
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Investment and Finance Group Limited (“Company”), you should at once hand this Prospectus Documents to the purchaser or transferee or to the bank, stockbroker or other agent through whom the Sale was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of these documents.

Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



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)

OPEN OFFER ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK\$0.25 PER OFFER SHARE

Financial adviser to the Company



Underwriter of the Open Offer



BLACK MARBLE
貝格隆

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Monday, 11 January 2016. The procedures for acceptance of and payment for the Offer Shares are set out on page 25 of this Prospectus.

Shareholders should note that the Consolidated Shares have been dealt in on an ex-entitlement basis commencing from Tuesday, 15 December 2015 and that dealings in the Consolidated Shares may take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Consolidated Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

The Open Offer is conditional, *inter alia*, upon the fulfillment of the conditions set out under the section headed “Conditions of the Open Offer” in the Letter from the Board of this Prospectus. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

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EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Event	2015
Original counter for trading in Consolidated Shares	9:00 a.m. on Tuesday, 29 December
in new board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	
Parallel trading in the Consolidated Shares	9:00 a.m. on Tuesday, 29 December
(in the form of both existing share certificates and new share certificates) commences	
Designated broker starts to stand in the market to	9:00 a.m. on Tuesday, 29 December
provide matching services for the sale and purchase of odd lots of Consolidated Shares	
	2016
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Monday, 11 January
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Thursday, 14 January
Temporary counter for trading in board lots of	4:00 p.m. on Tuesday, 19 January
1,600 Consolidated Shares (in the form of existing share certificates) closes	
Parallel trading in Consolidated Shares.	4:00 p.m. on Tuesday, 19 January
(in the form of new and existing certificates) ends	
Announcement of the results of the Open Offer	Tuesday, 19 January
Despatch of certificates for the Offer Shares.	Wednesday, 20 January
Despatch of refund cheques if the Open Offer is terminated	Wednesday, 20 January
Last day of free exchange of existing certificates	Thursday, 21 January
for new certificates for Consolidated Shares	
Expected first day of dealings in the Offer Shares	9:00 a.m. on Thursday, 21 January
Designated broker ceases to stand in the market	4:00 p.m. on Tuesday, 26 January
to provide matching services for the sale and purchase of odd lots of Consolidated Shares	

EXPECTED TIMETABLE

All times and dates in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares is postponed in accordance with the foregoing, the dates mentioned in the above “EXPECTED TIMETABLE” may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Notwithstanding anything contained in the Underwriting Agreement, if at any time prior to the Latest Time for Termination:

- (a) there shall develop, occur, exist or come into effect:
 - i. any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - ii. any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - iii. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - iv. the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - v. the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- (1) is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Open Offer; or
 - (2) has or will have or is likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
 - (3) makes it inadvisable or inexpedient for the Company to proceed with the Open Offer; or
- (b) there comes to the notice of the Underwriter:
 - i. any matter or event showing any of representations, warranties and undertakings set out in the Underwriting Agreement was, when given, untrue or misleading or as having been breached in any respect; or
 - ii. any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement; or

TERMINATION OF THE UNDERWRITING AGREEMENT

then and in such case the Underwriter may, upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

Upon the giving of notice in accordance with the Underwriting Agreement, the Underwriting Agreement shall terminate and the obligations of the parties shall immediately cease and null and void and none of the parties shall, save in respect of the relevant provisions of the Underwriting Agreement and any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 9 September 2015 relating to, among other things, the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Open Offer
“Application Form(s)”	the application form(s) to accompany this Prospectus for use by the Qualifying Shareholders to apply for all or part of their assured entitlements under the Open Offer
“Articles”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday or any day on which either a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Shares to 10,000 Consolidated Shares
“Circular”	circular of the Company dated 25 November 2015 in relation to, among other things, the Open Offer
“Company”	China Investment and Finance Group Limited (stock code: 1226), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on main board of the Stock Exchange
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Connected Person”	has the meaning as ascribed thereto under the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company upon the Share Consolidation which became effective on 14 December 2015
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened at 11:00 a.m. on 11 December 2015 for approving, the proposed Share Consolidation, the proposed Open Offer and the Re-election
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	any Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Investment Manager”	China Everbright Securities (HK) Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the investment manager appointed by the Company
“Investment Management Agreement”	the investment management agreement dated 6 November 2012 entered into between the Company and the Investment Manager
“Last Trading Day”	9 September 2015, being the date of the Underwriting Agreement
“Latest Practicable Date”	18 December 2015, being the latest practicable date before the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 11 January 2016, or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of and payment for the Offer Shares as described in the Prospectus

