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CHINA INVESTMENT AND FINANCE GROUP LIMITED

中國投融資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1226)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2013.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

	Note	Unaudited	
		six months ended 30 September 2013	2012
		HK\$'000	HK\$'000
Gross proceeds from disposal of securities		79,489	–
Revenue	3(a)	3,592	4,138
Net realised gain on disposal of financial assets at fair value through profit or loss		6,088	–
Net realised gain on disposal of available-for-sale financial assets		–	109
Net unrealised loss on financial assets at fair value through profit or loss		(4,316)	(351)
Other income	3(b)	921	–
Administrative expenses		(10,356)	(10,609)
Loss from operations	5	(4,071)	(6,713)
Finance costs		–	–
Loss before tax		(4,071)	(6,713)
Income tax expense	6	–	–
Loss for the period		(4,071)	(6,713)
Loss attributable to shareholders of the Company		(4,071)	(6,713)
– Dividend	7	–	–
Loss per share			
– Basic, HK cents	8	(0.01)	(0.01)
– Diluted, HK cents	8	(0.01)	(0.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Unaudited	
	six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(4,071)	(6,713)
Other comprehensive income:		
Exchange loss on translating available-for-sale financial assets	–	(93)
Exchange loss on translation of foreign operations	–	(33)
Net gain/(loss) arising on revaluation of available-for-sale financial assets	<u>(2,968)</u>	<u>4,515</u>
Other comprehensive income/(expense) for the period, net of tax	<u>(2,968)</u>	<u>4,389</u>
Total comprehensive expense for the period	<u>(7,039)</u>	<u>(2,324)</u>
Total comprehensive expense attributable to shareholders of the Company	<u>(7,039)</u>	<u>(2,324)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2013 <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		33,514	32,588
Available-for-sale financial assets	9	<u>274,505</u>	<u>277,473</u>
		<u>308,019</u>	<u>310,061</u>
Current assets			
Derivative financial instruments		34,943	34,943
Financial assets at fair value through profit or loss	10	9,144	13,461
Prepayments, deposits and other receivables	11	69,331	95,358
Cash and cash equivalents		<u>118,137</u>	<u>93,282</u>
		<u>231,555</u>	<u>237,044</u>
Current liabilities			
Accruals		384	588
Current tax liabilities		<u>132</u>	<u>419</u>
		<u>516</u>	<u>1,007</u>
Net current assets		<u>231,039</u>	<u>236,037</u>
Net assets		<u><u>539,058</u></u>	<u><u>546,098</u></u>
Capital and reserves			
Share capital		116,316	116,316
Reserves		<u>422,742</u>	<u>429,782</u>
Total equity		<u><u>539,058</u></u>	<u><u>546,098</u></u>
Net assets value per share (in HK\$)	12	<u><u>0.93</u></u>	<u><u>0.94</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 March 2013.

Summary of significant accounting policies

The Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current period and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND OTHER INCOME

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

	Unaudited	
	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Revenue:		
Dividend income from financial assets at fair value through profit or loss	158	161
Interest income from available-for-sale financial assets	3,212	3,968
Interest income from bank and brokers' accounts	222	8
	<u>3,592</u>	<u>4,137</u>
(b) Other income:		
Net foreign exchange gain	921	–
	<u>921</u>	<u>–</u>
	<u>4,513</u>	<u>4,137</u>

4. SEGMENT INFORMATION

For the six months ended 30 September 2013 and 2012, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

Geographical information

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

	Revenue		Non-current assets	
	30/9/2013	30/9/2012	30/9/2013	31/3/2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	3,593	4,138	1,845	302
PRC (not including Hong Kong)	–	–	31,669	32,286
	<u>3,593</u>	<u>4,138</u>	<u>33,514</u>	<u>32,588</u>

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

5. LOSS FROM OPERATIONS

Unaudited
Six months ended 30 September
2013 2012
HK\$'000 *HK\$'000*

Loss from operations has been arrived at after charging:

Directors' remunerations

– Fees	350	460
– Other remunerations	–	–

Total directors' remunerations

350	460
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Staff costs

– Salaries	1,949	2,011
– Provident fund contributions	47	28

Total staff costs (excluding directors' remunerations)

1,996	2,039
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Depreciation

1,069	891
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Investment manager fee

480	1,500
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Operating lease payments

in respect of office premise	2,537	3,087
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6. INCOME TAX EXPENSE

No Hong Kong profits tax had been provided for the six months ended 30 September 2013 as the Group has no estimated assessable profits.

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of approximately HK\$4,071,000 (six months ended 30 September 2012: HK\$6,713,000) and the weighted average number of 581,580,000 (six months ended 30 September 2012: 581,580,000) ordinary shares in issue during the period.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

Available-for-sale financial assets comprise:

	2013 30 September <i>HK\$'000</i> (Unaudited)	2013 31 March <i>HK\$'000</i> (Audited)
Unlisted equity securities, at fair value	102,043	102,043
Listed debt securities, at fair value	22,308	25,276
Unlisted convertible debt securities (excluding fair value of embedded derivative), at fair value	150,154	150,154
Total	274,505	277,473

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2013 30 September <i>HK\$'000</i>	2013 31 March <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
Listed securities in Hong Kong, at market value	9,144	13,461

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2013
	30 September	31 March
	HK\$'000	HK\$'000
Interest receivable from debt securities	1,538	1,522
Other receivables	61,400	91,400
Deposits paid	838	2,259
	<hr/>	<hr/>
Financial assets	63,776	95,181
Prepayments	5,555	177
	<hr/>	<hr/>
	69,331	95,358
	<hr/> <hr/>	<hr/> <hr/>

Other receivables represent the consideration receivable arising from the disposal of an available-for-sale financial asset, during the six months ended 30 September 2013, of Ka Hang Development Limited. This was secured by a forestry ownership certificate owned by an independent third party, of which the forest is located at Mashi Village, Shixing Country, PRC, covering an area of approximately 3,506 acres of land, and personally guaranteed by three other independent third parties.

