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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 2014

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 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

		Unaudited six months ended 30 September	
	Note	2014 HK\$'000	2013 HK\$'000
Gross proceeds from disposal of securities		195,540	79,489
Revenue	3(a)	5,394	3,592
Net realised gain on disposal of financial assets held for trading		930	6,088
Net unrealised loss on financial assets held for trading		(819)	(4,316)
Other income	3(b)	485	921
Administrative expenses		(11,909)	(10,356)
Loss from operations	5	(5,919)	(4,071)
Finance costs		(35)	–
Loss before tax		(5,954)	(4,071)
Income tax expense	6	–	–
Loss for the period		(5,954)	(4,071)
Loss attributable to shareholders of the Company		(5,954)	(4,071)
– Dividend	7	–	–
Loss per share			
– Basic, HK cents	8	(0.01)	(0.01)
– Diluted, HK cents	8	(0.01)	(0.01)

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

For the six months ended 30 September 2014

	Unaudited	
	six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(5,954)	(4,071)
Other comprehensive income:		
Net gain/(loss) arising on revaluation of available-for-sale financial assets	<u>1,638</u>	<u>(2,968)</u>
Other comprehensive income/(expense) for the period, net of tax	<u>1,638</u>	<u>(2,968)</u>
Total comprehensive expense for the period	<u>(4,316)</u>	<u>(7,039)</u>
Total comprehensive expense attributable to shareholders of the Company	<u>(4,316)</u>	<u>(7,039)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		30,367	31,521
Derivative financial instruments		624	624
Available-for-sale financial assets	9	306,660	269,899
		337,651	302,044
Current assets			
Derivative financial instruments		13,844	13,844
Financial assets held for trading	10	11,679	9,591
Prepayments, deposits and other receivables	11	62,662	64,464
Tax recoverable		–	37
Cash and cash equivalents		75,360	59,269
		163,545	147,205
Current liabilities			
Accruals		257	438
Current tax liabilities		291	308
		548	746
Net current assets		162,997	146,549
Net assets		500,648	448,503
Capital and reserves			
Share capital	12	174,474	116,316
Reserves		326,174	332,187
Total equity		500,648	448,503
Net assets value per share (in HK\$)	13	0.57	0.77

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 Group's annual financial statements for the year ended 31 March 2014.

Significant accounting policies

The Group 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 2014. 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 Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group 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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Revenue:		
Dividend income from financial assets held for trading	110	158
Interest income from debt securities	5,247	3,212
Interest income from bank and brokers' accounts	37	222
	5,394	3,592
(b) Other income:		
Sundry income	475	–
Net foreign exchange gain	10	921
	485	921
	5,879	4,513

4. SEGMENT INFORMATION

For the six months ended 30 September 2014 and 2013, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

Geographical information

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

	Revenue		Non-current assets	
	30/9/2014	30/9/2013	30/9/2014	31/3/2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,394	3,593	1,153	1,443
PRC (not including Hong Kong)	–	–	29,214	30,078
	5,394	3,593	30,367	31,521
	5,394	3,593	30,367	31,521

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
2014 **2013**
HK\$'000 *HK\$'000*

Loss from operations has been arrived at after charging:

Directors' remunerations

– Fees	446	350
– Other remunerations	–	–

Total directors' remunerations

446	350
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Staff costs

– Salaries	2,375	1,949
– Provident fund contributions	51	47

Total staff costs (excluding directors' remunerations)

2,426	1,996
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Depreciation

1,243	1,069
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Investment manager's fee

480	480
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Operating lease payments

in respect of office premise	1,306	2,537
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6. INCOME TAX EXPENSE

No Hong Kong profits tax had been provided for the six months ended 30 September 2014 as the Group has no estimated assessable profits.

7. DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: 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\$5,954,000 (six months ended 30 September 2013: HK\$4,071,000) and the weighted average number of 872,370,000 (six months ended 30 September 2013: 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 of:

	2014 30 September <i>HK\$'000</i> (Unaudited)	2014 31 March <i>HK\$'000</i> (Audited)
Unlisted equity securities	110,987	75,864
Listed debt securities	15,912	14,274
Unlisted convertible debt securities (excluding fair value of embedded derivative)	144,464	144,464
Unlisted debt security	35,297	35,297
	<hr/>	<hr/>
Total	306,660	269,899
	<hr/> <hr/>	<hr/> <hr/>