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on 14 January 2016, or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Lerado”	Lerado Group (Holding) Company Limited (stock code: 1225), a company listed on main board of the Stock Exchange and the ultimate holding company of the Underwriter
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Net Asset Value”	the net asset value of the Company calculated in accordance with the provisions of the Articles
“Non-Qualifying Shareholders”	the Overseas Shareholders to whom the Board, based on legal opinions provided by the legal advisers, considers it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Offer Share(s)”	1,672,592,000 Consolidated Shares to be issued and allotted under the Open Offer
“Open Offer”	the proposed issue of eight (8) Offer Shares for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Parties”	the named parties to the Underwriting Agreement and their respective successors and permitted assignees, and “Party” means each of them
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form

DEFINITIONS

“Prospectus Posting Date”	24 December 2015 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) is/are registered on the register of the members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	23 December 2015, as the date by reference to which entitlements to the Open Offer were determined
“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the consolidation of every five (5) Shares of par value of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05 each which was effective on 14 December 2015
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective on 14 December 2015
“Shareholder(s)”	the holder(s) of Shares or Consolidated Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.25 per Offer Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Black Marble Securities Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity under the SFO

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 9 September 2015 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	1,672,592,000 Offer Shares being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%” or “per cent”	percentage or per centum

LETTER FROM THE BOARD



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)

Executive Director:

Mr. Chan Cheong Yee

Non-executive Directors:

Mr. Liao Jintian

Ms. Lee Kar Ying

Mr. Wu Qi

Independent Non-executive Directors:

Mr. Tsang Hin Man Terence

Mr. Luk Simon

Ms. Liu Xiaoyin

Mr. Hon Leung

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office and principal place

of business in Hong Kong:

Room 1104, Crawford House

70 Queen's Road Central

Hong Kong

24 December 2015

To the Qualifying Shareholders

Dear Sir or Madam,

**OPEN OFFER ON THE BASIS OF
EIGHT OFFER SHARES FOR EVERY ONE CONSOLIDATED
SHARE HELD ON THE RECORD DATE AT HK\$0.25 PER
OFFER SHARE**

INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Open Offer. At the EGM held on 11 December 2015, the necessary resolution approving, among other things, the Open Offer, was duly passed by the Independent Shareholders by way of poll.

The purpose of this Prospectus is to provide you with further information of the Open Offer including information on dealings in and application for the Offer Shares, and certain financial and other information of the Group.

LETTER FROM THE BOARD

THE OPEN OFFER

Basis of the Open Offer:	Eight (8) Offer Shares for every one (1) Consolidated Share
Subscription Price:	HK\$0.25 per Offer Share
Number of Consolidated Shares in issue as at the Record Date:	209,074,000 Consolidated Shares
Number of Offer Shares:	1,672,592,000 Offer Shares The aggregate nominal value of the Offer Shares will be approximately HK\$83,629,600.00.
Number of Consolidated Shares in issue immediately upon completion of the Open Offer:	1,881,666,000 Consolidated Shares

As at the Latest Practicable Date, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The Open Offer is fully underwritten by the Underwriter, who shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08(1) of the Listing Rules.

