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 2017

FINANCIAL RESULTS

The board of directors (the "Board" or "Directors") of China Innovative Finance Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
REVENUE	5	**193,511**	96,992
COST OF SERVICES		**(115,202)**	(43,276)
Other income	6	**3,347**	5,887
Other net loss	6	**(21,937)**	(47,256)
Fair value gains on investments at fair value through profit or loss, net	7	**409,448**	240,842
Employee benefit expenses	7	**(52,357)**	(38,131)
Depreciation	7	**(15,257)**	(6,522)
Minimum lease payments under operating lease in respect of land and buildings		**(9,959)**	(8,401)
Administrative expenses		**(87,313)**	(46,163)
Finance costs	8	**(113,483)**	(42,033)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**190,798**	111,939
Income tax expense	9	**(31,442)**	(41,459)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**159,356**	70,480
Discontinued operations			
Profit for the year from discontinued operations		—	1,216
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**159,356**	71,696
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations			
Basic	10	**HK0.83 cents**	HK0.39 cents
Diluted	10	**HK0.83 cents**	HK0.39 cents
From continuing operations			
Basic	10	**HK0.83 cents**	HK0.38 cents
Diluted	10	**HK0.83 cents**	HK0.38 cents

Details of dividend are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**159,356**	71,696
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to consolidated income statement:		
Release of translation reserve arising on disposal of subsidiaries	—	2,698
Exchange difference arising on translation of foreign operations	**(60,077)**	(4,672)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(60,077)**	(1,974)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**99,279**	69,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**153,569**	168,698
Intangible assets		**1,248,269**	1,243,156
Available-for-sale investments		**345,400**	4,600
Finance lease receivables	12	**411,133**	664,576
Investments at fair value through profit or loss	13	**253,795**	96,010
Loans receivables	14	**—**	155,500
Restricted cash		**30,126**	72,127
Total non-current assets		**2,442,292**	2,404,667
CURRENT ASSETS			
Available-for-sale investments		**—**	340,800
Finance lease receivables	12	**215,995**	260,404
Investments at fair value through profit or loss	13	**1,578,957**	2,185,079
Loans receivables	14	**56,503**	20,000
Prepayments, deposits and other receivables		**196,487**	321,532
Restricted cash		**25,052**	37,204
Cash and cash equivalents		**220,544**	327,621
Total current assets		**2,293,538**	3,492,640

	2017	2016
	HK$'000	*HK$'000*
CURRENT LIABILITIES		
Other payables and accruals	**80,442**	207,183
Tax payable	**2,035**	1,382
Borrowings	**218,314**	922,381
Total current liabilities	**300,791**	1,130,946
NET CURRENT ASSETS	**1,992,747**	2,361,694
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,435,039**	4,766,361
NON-CURRENT LIABILITIES		
Borrowings	**313,105**	499,000
Convertible bonds	**743,522**	937,705
Deferred tax liabilities	**191,743**	170,301
Total non-current liabilities	**1,248,370**	1,607,006
Net assets	**3,186,669**	3,159,355
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Issued capital	**4,797**	4,828
Reserves	**3,181,872**	3,154,527
Total equity	**3,186,669**	3,159,355

Notes:

1. CORPORATE INFORMATION

China Innovative Finance Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and Rooms 1405–1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

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 trading platform, investments in securities, money lending and investment holding.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), 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 Hong Kong Institute of Certified Public Accountants (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 consolidated financial statements have been prepared under the historical cost basis, except for investments at fair value through profit or loss, which have been measured at fair values, as appropriate.

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

In the current year, the Group has applied, for the first time, the following amended HKFRSs ("amended HKFRSs") issued by the HKICPA which have become effective for the accounting period beginning on or after 1 April 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the amended 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.

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

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The Directors anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

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 recognises 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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the Directors do not anticipate that the application of these amended HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements in the future.