12. NET ASSETS VALUE PER SHARE

Net assets value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$539,058,000 (31 March 2013: approximately HK\$546,098,000) by the number of shares in issue at 30 September 2013, being 581,580,000 (31 March 2013: 581,580,000).

13. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2013 and 2012, the Group had the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

	Unaudited	
	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Investment manager's fee paid to:		
Success Talent Investments Limited (<i>note a</i>)	–	1,500
China Everbright Securities (HK) Limited (<i>note b</i>)	480	–
	<hr/>	<hr/>
	480	1,500
	<hr/> <hr/>	<hr/> <hr/>
Broker fee paid to:		
China Everbright Securities (HK) Limited	378	–
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Note:

- (a) The Company entered into an investment management agreement (“Previous Agreement”) with Success Talent Investments Limited with effect from 1 June 2011. Success Talent Investments Limited was entitled to receive an investment management fee on a monthly basis at HK\$250,000. On 28 September 2012, the Company sent a written confirmation notice to Success Talent Investments Limited to terminate the Previous Agreement with effect from 30 November 2012.

- (b) The Company has entered into an investment management agreement (“Existing Agreement”) with China Everbright Securities (HK) Limited (“EBSHK”) on 6 November 2012, pursuant to which EBSHK agreed to provide investment management services to the Company for a period of three years from 6 November 2012.

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

STATEMENT FROM THE MANAGEMENT

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2013, the Group recorded an increase in gross proceeds from disposal of securities of approximately HK\$79,489,000 (30 September 2012: NIL). The Group recorded a decrease in revenue from approximately HK\$4,138,000 to approximately HK\$3,592,000, representing a decrease of approximately 13.19%. The loss attributable to the owners of the Company for the period amounted from approximately HK\$6,713,000 to HK\$4,071,000 representing a decrease of approximately 39.36%. The unaudited consolidated net assets of the Group as of 30 September 2013 amounted to approximately HK\$539,058,000 (31 March 2013: approximately HK\$546,098,000). The net assets per share of the Group was amounted to approximately HK\$0.93 (31 March 2013: approximately HK\$0.94).

Investment Review

As at 30 September 2013, the Group’s major investments were as follows:

Investments	Description
Listed equities	HK\$9.1 million of a portfolio of listed shares in twelve companies
Listed debt securities	HK\$22.3 million of bonds issued by two listed companies
Investment funds	HK\$20.1 million in one investment fund
Convertible bonds	HK\$185.1 million in three unlisted convertible bonds securities
Direct investment in unlisted equities	HK\$81.9 million in two direct investments in unlisted equities securities
Total	HK\$318.5 million

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China during the period. The investment portfolio of the Company is of approximately HK\$318.5 million. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

Price Risk

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets at fair value through profit or loss were higher or lower by 5% as at 30 September 2013, the Group's loss for the period would increase or decrease by approximately HK\$457,200 (31 March 2013: HK\$673,000). If the price of the respective investments held by the Group as AFS financial assets were higher or lower by 5% as at 30 September 2013 (31 March 2013: 5%), the Group's equity as at 31 March 2013 would increase or decrease by approximately HK\$13,725,000 (31 March 2013: HK\$13,874,000).

Prospects

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

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the present continuous economic improvement in the PRC, the Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the Group.

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

Dividend

The Board has resolved not to recommend a payment of an interim dividend for the six months ended 30 September 2013 (2012: NIL).

Liquidity and Financial Resources

As at 30 September 2013, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$118,137,000 (31 March 2013: HK\$93,282,000), which was mainly placed in bank and other financial institution as deposits.

Gearing Ratio

As at 30 September 2013, no gearing ratio has been presented as no interest bearing debt existed.

Employees

During the six months ended 30 September 2013, the Group had retained seven employees (30 September 2012: eight employees). Total staff costs of the Group, excluding directors' remuneration, for the period under review amounted to approximately HK\$1,949,000 (30 September 2012: approximately HK\$2,039,000). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

SHARE OPTION SCHEME

Pursuant to a written resolution of the Company passed on 29 August 2013, the Company has conditionally adopted a share option scheme, which has been taken effect on 30 August 2013 (the "Share Option Scheme"). No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the effective date of the Share Option Scheme and up to 30 September 2013.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Throughout the six months ended 30 September 2013, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the board of directors confirms that the Group has complied with the public float requirement of the Listing Rules for the six months ended 30 September 2013.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2013, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Code") throughout the six months ended 30 September 2013, with deviations from code provisions A.4.1 of the Code that non-executive directors should be appointed for a specific term, subject to re-election.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2013, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, financial reporting, the adequacy of resources, qualification and experience of staff.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.chnif.com>). The 2013 interim report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 November 2013

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