



中國投融資集團有限公司

China Investment and Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1226)

2012

Interim Report



CONTENTS

Corporate Information	1
Consolidated Income Statement	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	20
Directors' and Chief Executives' Interests in Equity or Debt Securities	24
Interests and Short Positions of Substantial Shareholders	25
Compliance with the code on Corporate Governance Practices	26
Change in Directors' information under rule 13.51B(1) of the Listing Rules	27
Model Code for Securities Transactions by Directors	27
Audit Committee	27

CORPORATE INFORMATION

STOCK CODE

1226

BOARD OF DIRECTORS

Executive Directors:

Mr. XIE Leshan

(Removed on 14 September 2012)

Mr. CHEN Yiquan

(Removed on 14 September 2012)

Mr. CHAN Cheong Yee

Mr. SEE Lee Seng, Reason

(Resigned on 30 August 2012)

Non-executive Directors:

Mr. LIAO Jintian (Chairman)

Mr. ZHOU Weiquan

Independent Non-executive Directors:

Mr. CHEN Kaizhi (Honorary Chairman)

Mr. HA Tak-kong

Mr. LEUNG Kwong Kin

Mr. LO Chi Ming

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5801-2, 58/F

The Center

99 Queen's Road Central

Central, Hong Kong

AUDITORS

HLM & Co.

Certified Public Accountants

Room 305, 3/F

Arion Commercial Centre

2-12 Queen's Road West, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai

Hong Kong

PRINCIPAL BANKER

ICBC

Bank of China

Standard Chartered Bank

COMPANY SECRETARY

Mr. TSE Hon Kwan, Max

WEBSITE

<http://www.chnif.com>

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 2012.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		Unaudited	Audited
		Six months ended	
		30 September	
	<i>Notes</i>	2012	2011
		HK\$	HK\$
Gross proceeds from disposal of securities		–	59,452,213
Revenue	4	4,137,785	1,372,046
Net realised loss on disposal of financial assets at fair value through profit or loss		–	(1,509,726)
Net realised gain on disposal of available-for-sale financial assets		109,395	–
Net unrealised loss on financial assets at fair value through profit or loss		(351,200)	(2,225,588)
Other income	4	–	16,008,892
Administrative expenses		(10,609,422)	(9,967,122)
Finance costs	5	–	(8)
(Loss)/Profit before tax	7	(6,713,442)	3,678,494
Income tax expense	8	–	–
(Loss)/Profit attributable to shareholders of the Company		(6,713,442)	3,678,494
(Loss)/Earnings per share	10		
– Basic (HK cents)		(0.01)	0.01
– Diluted (HK cents)		(0.01)	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2012*

	2012 HK\$	2011 <i>HK\$</i>
(Loss)/Profit attributable to shareholders of the Company	(6,713,442)	3,678,494
Other comprehensive expenses:		
Exchange loss on translating available-for-sale financial assets	(92,626)	–
Exchange loss on translation foreign operations	(32,667)	–
Change in fair value of available-for-sale financial assets	4,514,866	(11,757,900)
Other comprehensive income/(expenses) for the period, net of tax	4,389,573	(11,757,900)
Total comprehensive expenses attributable to the shareholders of the Company	(2,323,869)	(8,079,406)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2012*

	<i>Notes</i>	Unaudited 30 September 2012 HK\$	Audited 31 March 2012 HK\$
Non-current assets			
Property, plant and equipment		32,640,928	31,261,004
Available-for-sale financial assets	<i>11</i>	491,379,902	467,036,021
		524,020,830	498,297,025
Current assets			
Financial assets at fair value through profit or loss	<i>12</i>	5,438,773	5,789,973
Other receivables, prepayments and deposits	<i>13</i>	4,126,300	3,586,665
Cash and cash equivalents	<i>14</i>	68,927,797	37,661,667
		78,492,870	47,038,305
Current liabilities			
Other payables and accruals	<i>15</i>	61,167,335	1,665,096
Current tax liabilities		249,682	249,682
		61,417,017	1,914,778
Net current assets		17,075,853	45,123,527
Non-current liability		–	–
Net assets		541,096,683	543,420,552