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 2017, 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; and

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

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

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

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and

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

	Investments in securities		**Money lending**		**Financial leasing**		**Unallocated**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue from external customers	**7,919**	—	**20,763**	8,215	**164,543**	88,777	**286**	—	**193,511**	96,992
Segment results	**234,932**	177,257	**20,660**	(39,747)	**208,378**	69,655	**—**	—	**463,970**	207,165
Reconciliations:										
Unallocated income									**3,611**	123
Unallocated finance costs									**(112,002)**	(38,420)
Unallocated expenses*									**(164,781)**	(56,929)
Profit before tax from continuing operations									**190,798**	111,939
Other segment information:										
Finance costs	**(645)**	(2,621)	**—**	—	**(836)**	(992)	**(112,002)**	(38,420)	**(113,483)**	(42,033)
Depreciation	**—**	—	**—**	—	**(4,625)**	(3,476)	**(10,632)**	(3,046)	**(15,257)**	(6,522)
Fair value gains on investments at fair value through profit or loss, net**	**241,536**	184,133	**—**	—	**167,912**	56,709	**—**	—	**409,448**	240,842
Impairment loss on available-for-sale investment	**(771)**	—	**—**	—	**—**	—	**—**	—	**(771)**	—
Impairment loss on loans receivables	**—**	—	**—**	(45,000)	**—**	—	**—**	—	**—**	(45,000)
Impairment loss on interest receivables	**—**	—	**—**	(2,232)	**—**	—	**—**	—	**—**	(2,232)
Loss on disposal of property, plant and equipment	**—**	—	**—**	—	**—**	—	**(3)**	(24)	**(3)**	(24)
Loss on redemption of convertible bonds	**—**	—	**—**	—	**—**	—	**(21,934)**	—	**(21,934)**	—
Capital expenditure***	**—**	—	**—**	—	**—**	455	**1,282**	2,913	**1,282**	3,368

* Unallocated expense mainly included employee benefit expenses of approximately HK$36,463,000 (2016: HK$24,047,000), legal and professional fees of approximately HK$10,757,000 (2016: HK$11,432,000) and exchange loss of approximately HK$14,054,000 (2016: HK$10,271,000).

** For the year ended 31 March 2017, there was a fair value gain on investments at fair value through profit or loss of approximately HK$167,912,000 (2016: HK$56,709,000) included in the segment results of the financial leasing segment. The fair value gain on investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value gain on an unlisted investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such unlisted investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such fair value gain on investment have been recorded under the financial leasing segment for the years ended 31 March 2017 and 2016.

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

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

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

	2017	2016
	HK$'000	*HK$'000*
Segment assets:		
Investment in securities	**1,610,243**	2,217,712
Money lending	**118,434**	327,403
Financial leasing	**2,295,786**	2,633,497
	4,024,463	5,178,612
Unallocated assets	**711,367**	718,695
Total assets	**4,735,830**	5,897,307
Segment liabilities:		
Investment in securities	**5,665**	634,325
Financial leasing	**496,627**	787,858
	502,292	1,422,183
Unallocated liabilities	**1,046,869**	1,315,769
Total liabilities	**1,549,161**	2,737,952

Revenue from external customers

The Group's revenue from continuing operations is substantially derived from its external customers in Hong Kong and other parts of the People's Republic of China ("PRC").

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**40,907**	38,174

Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. The geographical information about the Group's revenue based on the locations of the customers and non-current assets based on the locations of the assets is set out below:

	Revenue from external customers		Non-current assets *(note)*	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**28,968**	8,215	**159,960**	157,928
Other parts of the PRC	**164,543**	88,777	**1,272,004**	1,326,053
	193,511	96,992	**1,431,964**	1,483,981

Note: Non-current assets exclude available-for-sale investments, finance lease receivables, investments at fair value through profit or loss and loans receivables.

5. REVENUE

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

	2017	2016
	HK$'000	*HK$'000*
An analysis of revenue from continuing operations is as follows:		
Financial leasing income	**105,484**	48,315
Consultancy services income	**54,098**	38,982
Interest income from money lending operations	**19,121**	6,183
Interest income from a convertible bond	**190**	—
Handling fee income	**6,889**	3,512
Dividend income from investments at fair value through profit or loss	**7,729**	—
	193,511	96,992

6. OTHER INCOME AND OTHER NET LOSS

	2017	2016
	HK$'000	*HK$'000*
Other income:		
An analysis of other income from continuing operations is as follows:		
Bank interest income	**2,422**	3,307
Government subsidy *(note)*	**681**	2,377
Sundry income	**244**	203
	3,347	5,887
Other net loss:		
Loss on disposal of property, plant and equipment	**(3)**	(24)
Loss on redemption of convertible bonds	**(21,934)**	—
Impairment loss on loans receivables	**—**	(45,000)
Impairment loss on interest receivables	**—**	(2,232)
	(21,937)	(47,256)

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 BEFORE TAX FROM CONTINUING OPERATIONS