10. FINANCIAL ASSETS HELD FOR TRADING

The Group

	2014 30 September <i>HK\$'000</i>	2014 31 March <i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	11,679	9,591
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The fair values of these listed securities are determined based on the quoted market bid prices at the end of reporting period.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 30 September <i>HK\$'000</i>	2014 31 March <i>HK\$'000</i>
Interest receivable from debt securities	5,508	2,208
Other receivables	56,406	61,400
Deposits paid	704	704
	<hr/>	<hr/>
Financial assets	62,618	64,312
Prepayments	44	152
	<hr/>	<hr/>
	62,662	64,464
	<hr/> <hr/>	<hr/> <hr/>

Other receivables represent the consideration receivable arising from the disposal of an available-for-sale financial asset, 21.66% equity interest of Ka Hang Development Limited. This was secured by a forestry ownership certificate owned by an independent third party, of which the forest is located at Mashi Village, Shixing Country, PRC, covering an area of approximately 3,506 acres of land, and personally guaranteed by three other independent third parties.

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.20 each '000	Amount HK\$'000
Authorised ordinary shares:		
At 1 April 2013	6,000,000	1,200,000
	<hr/>	<hr/>
At 31 March 2014 (Audited)	6,000,000	1,200,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid ordinary shares:		
At 1 April 2014	581,580	116,316
Issuance of shares upon open offer	290,790	58,158
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At 30 September 2014 (Unaudited)	872,370	174,474
	<hr/> <hr/>	<hr/> <hr/>

On 23 July 2014, the Company completed an open offer of 290,790,000 shares of HK\$0.20 each at a subscription price of HK\$0.20 per share. Accordingly, the issued share capital of the Company has been increased from HK\$116,316,000 to HK\$174,474,000. The net proceeds of approximately HK\$56,600,000 are intended to be used for future investments pursuant to the investment objectives of the Company and general working capital of the Company. Details of the open offer have been disclosed in the announcement dated on 9 June 2014 and the prospectus of the Company dated 30 June 2014.

13. NET ASSETS VALUE PER SHARE

Net assets value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$500,648,000 (31 March 2014: approximately HK\$448,503,000) by the number of shares in issue at 30 September 2014, being 872,370,000 (31 March 2014: 581,580,000).

14. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2014 and 2013, 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	
	2014	2013
	HK\$'000	HK\$'000
Investment manager's fee paid to:		
China Everbright Securities (HK) Limited (<i>note a</i>)	480	480
	<hr/>	<hr/>
	480	480
	<hr/> <hr/>	<hr/> <hr/>
Broker fee paid to:		
China Everbright Securities (HK) Limited	653	378
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) The Company has entered into an investment management 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.

15. LITIGATIONS

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

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

- (b) On 6 June 2014, the Company received a High Court action issued on 5 June 2014 wherein Mr. Zhou Weiquan, an ex- non-executive Director, claims against the Company and other Directors for inspection of documents and for obtaining copies of those documents from the Company. On 5 August 2014, the Company has received the Court of First Instance has approved that the originating summons dated on 4 August 2014, is to be discontinued against the Company.

For further details of the above litigation, please refer to the Company's announcements dated 6 June 2014, 5 August 2014 and the annual report 2014.

- (c) On 16 June 2014, the Company received a letter with a sealed copy of an originating summons issued on 12 June 2014 by Mr. Wei Zhuofu in the Court of First Instance of the High Court of Hong Kong against the Company and six Directors, seeking a permanent injunction restraining the Company from proceeding with the open offer to existing qualifying shareholders of the Company. On 17 June 2014, the Company received a letter with a copy of an interlocutory injunction issued on 17 June 2014 by Mr. Wei Zhuofu in the Court against the Company and six Directors, seeking an interlocutory injunction restraining the Company from proceeding with the open offer to existing qualifying shareholders of the Company.

On 2 July 2014, a notice of discontinuance has been filed by the Mr. Wei Zhuofu with the High Court of the Hong Kong Special Administrative Region of the People's Republic of China, whereby the Mr. Wei Zhuofu wholly discontinued the action in relation to the originating summons taken against the Company and other Directors.

For further details of the above litigation, please refer to the Company's announcements dated 16 June 2014, 17 June 2014, 19 June 2014, 2 July 2014 and the annual report 2014.

- (d) On 25 June 2014, the Company received a letter with a sealed copy of an originating summons issued on 25 June 2014 by Mr. Zhou Weiquan, an ex- non-executive Director, in the Court of First Instance of the High Court of Hong Kong against the Company and six Directors, seeking the declaration of the suspension and/or removal of the Mr. Zhou Weiquan as a director of Company is invalid. On 13 August 2014, the Company has received the Court of First Instance has approved that the originating summons dated on 12 August 2014, is to be discontinued against the Company.