	<i>Notes</i>	Unaudited 30 September 2012 HK\$	Audited 31 March 2012 HK\$
Capital and reserves			
Share capital		116,316,000	116,316,000
Reserves		424,780,683	427,104,552
Total equity		541,096,683	543,420,552
Net asset value per share	<i>16</i>	0.93	0.93

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2012*

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Exchange reserve HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
At 31 March 2011						
and 1 April 2011	17,956,000	30,646,571	-	-	(52,553,325)	(3,950,754)
Issue of shares under placement of shares	75,752,000	359,822,000	-	-	-	435,574,000
Issue of share under subscription shares	22,608,000	107,388,000	-	-	-	129,996,000
Share issue expenses	-	(11,670,873)	-	-	-	(11,670,873)
Change in fair value	-	-	(11,757,900)	-	-	(11,757,900)
Total comprehensive expense for the period	-	-	-	-	3,678,494	3,678,494
At 30 September 2011						
and 1 October 2011	116,316,000	486,185,698	(11,757,900)	-	(48,874,831)	541,868,967
Change in fair value	-	-	6,019,764	-	-	6,019,764
Change in exchange rate	-	-	-	(511,492)	-	(511,492)
Total comprehensive expense for the period	-	-	-	-	(3,956,687)	(3,956,687)
At 31 March 2012 and 1 April 2012	116,316,000	486,185,698	(5,738,136)	(511,492)	(52,831,518)	543,420,552
Total comprehensive expense for the period	-	-	4,514,866	(125,293)	(6,713,442)	(2,323,869)
Balance at 30 September 2012	116,316,000	486,185,698	(1,223,270)	(636,785)	(59,544,960)	541,096,683

CONSOLIDATED STATEMENT OF CASH FLOWS*For the period ended 30 September 2012*

	30 September 2012 HK\$	30 September 2011 HK\$
Net cash generated/(used) in Operating activities	21,331,381	(120,191,915)
Net cash generated from investing activities	1,877,139	1,261,767
Net cash generated from financing activities	151,243	553,899,127
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,359,763	434,968,979
CASH AND CASH EQUIVALENTS AT 1 APRIL	37,661,667	4,684,153
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	61,021,430	439,653,132
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	61,021,430	439,653,132

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2012

1. GENERAL

The Company is 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 at Units 5801-02, 58/F, The Center, 99 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding.

2. BASIS OF PREPARATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2012, except for the adoption of the amended Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

Adoption of Revised HKFRSs – effective from 1st January, 2012

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2012.

Amendments to HKFRS 7

Disclosures – Transfers of Financial Assets

Other than as noted below, the adoption of these amended HKFRSs did not result in significant changes in the Group's accounting policies.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income are as follows:

	2012 HK\$	2011 <i>HK\$</i>
Revenue:		
Dividend income from financial assets at fair value through profit or loss	161,230	123,709
Interest income from debt securities	3,968,344	672,182
Interest income from brokers' accounts	4,195	9,213
Interest income on bank deposits	4,016	566,942
	4,137,785	1,372,046
Other income:		
Waive of shareholder's current account	–	16,000,000
Sundry income	–	8,892
	–	16,008,892
	4,137,785	17,380,938

5. FINANCE COSTS

	2012 HK\$	2011 <i>HK\$</i>
Margin financing interest wholly repayable within one year	–	8
Bank overdraft interest	–	–
	–	8

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segments. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

For the six months period ended 30 September 2012 and 2011, the Group's turnover and net losses were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. 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.

All activities of the Group are based in Hong Kong and all of the Group's revenue is derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

7. (LOSS)/PROFIT BEFORE TAX

	2012 HK\$	2011 <i>HK\$</i>
Loss before tax has been arrived at after charging:		
Directors' remunerations		
Fees	460,000	240,000
Other remunerations	–	1,645,806
Total directors' remunerations	460,000	1,885,806
Staff costs		
Salaries	2,010,987	2,167,827
Provident fund contributions	27,683	37,769
Total staff costs (excluding directors' remunerations)	2,038,670	2,205,596
Auditors' remuneration	–	263,000
Depreciation	891,134	52,372
Investment manager fee	1,500,000	1,000,000
Rent and rates	3,087,437	1,642,758

8. INCOME TAX EXPENSE

No Hong Kong profits tax had been provided for the six months ended 30 September, 2012 as the Group has no estimated assessable profits.