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

	2017 *HK$'000*	2016 *HK$'000*
Auditors' remuneration:		
— audit services	**2,400**	2,349
— non-audit services	**619**	2,688
	3,019	5,037
Employee benefit expenses:		
Directors' remuneration:		
— Fee	**1,092**	638
— Salaries and allowances	**10,085**	8,302
— Retirement benefit scheme contributions (defined contribution scheme)*	**53**	36
— Emolument Shares	**2,726**	2,781
Sub-total	**13,956**	11,757
Other staff's costs:		
— Salaries and allowances	**36,207**	20,313
— Retirement benefit scheme contributions (defined contribution scheme)*	**2,194**	1,061
— Inducement fee	**—**	5,000
Sub-total	**38,401**	26,374
Total employee benefit expenses	**52,357**	38,131
Sales proceeds from disposal of securities	**(769,716)**	(189,768)
Carrying amount of securities	**724,108**	176,184
Realised gains from investments at fair value through profit or loss — securities *(note 13(b)(ii))*	**(45,608)**	(13,584)
Unrealised (gains)/losses from investments at fair value through profit or loss — securities and bond *(note 13(b)(i))*	**(867,184)**	262,732
Fair value (gains)/losses on investments at fair value through profit or loss — securities and bond, net	**(912,792)**	249,148
Realised losses from investments at fair value through profit or loss — derivative financial instruments *(note)*	**503,344**	4,587
Unrealised gains from investments at fair value through profit or loss — derivative financial instruments	**—**	(494,577)
Fair value losses/(gains) on investments at fair value through profit or loss — derivative financial instruments, net	**503,344**	(489,990)
Fair value gains on investment at fair value through profit or loss, net	**(409,448)**	(240,842)
Net foreign exchange loss	**14,054**	10,271
Impairment loss on available-for-sale investments	**771**	—
Impairment loss on loans receivables	**—**	45,000
Impairment loss on interest receivables	**—**	2,232
Loss on disposal of property, plant and equipment	**3**	24
Loss on redemption of convertible bonds	**21,934**	—
Depreciation	**15,257**	6,522

Note:

The amount mainly included realised losses on call option of China New City Commercial Development Ltd. of HK$495,400,000.

* As at 31 March 2017, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2016: Nil).

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
An analysis of finance costs from continuing operations is as follows:		
Interest on bank borrowings wholly repayable within five year	**7,688**	2,671
Interest on margin and other loans	**645**	2,621
Amortised interest on bonds	**1,142**	1,138
Amortised interest on convertible bonds	**104,008**	35,603
	113,483	42,033

9. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not generate any assessable profits for both years.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2017	2016
	HK$'000	*HK$'000*
Current tax		
— Over-provision for Hong Kong Profits Tax in prior year	**—**	432
— PRC Enterprise Income Tax	**(5,630)**	(4,316)
— Under-provision for PRC Enterprise Income Tax	**(337)**	—
	(5,967)	(3,884)
Deferred tax expense	**(25,475)**	(37,575)
Total income tax expense recognised in consolidated income statement	**(31,442)**	(41,459)

10. EARNINGS PER SHARE FOR PROFITS ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2017	2016
	HK$'000	*HK$'000*
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**159,356**	71,696
Number of shares '000		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**19,236,701**	18,293,308
Effect of dilutive potential ordinary shares		
Share options	**63,958**	94,507
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**19,300,659**	18,387,815
Basic earnings per share (in HK cents)	**0.83**	0.39
Diluted earnings per share (in HK cents)	**0.83**	0.39

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**159,356**	71,696
Less: Earnings for the year attributable to owners of the Company from discontinued operations	**—**	(1,216)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**159,356**	70,480

Diluted earnings per share did not assume the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the year ended 31 March 2017.

Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the year ended 31 March 2017.

From discontinued operations

For the year ended 31 March 2016, basic and diluted earnings per share for the discounted operation was HK$0.01 cents per share, based on the earning from the discontinued operation of approximately HK$1,216,000, and the denominators are the same as those detailed above for basic and diluted earnings per share.

11. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

12. FINANCE LEASE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Present value of minimum lease payments receivables	**627,128**	924,980
Less: Current portion included under current assets	**(215,995)**	(260,404)
Amounts due after one year included under non-current assets	**411,133**	664,576

Financial lease receivables of approximately HK$450,557,000 (2016: HK$668,467,000) were pledged to secure the bank borrowings obtained by the Group.