The Offer Shares

As there are 209,074,000 Consolidated Shares in issue as at the Record Date, 1,672,592,000 Offer Shares will be issued and allotted representing approximately 800.0% of the issued share capital of the Company as at the Latest Practicable Date and approximately 88.89% of the issued share capital of the Company as enlarged by the Offer Shares.

Subscription Price

The Subscription Price of HK\$0.25 per Offer Share will be payable in full upon application by a Qualifying Shareholder. The Subscription Price represents:

- (a) a discount of approximately 64.79% to the theoretical closing price of approximately HK\$0.710 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (b) a discount of approximately 62.69% to the average theoretical closing price of approximately HK\$0.670 per Consolidated Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

LETTER FROM THE BOARD

- (c) a discount of approximately 63.50% to the average theoretical closing price of approximately HK\$0.685 per Consolidated Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 16.94% to the theoretical ex-entitlement price of approximately HK\$0.301 per Consolidated Share based on the theoretical closing price of approximately HK\$0.710 per Consolidated Share as quoted on the Stock exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 1.96% to the closing price of approximately HK\$0.255 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 89.58% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$2.4 as at 30 November 2015 (based on 209,074,000 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group and the financial performance of the Group which has been loss making for the years ended 31 March 2014 and 2013 and slightly turnaround for the year ended 31 March 2015. Subsequently, the Group recorded net loss for the six months ended 30 September 2015.

Apart from the aforesaid, in coming up with the current subscription ratio for the Open Offer and the Subscription Price, the Company has also considered the following factors:

- (i) the funding requirements of the Company having regard to the need for setting a Subscription Price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;
- (ii) during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Open Offer. Before arriving at the current structure of the Open Offer, initially, the Company attempted to adopt a lower offer ratio with higher subscription price (the "**Initial Proposal**") and has approached four securities houses. However, the Initial Proposal was rejected by all of the four securities houses (the "**Rejection**") given the fund raising size and the Company's business scale. Based on (i) the Directors' previous experiences in dealing with open offers and fund raising exercises of the Company. In addition, Mr. Chan Cheong Yee, the executive Director, has experiences in two open offer exercises, one rights issue and eight placing exercises for listed companies (excluding the Company) in the past two years; and (ii) the Company's previous experience in conducting

LETTER FROM THE BOARD

open offer and other fund raising deals, rejection by four different securities houses in providing underwriting and/or placing service in a fund raising exercise indicated that the proposed terms and structure of such fund raising exercise may not be commercially acceptable. Therefore, it rendered the need to revise the terms and structure of such fund raising proposal instead of continuing the Company's effort in approaching other securities houses based on the same proposal. In view of the Rejection, the Company had to lower the offer price to increase the attractiveness and for inducing underwriter to participate in proposed fund raising exercise. Therefore, after taking into account the anticipated funding requirements of the Group of around HK\$500 million, a higher offer ratio with lower subscription price became essential for the Group's proposed fund raising exercise. Subsequent to the Rejection, the Company approached another securities house (the "Agent") and the Agent agreed to provide underwriting services for revised structure of fund raising exercise with higher offer ratio and lower subscription price as compared to the Initial Proposal. While the Company continued its effort to liaise with the Agent to agree on the current structure of the Open Offer, the Agent rejected to provide underwriting service for the Open Offer without providing any specific reason. Subsequently, the Company approached the Underwriter, being the only available securities house who agreed to provide underwriting service for the Open Offer.