9. DIVIDENDS

The directors do not recommend the payment of a dividend for the six months ended 30 September 2012 and 2011.

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the following data:

	2012 HK\$	2011 <i>HK\$</i>
(Loss)/Earnings for the purposes of basic loss per share	(6,713,442)	3,678,494
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	581,580,000	454,576,703

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 30 September HK\$	2012 31 March <i>HK\$</i>
Unlisted equity securities	221,400,360	251,478,720
Less: fair value adjustments	(334,206)	(319,322)
	221,066,154	251,159,398
Unlisted debt securities	271,537,018	221,537,018
Less: fair value adjustments	(1,223,270)	(5,660,395)
	270,313,748	215,876,623
Total	491,379,902	467,036,021

Unlisted equity securities

Name of investee companies	Place of incorporation/ establishment	Percentage of effective interest held	at cost		Fair value adjustment		Carrying value	
			2012	2012	2012	2012	2012	2012
			30 September HK\$	31 March HK\$	30 September HK\$	31 March HK\$	30 September HK\$	31 March HK\$
China Clean Sky Resource International Holding Limited (note a)	Hong Kong	30.00%	70,000,000	70,000,000	-	-	70,000,000	70,000,000
Ka Hang Development Limited (note b)	Hong Kong	21.66%	101,400,000	101,400,000	-	-	101,400,000	101,400,000
Profit Win Fund Ltd. (note c)	Bermuda	N/A (note c)	20,000,000	20,000,000	(42,088)	(42,088)	19,957,912	19,957,912
Enterprise Emerging Markets Fund (38,462 shares of Class I) (note d)	Curacao	N/A	-	30,078,360	-	(177,617)	-	29,900,743
Cistenique Investment Fund (38,462 shares of Class Z) (note e)	Curacao	N/A	30,000,360	30,000,360	(292,118)	(99,617)	29,708,242	29,900,743
			221,400,360	251,478,720	(334,206)	(319,322)	221,066,154	251,159,398

Unlisted debt securities

Name of investee companies	Place of incorporation/ establishment	at cost		Fair value adjustment		Carrying value	
		2012		2012		2012	
		30 September HK\$	31 March HK\$	30 September HK\$	31 March HK\$	30 September HK\$	31 March HK\$
Double Sky Holdings Limited (note f)	Hong Kong	80,000,000	80,000,000	-	-	80,000,000	80,000,000
Mountain Investment Limited (note g)	Hong Kong	42,000,000	42,000,000	-	-	42,000,000	42,000,000
IGO Seating Limited (note h)	Hong Kong	50,000,000	-	-	-	50,000,000	-
Galaxy Entertainment Group Limited (note i)	Hong Kong	20,109,464	20,109,464	(140,526)	(145,330)	19,968,938	19,964,134
Evergrande Real Estate Group Limited (note j)	Cayman Islands	21,935,381	21,935,381	(298,504)	(911,937)	21,636,877	21,023,444
China SCE Property Holdings Limited (note k)	Cayman Islands	9,882,134	9,882,134	396,955	(1,098,500)	10,279,089	8,783,634
BYD Company Limited (note l)	PRC	19,995,211	19,995,211	(1,197,863)	(1,281,707)	18,797,348	18,713,504
Road King Infrastructure Limited (note m)	Bermuda	27,614,828	27,614,828	16,668	(2,222,921)	27,631,496	25,391,907
		271,537,018	221,537,018	(1,223,270)	(5,660,395)	270,313,748	215,876,623
Total		492,937,378	473,015,738	(1,557,476)	(5,979,717)	491,379,902	467,036,021

Note:

- (a) In 2011, the Group acquired unlisted equity securities being 30% equity interest in China Clean Sky Resource International Holding Limited (“CCSR”) for a consideration of HK\$70,000,000, which is principally engaged in trading of timbering between República de Moçambique and the People’s Republic of China (“PRC”). In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of CCSR. Accordingly, CCSR has been accounted for as an available-for-sale financial asset. On 20 June 2012, the Company entered into a sales and purchase agreement with a third party for the disposal of the entire interest in the subsidiary, Twist Magic Investments Limited which holds the equity interest in CCSR at a cash consideration of HK\$70,000,000. An amount of HK\$40,000,000 has been received at the reporting date.
- (b) In 2011, the Group acquired unlisted equity securities being 21.66% equity interest in Ka Hang Development Limited (“KHDL”) for a consideration of USD13,000,000, approximately HK\$101,400,000, which is principally engaged in manufacturing and trading of aluminium. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of KHDL. Accordingly, KHDL has been accounted for as an available-for-sale financial asset. In addition to the memorandum of understanding, the Company also entered into a legal binding agreement with KHDL for the redemption of the entire interest in KHDL at a cash consideration of USD13,000,000, on 12 November 2012. An amount of USD1,300,000 (approximately HK\$10,140,000) has been received at the reporting date.
- (c) In 2011, the Group entered into a subscription agreement with Profit Win Investment Management Limited to purchase 25,764.2315 shares of Profit Win Fund Ltd. (“PWF”) for a consideration of USD2,567,231 (approximately HK\$20,000,000). PWF is an investment fund, which offers a variety of investment profiles including various levels of volatility and investment diversification, while bearing no or little correlation to equity or fixed income market.
- (d) In 2011, the Group entered into a subscription agreement with Enterprise Emerging Markets Fund B.V. to purchase 38,462 shares of Class I of Enterprise Emerging Markets Fund (“EEMF”) for a consideration of USD3,846,200 (approximately HK\$30,078,360). EEMF is an investment fund, which offers a variety of investment profiles including various levels of volatility and investment diversification, while bearing no or little correlation to equity or fixed income market. On 21 June 2012, the Company had redeemed the EEMF.

- (e) In 2011, the Group entered into a subscription agreement with Cistenique Investment Fund B.V. to purchase 38,462 shares of Class Z of Cistenique Investment Fund (“CIF”) for a consideration of USD3,846,200 (approximately HK\$30,000,360). CIF is an investment fund, which offers a variety of investment profiles including various levels of volatility and investment diversification, while bearing no or little correlation to equity or fixed income market. On 8 November 2012, the Company requested to redeem the CIF.
- (f) In 2011, the Group acquired 5 years convertible bond in Double Sky Holdings Limited (“DSHL”) at HK\$80,000,000. DSHL is a company incorporated on 28 October 2011. Subject to the bondholder’s right to redeem the convertible bond at a price equal to outstanding principle amount of the convertible bond, plus an amount equal to 10% of the outstanding principle amount. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. Upon receipt of the written conversion notice from the bondholder, DSHL should complete the conversion process within 60 days. If the Group holds over 30% of shareholding of DSHL after the execution in conversion process, the voting right of these shareholding will be limited to 30%. The interest rate of the convertible bond is at 0.5% fixed rate on the principal amount, paid semi-annually to the registered holder and 10% floating rate on the earnings before interest and tax of DSHL.
- (g) In 2011, the Group acquired 5 years convertible bond in Mountain Investment Limited (“MIL”) at HK\$42,000,000. MIL is a company incorporated on 7 June 2011. Subject to the bondholder’s right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond, plus an amount equal to 8% of the outstanding principal amount. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. Upon receipt of the written conversion notice from the bondholder, MIL should complete the conversion process within 60 days. If the Group holds over 30% of shareholding of MIL after the execution in conversion process, the voting right of these shareholding will be limited to 30%. The interest rate of the convertible debenture is at 1% fixed rate on the principal amount, paid semi-annually to the registered holder and 8% floating rate on the earnings before interest and tax of MIL. On 21 June 2012, the Company entered into a sales and purchase agreement with a third party, for the disposal of the entire interest in a subsidiary, Sky Progress Investments Limited, which holds the 5 years convertible bond in MIL at a cash consideration of HK\$42,149,600. The total cash consideration of HK\$35,000,000 has been received at the reporting date.

