, plans to be a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform.

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

The Group owned a group of companies which holds forestlands as its principal assets, with a total area of approximately 63,035.29 mu located in Qinglong Manchu Autonomous County of Hebei Province, the PRC. Having considered the continuous losses incurred, the Group disposed of the investment in forest interest in August 2015 at a consideration of HK$720,000,000 to Trillion Cheer, an independent third party, so that the Group can focus on the development of the money lending and financial leasing businesses while seeking opportunities to diversify into other areas in order to enhance the Group's performance and increase shareholders' value.

PROSPECT

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

On 31 May 2016, after market close, the Group has been officially adopted by MSCI and included in its MSCI Hong Kong Small Cap Index as one of its constituent stocks. MSCI Hong Kong Small Cap Index provides valuable sources for investment decisions and is among the most widely used international equity benchmarks by institutional investors. The index includes constituent companies with excellent performance and development potential which meet certain criteria on market capitalization, liquidity and others. The inclusion of the Group into the MSCI Hong Kong Small Cap Index shows investors' recognition and confidence in our prospects and enhances our corporate image, thereby fostering future growth of our Group.

EVENT AFTER THE END OF THE REPORTING PERIOD

The event after the end of the reporting period are set out on note 20.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016, the Group's total assets and borrowings were approximately HK$5,897,307,000 and HK$2,359,086,000 respectively. The borrowings of the Group represented bank borrowings, three convertible bonds with a fixed rate of interest of 7% to 8% per annum and two unsecured seven-year bonds with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable and the bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) as at 31 March 2016 was approximately 40.0% (2015: 1.8%).

CURRENCY RISK MANAGEMENT

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

PLEDGE OF ASSETS

At 31 March 2016, the banking facilities of the Group were secured by bank deposits, finance lease receivables and investment in listed equity securities of the Company.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2016 (31 March 2015: Nil).

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

There was no purchase, redemption or sale of the Company's listed securities by the Company or any of its subsidiaries during the reporting period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

Save as disclosed in note 17 and above in this announcement, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 March 2016.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2016, the Group had a workforce, including directors of the Company, of 98, of which 76 were based in the PRC. Staff costs incurred and charged to profit or loss for the year including directors' remuneration but excluding equity-settled share based payment expenses, was approximately HK$38.5 million (2015: HK$10.9 million).

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2016, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The segregation of responsibilities between chairman and chief executive should be clearly established and set out in writing. Mr. Yau Wai Lung, an executive director, has been primarily responsible for the leadership of the Board and overall management and operation of the Company since he was appointed as the executive director on 19 August 2014. Mr. Ji Kewei, has assumed the roles of both deputy chairman and chief executive of the Company, and has been in charge of the overall management of the Company since he was so appointed 11 September 2015. The Company considered that the combination of the roles of deputy chairman and chief executive could promote the efficient formulation and implementation of the Company's strategies which enabled the Group to grasp business opportunities efficiently and promptly. The Company has not appointed a new chairman or chief executive separately, but when it does so it is expected that appropriate persons will be nominated to the different roles of chairman and chief executive.

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

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

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. For the year ended 31 March 2016, one non-executive director and one independent non-executive director were unable to attend the annual general meeting and special general meeting held on 18 September 2015 due to overseas commitments or other prior business engagements. One non-executive director and/or one or two independent non-executive directors were unable to attend other three special general meetings due to overseas commitments or other prior business engagements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises three independent non-executive directors of the Company. The Company's annual results for the year ended 31 March 2016 have been reviewed by the audit committee of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng 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 HLB Hodgson Impey Cheng Limited on the preliminary announcement.

COMPLICATION WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the year ended 31 March 2016.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.cifg.com.hk). The annual report for the year ended 31 March 2016 will be dispatched to the shareholders and will be available on websites of the Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 27 June 2016

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