Moreover, the Company has attempted to obtain loan financing from two principal banks for financing its principal business, however, the two aforesaid principal banks indicated that it was unlikely for the Company to obtain loan financing from them (the "**Banks Rejection**"). The Group has established close collaboration with the two principal banks. The Group has maintained good business relationship with the two principal banks and good credit history and does not have any previous loan default with them. Through recurring transactions with the two principal banks for the Group's business operation they are familiar with the capital structure, business operations, funding requirements, cash flow pattern, cash management and financial management system of the Group. As such, given familiarity of the Group's business operations by the two principal banks, the Directors consider that possibility of securing loan financing from the two principal banks is already much higher than from other financial institutions. Therefore, after the Banks Rejection, given the fund raising size and the business scale and investment portfolio of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms;

- (iii) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;

LETTER FROM THE BOARD

- (iv) under the Open Offer, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Open Offer, they will be subscribing the Offer Shares at a lower price as compared to the historical and prevailing market price of the Shares;
- (v) the relatively deep discount of the Subscription Price has reflected absence of excess application arrangement to Shareholders with an objective to lower the further investment cost of Shareholders to encourage them to take up their entitlements;
- (vi) inherent dilutive nature of open offer in general if the Qualifying Shareholders did not take up their entitlements under the Open Offer in full. However, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Offer Shares; and
- (vii) although the Open Offer has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Open Offer and the Underwriter has also undertaken to the Company that none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer.

As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the above, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

However, those Qualifying Shareholders who do not take up in full the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If all the Qualifying Shareholders do not take up the Offer Shares to which they are entitled and the Underwriter takes up all the Offer Shares, the percentage of shareholding (assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) of the existing public Shareholders will be reduced from 100.0% to approximately 11.1%, representing a dilution effect on the shareholding interests of approximately 88.9% as a result of the Open Offer.

The net price per Offer Share after deducting the related expenses of the Open Offer will be approximately HK\$0.25.

LETTER FROM THE BOARD

Conditions of the Open Offer

The Open Offer is conditional upon the fulfillment of the following conditions (the “**Conditions**”):

- (a) the passing by the Shareholders at the EGM of the ordinary resolution to approve the Share Consolidation;
- (b) the passing by the Independent Shareholders at the EGM of the ordinary resolution to approve the Open Offer;
- (c) the Share Consolidation having become effective;
- (d) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Board (and with all other documents required to be attached thereto under the Companies Ordinance) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the listing of, and permission to deal in, the Offer Shares, before commencement of dealings in the Offer Shares and such listing and permission not being revoked prior to the Latest Time for Termination;
- (g) the Shares and/or the Consolidated Shares (as the case may be) remaining listed on the Stock Exchange at all times up to and including the Latest Time for Termination and the current listing of the Shares and/or the Consolidated Shares (as the case may be) not having been withdrawn or the trading of the Shares and/or the Consolidated Shares not having been suspended for a consecutive period of more than 10 trading days and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;
- (h) compliance by the Company with all of its undertakings and obligations of the Company under the Underwriting Agreement;
- (i) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and

LETTER FROM THE BOARD

- (j) the filing of the Prospectus Documents with the Registrar of Companies in Cayman Islands and approval of the Open Offer by the relevant authority of Cayman Islands if so required by the Companies Law (2013 Revision) of Cayman Islands as amended from time to time.

Up to the Latest Practicable Date, conditions (a), (b) and (c) of the above have been fulfilled.

If any of the conditions is not fulfilled and/or waived in whole or in part by the Underwriter at or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may agree):

- (1) the Underwriting Agreement, save in respect of the provisions of the relevant sub-clause and clauses under the Underwriting Agreement, shall terminate and the obligations of the parties shall immediately cease and be null and void and none of the parties shall, save in respect of the provisions of the relevant sub-clause and clauses under the Underwriting Agreement and any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement; and
- (2) the Company shall reimburse the Underwriter all such reasonable costs and expenses as have been properly incurred by it in connection with the Open Offer.