- (h) In 2012, the Group acquired 5 years convertible bond of IGO Seating Limited ("IGO") at HK\$50,000,000. IGO is a company incorporated on 10 January 2012. Subject to the bondholder's right to redeem the convertible bond at a price equal to outstanding principal amount of the convertible bond. The Group shall have the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time before the maturity date. Upon receipt of the written conversion notice from the bondholder, IGO should complete the conversion process within 90 days. If the Group holds over 30% of shareholding of IGO after the execution in conversion process, the voting right of these shareholding will be limited to 30%. The interest rate of the convertible debenture is at 0.8% fixed rate on the principal amount, paid semi-annually to the registered holder.
- (i) The Group holds Galaxy Entertainment's debt securities at HK\$19,968,938 with fixed coupon rate 4.63% and mature on 16 December 2013. The debt securities are issued by listed companies in Hong Kong.
- (j) The Group holds Evergrande's debt securities at HK\$21,636,877 with fixed coupon rate 9.25% and mature on 19 January 2016. The debt securities are issued by listed companies in Hong Kong.
- (k) The Group holds China SCE Property's debt securities at HK\$10,279,089 with fixed coupon rate 10.5% and mature on 14 January 2016. The debt securities are issued by listed companies in Hong Kong.
- (l) The Group holds BYD Company's debt securities at HK\$18,797,348 with fixed coupon rate 4.5% and mature on 28 April 2014. The debt securities are issued by listed companies in Hong Kong.
- (m) The Group holds Road King Infrastructure Limited's debt securities at HK\$27,631,496 with fixed coupon rate 6% and mature on 25 April 2014. The debt securities are issued by listed companies in Hong Kong.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 30 September HK\$	2012 31 March HK\$
Financial assets at fair value through profit or loss:		
Listed securities in Hong Kong, at market value	5,438,773	5,789,973

13. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2012 30 September HK\$	2012 31 March HK\$
Interest receivable from debt securities	2,289,792	1,806,980
Other receivables and deposits paid	1,836,508	1,779,685
	4,126,300	3,586,665

14. CASH AND CASH EQUIVALENTS

	2012 30 September HK\$	2012 31 March HK\$
Cash and bank balances	61,021,430	33,391,918
Deposits at other financial institution	7,906,367	4,269,749
	68,927,797	37,661,667

15. OTHER PAYABLES AND ACCRUALS

	2012	2012
	30 September	31 March
	HK\$	HK\$
Deposit of disposal of subsidiaries (<i>note a</i>)	60,000,000	–
Accrued expenses	1,167,335	1,665,096
	61,167,335	1,665,096

- a) At the six months period ended 30 September 2012, the Company has received a deposit of the consideration of disposal of two subsidiaries Twist Magic Investments Limited and Sky Progress Investments Limited in amount of HK\$25,000,000 and HK\$35,000,000 respectively.

16. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of net assets of HK\$541,096,683 (31 March 2012: HK\$543,420,552) by the number of shares in issue as at 30 September 2012, being 581,580,000 (31 March 2012: 581,580,000).

17. EVENT AFTER THE END OF REPORTING PERIOD

On 20 June 2012, the Company entered into a sales and purchase agreement with a third party for the disposal of the entire interest in the subsidiary, Twist Magic Investments Limited which holds the 30% equity interest in China Clean Sky Resource International Holding Limited at a cash consideration of HK\$70,000,000. An amount of HK\$40,000,000 has been received at the reporting date.

On 21 June 2012, the Company entered into a sales and purchase agreement with a third party, for the disposal of the entire interest in a subsidiary, Sky Progress Investments Limited, which holds the 5 years convertible bond in Mountain Investment Limited at a cash consideration of HK\$42,149,600. The total cash consideration of HK\$35,000,000 has been received at the reporting date.

On 12 November 2012, the Company entered into a legal binding agreement with Ka Hang Development Limited for the redemption at an aggregate consideration of USD13,000,000. The amount of USD1,300,000 (approximately HK\$10,140,000) has been received at the reporting date.

18. RELATED PARTY TRANSACTION

During the period ended 30 September 2012 and 2011, the Group had entered into the following significant related party transaction which also constitutes the disclosable continuing connected transaction under Listing Rules:

	2012 HK\$	2011 HK\$
Success Talent Investment Limited	1,500,000	1,000,000

The Company entered into an investment management agreement with Success Talent Investment Limited on 18 January 2011 for the period from 18 January 2011 to 31 May 2011 and renewed the investment management agreement on 27 May 2011 for a period from 1 June 2011 to 31 March 2014 with effect from 1 June 2011. Success Talent Investment Limited was entitled to receive an investment management fee on a monthly basis at HK\$250,000. On 28 September 2012, the Company sent a written confirmation notice to Success Talent to terminate the Existing Agreement with effect from 30 November 2012.