The Directors 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 2017.

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

	2017	2016
	HK$'000	*HK$'000*
Minimum lease payments receivables	**712,142**	1,093,980
Less: Unearned finance income related to minimum lease payments receivables	**(85,014)**	(169,000)
Present value of minimum lease payments receivables	**627,128**	924,980

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

	2017	2016
	HK$'000	*HK$'000*
— Within one year	**268,247**	337,485
— In the second year	**333,254**	282,439
— In the third to fifth years	**110,641**	474,056
	712,142	1,093,980

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

	2017	2016
	HK$'000	*HK$'000*
— Within one year	**215,995**	260,404
— In the second year	**309,758**	226,532
— In the third to fifth years	**101,375**	438,044
	627,128	924,980

The Group's finance lease receivables are denominated in Renminbi.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Listed equity investment, at fair value *(notes a and b)*:		
In the PRC	**253,795**	96,010
Current assets		
Held-for-trading listed equity investments, at fair value *(note b)*:		
In Hong Kong	**757,079**	1,119,830
In elsewhere	**—**	4,933
Sub-total	**757,079**	1,124,763
Unlisted equity investment, at fair value *(note b)*:		
In elsewhere	**265,837**	—
Unlisted convertible bond, at fair value *(note b)*:		
In Hong Kong	**394,190**	—
Investment fund, at fair value		
In elsewhere	**161,851**	—
Sub-total	**821,878**	—
Total	**1,578,957**	1,124,763
Current assets		
Derivative financial instruments, at fair value:		
Call options		497,000
Futures contracts		562,678
Warrants		638
Total		1,060,316

Notes:

(a) The Group hold 29,951,000 shares (2016: 30,000,000 shares) of Yunnan Highway Construction Group ("Yunnan Highway"), representing 8.32% (2016: 8.33%) of its issued share capital. Shares of Yunnan Highway are listed in the National Equities Exchange and Quotations in the PRC during the year ended 31 March 2017.

(b) (i) Unrealised gains from investments at fair value through profit or loss — securities and bond:

Nature of investments	Number of shares held as at 31 March 2017	Percentage of shareholding as at 31 March 2017	Fair value/carrying amount as at 31 March 2017	as at 31 March 2016	Percentage to the Group's net assets as at 31 March 2017
		%	*HK$'000*	*HK$'000*	*%*
Non-current assets					
Listed equity investment in the PRC					
Yunnan Highway (Stock code: 839650)	29,951,000	8.32%	253,795	96,010	7.96%
Current assets					
Listed equity investments in Hong Kong					
China Smarter Energy Group Holdings Limited (stock code: 1004)	777,736,000	8.30%	614,411	559,970	19.28%
Far East Holdings International Limited (stock code: 36)	11,814,000	1.08%	8,979	7,442	0.28%
Huatai Securities Co., Ltd. (stock code: 6886)	2,600	—	39	48	—
Huo Tian Development Group Ltd. (stock code: 474)	330,000,000	7.89%	133,650	—	4.19%
Disposed securities			—	552,370	
			757,079	1,119,830	23.75%
Listed equity investments in the PRC					
Western Securities (stock code: 2673)	—	—	—	324	—
Guidong Electric Power (stock code: 660310)	—	—	—	4,608	—
Huaxia Bank (stock code: 600015)	—	—	—	1	—
			—	4,933	—
Unlisted equity investment outside Hong Kong					
Ba Shen Bai Asia Investment Limited	4,500	45.00%	265,837	—	8.34%
Unlisted convertible bond in Hong Kong					
Code Agriculture (Holdings) Limited (1,000,000,000 conversion shares)	—	N/A	394,190	—	12.37%
Investment fund outside Hong Kong					
Haitong International Investment Fund	200,000	N/A	161,851	—	5.08%
			1,578,957	1,124,763	49.54%

	Unrealised gains
	HK$'000
Unrealised gains of Hong Kong securities and bond for the year, net	427,119
Unrealised gains of outside Hong Kong (including PRC) securities for the year, net	440,065
Unrealised gains from investments at fair value through profit or loss *(note 7)*	867,184

(b) (ii) Realised gains from investments at fair value through profit or loss — securities:

	Disposal amount	**Carrying amount**	**Realised gains**
	HK$'000	*HK$'000*	*HK$'000*
Realised gains of Hong Kong securities for the year, net	754,892	709,330	45,562
Realised gains of outside Hong Kong (including PRC) securities for the year, net	14,824	14,778	46
Realised gains from investments at fair value through profit or loss *(note 7)*	769,716	724,108	45,608

14. LOANS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Loans receivables	**101,503**	220,500
Less: allowance for impairment loss	**(45,000)**	(45,000)
	56,503	175,500
Less: amount classified as current assets	**(56,503)**	(20,000)
Non-current portion	**—**	155,500

Except for a loan receivable with a carrying amount of approximately HK$45,473,000 (2016: HK$155,500,000) as at 31 March 2017, which was secured by the pledge of collateral, all of the loans receivables as at 31 March 2017 and 2016 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:

	2017	2016
	HK$'000	*HK$'000*
Loans receivables:		
Within 90 days	**45,424**	175,500
181 days to one year	**11,079**	—
	56,503	175,500

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

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**45,000**	—
Impairment loss for the year	**—**	45,000
At end of year	**45,000**	45,000

No impairment loss was recognised during the year ended 31 March 2017.

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.

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:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**56,503**	175,500

15. COMPARATIVE FIGURES

Certain comparative figures have been represented to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, the Chinese government continued to implement policies that were favorable for the financial leasing industry. In March 2016, the Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") issued the *Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui 2016 No. 36), switching to VAT for the financial leasing industry, and thereby reducing the tax burden for the industry; in the same month, the People's Bank of China ("PBOC") and the China Banking Regulatory Commission ("CBRC") published the *Guidance on Increased Financial Support for New Consumption Sector* to support the development of the financial leasing industry.

As for the business factoring industry, ten ministries and commissions, including the Ministry of Commerce ("MOFCOM"), National Development and Reform Commission ("NDRC"), Ministry of Industry and Information Technology of the People's Republic of China ("MIIT"), MOF, and PBOC, jointly published *The Thirteenth Five-year Development Plan for Domestic Trade Flows* on 11 November 2016 to encourage trading companies to set up credit appraisal systems and raise funds through business factoring so as to reduce financing costs.

On 5 December 2016, the Shenzhen-Hong Kong Stock Connect scheme was officially launched. Leveraging on the Shanghai-Hong Kong Stock Connect scheme, it further enhanced the connection to promote the further development of the capital markets in both Mainland China and Hong Kong. The establishment of the Shenzhen-Hong Kong Stock Connect scheme attracted more overseas funds and helped to boost the stock trading volume and explore more investment space with the potential.

Financial Results and Business Overview

The Board announces that the Group has recorded a net profit of approximately HK$159.4 million for the year ended 31 March 2017 (2016: HK$71.7 million). The profit is mainly attributable to the net fair value gain of approximately HK$409.4 million (2016: HK$240.8 million) arising from investments at fair value through profit or loss.

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

On 29 September 2016, the Company announced that Shandong Hi-Speed Group Co. Limited ("Shandong Hi-Speed Group"), a large, state-owned commercial conglomerate group, became a strategic shareholder of the Company. The investment of Shandong Hi-Speed Group indicated not only its recognition of CIFG's strength, but also its confidence in the prospect of CIFG.

On 25 April 2017, the Group announced the proposal to purchase 40% of issued share capital of Shandong Hi-Speed (BVI) International Holding Company Limited (the "Target Company"), a member of the controlling shareholder, for the consideration of HK$1.5 billion to be satisfied by the allotment and issuance of 5,000,000,000 shares at HK$0.3 per share at completion. For details, please refer to the Company's announcement dated 25 April 2017. Unlike its direct ownership in and operation of other financial leasing business, the Company intends to leverage on the advantages of Shandong Hi-Speed Group ownership and continued management of the Target Company and its subsidiaries (the "Target Group"). Based on the understanding that Shandong Hi-Speed Group shall remain as the only controller of the Target Group and continue to exert its influence over the Target Group, the Company intends to invest in the Target Group as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Company will only acquire 40% of the issued share capital of the Target Company. Upon completion, the minority interest in the Target Company acquired by the Company will be held as part of its capital investment alongside with its investments in other listed or unlisted securities portfolio. The Target Company will be accounted for an available for sale investment of the Company pursuant to the accounting policies adopted by the Company.

On 1 October 2016, the Group acquired the entire share capital of China Innovative Finance Securities Limited (formerly known as Stephil Securities Limited) pursuant to a sales and purchase agreement dated 10 March 2016.