For further details of the above litigation, please refer to the Company's announcements dated 25 June 2014, 13 August 2014 and annual report 2014.

STATEMENT FROM THE MANAGEMENT

The board of directors (the “Board”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2014, the Group recorded an increase in gross proceeds from disposal of securities of approximately HK\$195,540,000 (30 September 2013: HK\$79,489,000). The Group recorded an increase in revenue from approximately HK\$3,592,000 to approximately HK\$5,394,000, representing an increase of approximately 50%. The loss attributable to the owners of the Company for the period amounted from approximately HK\$4,071,000 to HK\$5,954,000 representing an increase of approximately 50%. The unaudited consolidated net assets of the Group as of 30 September 2014 amounted to approximately HK\$500,648,000 (31 March 2014: approximately HK\$448,503,000). The net assets per share of the Group was amounted to approximately HK\$0.57 (31 March 2014: approximately HK\$0.77).

Investment Review

As at 30 September 2014, the Group’s major investments were as follows:

Investments	Description
Listed equities	HK\$11.7 million of a portfolio of listed shares in ten companies
Listed debt securities	HK\$15.9 million of bonds issued by one listed company
Unlisted debt securities	HK\$35.3 million of bonds issued by one unlisted company
Unlisted convertible debt securities (excluding fair value of embedded derivate)	HK\$144.5 million in three unlisted convertible bonds securities
Unlisted equity securities	HK\$111.0 million in three direct investments in unlisted equities securities
Total	HK\$318.4 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\$318.4 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 2014, the Group's loss for the period would increase or decrease by approximately HK\$584,000 (31 March 2014: HK\$480,000). 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 2014 (31 March 2014: 5%), the Group's equity as at 31 March 2014 would increase or decrease by approximately HK\$15,333,000 (31 March 2014: HK\$14,220,000).

Prospects

We expect the global market will continue to face greater challenges and full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment. Meanwhile, China is also facing a slowdown in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist.

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the Group will still be based mainly on Chinese economy, the Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the Group.

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

Dividend

The Board has resolved not to recommend a payment of an interim dividend for the six months ended 30 September 2014 (2013: NIL).

Capital Structure

Open Offer

On 9 June 2014, the Company announced that it proposed to raise approximately HK\$58.1 million before expenses by way of issuing 290,790,000 offer shares at the subscription price of HK\$0.20 per offer share on the basis of one offer share for every two existing shares (the "Open Offer"). The Open Offer was underwritten by Emperor Securities Limited. The Open Offer was completed on 24 July 2014. Further details of the Open Offer were set out in the announcements of the Company dated 9 June 2014 and the prospectus of the Company dated 30 June 2014.

As at 30 September 2014, the share capital of the Company comprises of 872,370,000 issued shares with par value of HK\$0.2 as enlarged by the open offer shares.

Liquidity and Financial Resources

As at 30 September 2014, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$75,360,000 (31 March 2014: HK\$59,269,000), which was mainly placed in bank and other financial institution as deposits.

Gearing Ratio

As at 30 September 2014, no gearing ratio has been presented as no interest bearing debt existed.

Employees

During the six months ended 30 September 2014, the Group had retained eight employees (30 September 2013: twelve employees). Total staff costs of the Group, excluding directors' remuneration, for the period under review amounted to approximately HK\$2,375,000 (30 September 2013: approximately HK\$1,949,000). 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.

LITIGATION

Details of litigation are set out in Note 15 on the condensed consolidated financial statements.

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 2014.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Throughout the six months ended 30 September 2014, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the board of directors confirms that the Group has complied with the public float requirement of the Listing Rules for the six months ended 30 September 2014.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2014, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Code”) throughout the six months ended 30 September 2014, with deviations from code provisions A.4.1 of the Code that non-executive directors should be appointed for a specific term, subject to re-election.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code for securities transactions by directors of the Group. Having made specific enquiry of all directors, the Group confirmed that all directors have complied with the required standard set out in the Model Code throughout the 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 2014, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, financial reporting, the adequacy of resources, qualification and experience of staff.

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 2014 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, 26 November 2014

As at the date of this announcement, the Board comprises Mr. CHAN Cheong Yee as the executive Directors, Mr. LIAO Jintian and ZHOU Han Jie as the non-executive Directors, and Mr. HA Tak Kong, Mr. TSANG Hin Man Terence and Mr. LUK Simon as the independent non-executive Directors.