The Company has entered into the New 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 New Agreement becoming effective. The maximum aggregate fee to be payable by the Company to EBSHK shall not exceed HK\$960,000 per annum.

The independent non-executive directors of the Company considered that the above investment management agreements are in the best interests of the Company and were entered into on normal commercial terms, in the ordinary course of business of the Company and that investment management fee are calculated in accordance with the above agreements and are fair and reasonable so far as the Shareholders are concerned.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's major income for the six months ended 30 September, 2012 (the "period") comprised the interest income of convertible bonds and unlisted debt securities.

Investment Review

As at 30 September 2012, the Group's major investments were as follows:

Investments	Description
Listed equities	HK\$5 million of a portfolio of listed shares in sixteen companies
Unlisted debt securities	HK\$98 million of bonds issued by five listed companies in Hong Kong
Investment funds	HK\$50 million in two investment funds
Convertible bonds	HK\$172 million in three convertible bonds
Direct investment in unlisted equities	HK\$171 million in two direct investments in unlisted equities
Total	HK\$496 million

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in the region of Greater China during the period. The investment portfolio of the Company is approximately HK\$496 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.

Included in the above Group's investment portfolio were certain available-for-sale financial assets of HK\$213,400,000, comprising investments in unlisted 30% equity interest in China Clean Sky Resource International Holding Limited ("CCSR") of HK\$70,000,000, unlisted 21.66% equity interest in Ka Hang Development Limited of USD\$13,000,000 (equivalent to HK\$101,400,000) ("KHDL") and unlisted debt securities in Mountain Investment Limited ("MIL") of HK\$42,000,000 respectively. On 20 June 2012, the Company has entered into a sale and purchase agreements with an independent third party to dispose a subsidiary, which have 30% equity interest in CCSR, at the consideration of HK\$70,000,000 for cash and partial payment of the consideration of HK\$40,000,000 had been received as at the date of this result report. On 21 June 2012, the Company also entered into a sale and purchase agreements with another independent third party to dispose a subsidiary, which holds the convertible bond in MIL, at the consideration of HK\$42,149,600 for cash and partial payment of the consideration of HK\$35,000,000 had been received as at the date of this result report.

On 12 November 2012, the Company also entered into a legal binding agreement with KHDL and the other shareholder of KHDL for the redemption of the equity securities held by the Group at the consideration of USD13,000,000 (equivalent to HK\$101,400,000) and partial payment of the consideration of USD1,300,000 (equivalent to HK\$10,140,000) had been received as at the date of this result report. Further announcements will be made by the Company regarding the progress payment of the above agreements, where appropriate.

Prospects

The rest of 2012 remains event driven, primarily the monetary policies, the economic recovery progress and employment situation in the major economies. 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 resolved not to declare an interim dividend for the 2012 Interim Period (2011: Nil).

Liquidity and Financial Resources

As at 30 September 2012, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK\$68,927,797 (31 March 2012: HK\$37,661,667), which was mainly placed in bank as deposits.

Gearing Ratio

As at 30 September 2012, no gearing ratio has been presented (31 March 2012: Nil) as no liabilities (31 March 2012: Nil) financing from financial institution.

Capital Structure

There was no change to the Group's capital structure for the six months ended 30 September 2012.

Capital commitment and contingent liabilities

As at 30 September 2012, the Group had no material capital commitment and contingent liabilities.

Foreign currency fluctuation

The Board believes that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars and United States dollars to carry out its business transactions.

Share Options

The Group does not adopt any share option scheme.

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 2012, the Group's loss for the period would increase or decrease by HK\$271,939 (31 March 2012: HK\$289,499).