The Company is a financial investment holding company with its subsidiaries engaged in the following major lines of business during the year ended 31 March 2017:

a) Financial leasing

The financial leasing business recorded a profit of approximately HK$208 million for the year ended 31 March 2017 (2016: HK$70 million).

b) Securities investment

The Group's securities portfolio had an unrealized fair value gain on investments at fair value through profit or loss of approximately HK$699 million for the year ended 31 March 2017 (2016: HK$175 million) and a realized loss of approximately HK$457 million (2016: realized gain of approximately HK$9 million).

c) Money lending business

For the year ended 31 March 2017, the money lending business recorded a turnover of approximately HK$21 million (2016: HK$8.2 million). The increase in turnover was mainly due to business expansion. The Group will continue to use a cautious approach to manage risk and upkeep the profitability of the business.

d) Asset trading platform

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

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

e) Business factoring

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

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

The business factoring operations recorded a loss of approximately HK$2.4 million for the year ended 31 March 2017.

f) Security brokerage business

On 1 October 2016, the Group acquired the entire share capital of China Innovative Finance Securities Limited (formerly known as Stephil Securities Limited) pursuant to a sales and purchase agreement dated 10 March 2016.

The Group owns and operates a company, which is a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO (Chapter 571 of the laws of Hong Kong), to provide services as a securities trading platform for individual account and corporate account.

For the year ended 31 March 2017, the security brokerage business recorded a loss of approximately HK$0.3 million.

Prospect

The central government has expressly indicated again that "One Belt, One Road" initiative is an important strategic concept to support many countries to enhance infrastructure and embark on international capacity cooperation, providing a new driver for global economic growth. The numerous investment fields of "One Belt, One Road", including infrastructure construction (including financial and social infrastructure), real estate development, and medical facilities and equipment, require the involvement of financial leasing company to make better use of the funds. By investment in Target Group's business, the Company will further explore the investment opportunities presented in over 60 countries along "One Belt, One Road".

As for the internet financing industry, regulators in China have issued a series of new rules and regulatory policies to protect the interests of the public. In 2016, the *Implementation Plan for the Special Campaign on Internet Insurance Risks and Interim Measures for Administration of the Business Activities of Network-based Lending Information Intermediary Agencies* were published to further strengthen the regulation on the internet financing industry. Following the transformation and reshuffling stage, China's internet financing industry has eventually travelled on the positive track of normalization. the Company will proactively seize market opportunities to opportunely expand into the internet financing sector.

Meanwhile, the Company will continue to implement a consistent M&A strategy to realize its vision of becoming an integrated financial platform offering a comprehensive spectrum of financial services. Currently, the Company is closely watching overseas developed financial markets for appropriate M&A opportunities in an attempt to further diversify the business risks of the Group and create value for shareholders.

EVENT 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 25 April 2017, the Company announced that the Company, Shandong International (Hong Kong) Limited (山東國際（香港）有限公司) (the "Seller") and Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司) (as guarantor for Shandong International) entered into a sales and purchase agreement (the "Agreement"), pursuant to which the Company conditionally agreed to acquire, and Shandong International conditionally agreed to sell, 40% of the issued share capital of the Shandong Hi-Speed (BVI) International Holding Company Limited in accordance with the terms and conditions of the Agreement. Shandong International has agreed to guarantee to the Company the performance of all obligations of Shandong International under the Agreement. The consideration shall be HK$1,500,000,000, which shall be satisfied by the allotment and issuance by the Company of 5,000,000,000 consideration shares at the issue price of HK$0.3 per consideration share to Shandong International at completion of the acquisition in accordance with the terms and conditions of the Agreement. The consideration shares will be issued under a specific mandate to be sought at the special general meeting of the Company. Immediately upon completion, the Company will indirectly hold 40% of the total issued share capital of the Shandong Hi-Speed (BVI) International Holding Company Limited.

    On 16 May 2017, the Company further announced that in relation to, among other things, the acquisition of 40% of the issued share capital of the Shandong Hi-Speed (BVI) International Holding Company Limited and the application for whitewash waiver, the Company has applied for, and the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate has granted, its consent for an extension of time for the despatch of the circular to not later than 30 June 2017.