Employees

During the period ended 30 September 2012, the Group had retained eight employees (31 March 2012: twelve employees). Total staff costs of the Group, excluding directors' remuneration, for the period amounted to HK\$ 2,038,670 (30 September 2011: HK\$2,205,596). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Throughout the period ended 30 September 2012, 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 period ended 30 September 2012.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months period ended 30 September 2012, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2012, the interests and short positions of the directors and chief executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Directors	Number of shares			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
Liao Jintian (<i>note 1</i>)	–	170,576,000	170,576,000	29.33%
Zhou Weiwan (<i>note 2</i>)	–	170,576,000	170,576,000	29.33%

Notes:

- 1) This represents interests held by Mr. Liao Jintian through Tycor Development Limited ("Tycor"), which holds 170,576,000 shares of the Company. Mr. Liao Jintian has approximately 11.68% interest in Tycor and he is therefore deemed to be interested in 170,576,000 shares of the Company.
- 2) This represents interests held by Mr. Zhou Weiwan through Tycor Development Limited ("Tycor"), which holds 170,576,000 shares of the Company. Mr. Zhou Weiwan has approximately 10.15% interest in Tycor and he is therefore deemed to be interested in 170,576,000 shares of the Company.

Save as disclosed above, none of the directors and chief executives had any interests in equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and the Stock Exchange as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, to the best knowledge of the Board and chief executives of the Company, the following persons (other than any directors or chief executive of the Company) were substantial shareholders of the Company and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

	Notes	Number of shares of the Company	Approximate percentage of shareholding
Tycor Development Limited	1	170,576,000	29.33%
Sky Year Limited	2	74,220,060	12.76%
Wei Zhuo Fu	3	35,000,000	6.01%

Notes:

1. Tycor Development Limited is interested in 170,576,000 shares of the Company as at 30 September 2012. Mr. Liao Jintian and Mr. Zhou Weiquan beneficially own approximately 11.68% and 10.15% of the shareholdings of Tycor Development Limited respectively. The interests of Mr. Liao Jintian and Mr. Zhou Weiquan in the Company are stated under the section headed "Directors' and Chief Executives' Interests in Equity or Debt Securities".
2. Sky Year Limited is interested in 74,220,060 shares of the Company as at 30 September 2012. The former director, Mr. Chen Yiquan, ("Mr. Chen") beneficially owns 55% of the shareholdings of Sky Year Limited.
3. Mr. Wei Zhuo Fu, is interested in 35,000,000 shares as at 30 September 2012. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wei Zhuo Fu has no relationship with any Directors, senior management or other substantial or controlling Shareholders.

Save as disclosed above, the Company had not been notified of any other person (other than directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “CG Code”) as set out in Appendix 14 of the Listing Rules during the period except for the following deviations:

Code Provision A.4.1

The code provision A.4.1 of the CG Code states that non-executive directors should be appointed for a specific term, subject to retirement by rotation and re-election at the annual general meeting of the Company. Currently, all the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the provision of the Articles of Association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.6.7

The code provision A.6.7 of the CG Code states that independent non-executive directors and non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive directors and one non-executive director were unable to attend annual general meeting of the Company held on 31 August 2012 (the “2012 AGM”) due to other important engagement.

Code Provision E.1.2

The code provision E.1.2 of the CG code states that the chairman of the Board should attend the annual general meeting of the Company. The former chairman of the Board, Mr. Xie Leshan (“Mr. Xie”), had not attended the 2012 AGM due to Mr. Xie had not been contactable since middle of March 2012. However, arrangements including the attendance of another member of the Board had been in place to ensure the annual general meeting was in order.

CHANGE IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in Directors' information since the date of the 2012 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Chan Cheong Yee, an Executive Director of the Company, appointed as Executive Director of Capital VC Limited (stock code: 2324), a company listed on the Main Board of the Stock Exchange of Hong Kong, on 21 November, 2012.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2012 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 period ended 30 September 2012, including the accounting principles and accounting practices adopted by the Company, internal controls and financial reporting.

The audit committee of the Group consists of 3 independent non-executive directors, namely Mr. HA Tak-kong, Mr. LEUNG Kwong Kin and Mr. LO Chi Ming.

By Order of the Board
China Investment and Finance Group Limited
Executive Director
Mr. CHAN Cheong Yee

Hong Kong, 29 November 2012