    On 30 June 2017, the Company further announced that in relation to, among other things, the acquisition of 40% of the issued share capital of the Shandong Hi-Speed (BVI) International Holding Company Limited and the application for whitewash waiver, the Company has applied for, and the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate indicated that it is minded to grant, its consent for an extension of time for the despatch of the circular to not later than 27 July 2017.

(b) On 12 May 2017, the Company announced that the head office and principal place of business of the Company in Hong Kong will be changed to Rooms 1405-1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 13 May 2017. The telephone number and the facsimile number of the Company will remain unchanged.

(c) On 25 May 2017, the Company announced that Mr. Lau Yau Chuen, Louis has resigned as the company secretary and authorised representative of the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong with effect from 25 May 2017. The Board further announces that Mr. Hwang Hau-zen, Basil and Mr. Yeung Chun Lap, Jacky have been appointed as joint company secretaries and authorised representatives of the Company under the Listing Rules with effect from 25 May 2017.

* *For identification purpose only*

(d) On 30 June 2017, the Company announced that the Board proposed to change the English name of the Company from "China Innovative Finance Group Limited" to "China Shandong Hi-Speed Financial Group Limited" and its secondary name in Chinese from "中國新金融集團有限公司" to "中國山東高速金融集團有限公司" (the "Change of Company Name").

The Change of Company Name is subject to approval of the shareholders of the Company by way of a special resolution at the special general meeting and the new names being entered in register of companies by Registrar of Companies in Bermuda. A circular containing the special resolution approving the Change of Company Name will be dispatched to the shareholders of the Company as soon as practicable.

FUND RAISING ACTIVITIES

In August 2016, the Company early redeemed the 7% denominated convertible bonds with the aggregate principal amount of US$40 million (approximately HK$310 million) ("the CB 1") in full. Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 31 December 2017. Details of the CB 1 are set out in the Company's circular dated 24 December 2015.

Subsequent to the above redemption, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US$40 million (approximately HK$310 million) ("the CB 2"). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 16 August 2018. Details of the CB 2 are set out in the Company's circular dated 27 July 2016.

On 17 October 2016 and 5 January 2017, the Company has early partially redeemed the CB 2 in the principal amount of US$10 million and US$20 million respectively. As at 31 March 2017, the Company still held the CB 2 in the principal amount of US$10 million.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 March 2017 (2016: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group's total assets and borrowings were approximately HK$4,736 million and HK$1,275 million respectively. The borrowings of the Group represented bank borrowings of approximately HK$511 million, three convertible bonds in the aggregate principal amount of approximately HK$744 million with a fixed rate of interest of 8% per annum and two unsecured seven-year bonds of approximately HK$20 million with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable and the bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings divided by total assets) as at 31 March 2017 were approximately 26.9% (2016: 40%).

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. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

PLEDGE OF ASSETS

As at 31 March 2017, the banking facilities of the Group were secured by property, plant and equipment, finance lease receivables and restricted cash of the Company.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group had no material contingent liabilities and capital commitment as at 31 March 2017 (31 March 2016: Nil).

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

On 14 June 2016, the Company held a special general meeting and approved the off-market buy-back of 117,870,876 ordinary shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary shares in the Company from Mr. Gao Chuanyi at nil consideration. The share repurchase is related to the acquisition of Hong Kong Leasing Group. The buy-back of an aggregate number of 121,799,905 shares was completed on 22 August 2016. Further details are set out in the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016.

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 March 2017.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2017, the Group had a workforce, including directors of the Company, of 100, of which 59 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$52.4 million (2016: HK$38.1 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 Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2017, 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. 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. Following the resignation of Mr. Ji Kewei on 18 October 2016, Mr. Li Hang was appointed as non-executive director of the Company and chairman of the Board on the same day. On 9 December 2016, Ms. Cheng Yan was appointed as executive director and chief executive of the Company. Since then, the roles of chairman and chief executive were separated and performed by two individuals.

The independent non-executive directors are not appointed for a specific term and thus, the Company has deviated from Code Provision A.4.1 which requires non-executive directors to be appointed for specific term. However, as specified by the Company's bye-laws, 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. Therefore, 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 C.1.2 which requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the year, the management of the Company did not provide monthly updates to all members of the Board as required by Code Provision C.1.2, as all the executive directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all directors (including non-executive directors and independent non-executive directors) half-yearly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company. In addition, the management of the Company has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

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.

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 2017 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 2017 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the year ended 31 March 2017.

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 2017 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
Li Hang
Chairman

Hong Kong, 30 June 2017

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