The Company agrees and undertakes to notify the Underwriter in writing upon fulfilment of all the conditions.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Consolidated Shares then in issue in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares, which are registered in the register of members of the Company in Hong Kong, will be subject to payment of stamp duty and other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

LETTER FROM THE BOARD

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company, the Company does not have any Overseas Shareholders as at the Record Date. Therefore, there are no Non-Qualifying Shareholder for the purpose of the Open Offer.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/ its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost in the range of approximately HK\$200,000 to HK\$300,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company. The Group just turnaround in year ended 31 March 2015 with net profit of approximately HK\$0.2 million as compared with net losses in the past two financial years. Furthermore, it recorded net loss for the six months ended 30 September 2015. In addition, the Group recorded net cash outflow from its operating activities which amounted to approximately HK\$60.5 million for year ended 31 March 2015 and approximately HK\$37.8 million for the six months ended 30 September 2015. In view of recent financial performance of the Group and the business nature of the Group which is investment, funding will be employed for generating investment returns. Therefore, it will not be justifiable in incurring additional costs to administer the excess application procedures. It will be preferable and be more cost-effective for utilizing such amount saved for generating investment returns and to improve capital utilization efficiency.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

LETTER FROM THE BOARD

Fractions of Offer Shares

On the basis of provisional allotment of eight (8) Offer Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

Share certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have applied and paid for the Offer Shares on or before Wednesday, 20 January 2016 by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be posted on or before Wednesday, 20 January 2016 by ordinary post to the applicants at their own risk.

One share certificate will be issued in respect of all the fully-paid Offer Shares allotted and issued to those entitled pursuant to the Open Offer.

Application for listing of the Offer Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares to be admitted into CCASS.

Dealings in the Offer Shares which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

LETTER FROM THE BOARD

Reasons for the Open Offer and the use of proceeds

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company and its subsidiaries are principally engaged in securities trading and investment holding. The Company has primary objective of achieving medium-term to long-term capital appreciation, and interest incomes and dividends by investing principally in listed and unlisted companies in Hong Kong, the PRC and Taiwan. The principal return of the business is investments return. A sound investment strategy and a meaningful investment portfolio are important for an investment company to generate investment returns for the Shareholders and to support its daily operations.

At the time of considering the Open Offer, as disclosed in the annual report of the Company for the year ended 31 March 2015, the Group recorded an increase in revenue from approximately HK\$8.3 million to approximately HK\$12.2 million, representing an increase of approximately 46.5%. Furthermore, the Group turned around from loss attributable to owners of the Company of approximately HK\$93.6 million for the year ended 31 March 2014 to profit attributable to owners of the Company of approximately HK\$0.2 million for the year ended 31 March 2015. For year ended 31 March 2015, the Group recorded overall profit on its investments, while in corresponding period in 2014, the Group recorded impairment loss on available-for-sale financial assets of approximately HK\$55.3 million and loss on derecognition of derivative financial instrument of approximately HK\$18.9 million.

The unaudited net asset value per Share of the Company ranged from HK\$0.56 to HK\$0.58 during the period from July 2014 to March 2015 and amounted to approximately HK\$0.57 as at 31 March 2015. After 31 March 2015, the unaudited net asset value per Share of the Company demonstrated growth and reached HK\$0.76 as at 31 July 2015, representing a growth of approximately 33.3%. Based on the foregoing, the Directors considered that the Company was in growth stage when the Open Offer was announced on 30 September 2015. In addition, subsequent to 31 March 2015, the Group recorded unrealized investment gain of over HK\$400 million from listed securities for the three months ended 30 June 2015 and with investment portfolio almost reached HK\$900 million as at 30 June 2015, the Directors consider that it was in the interest of the Company to raise fund for increasing the fund size of the Company to achieve economies of scale when making investments and to allow the Company to have readily available fund for capturing suitable investment opportunities which may arise at any time for generating investment returns to Shareholders.

Although the Company had satisfactory financial performance for the three months ended 30 June 2015, most of the investment gains from listed securities was unrealized capital appreciation and will not bring in immediate cash inflow until disposal.

Subsequent to the Announcement, as disclosed in the interim report for the six months ended 30 September 2015, the Group recorded a net loss of approximately HK\$44.6 million for the six months ended 30 September 2015, which is mainly attributable to the recognition of net unrealized loss on financial assets held for trading of approximately HK\$63.5 million and gain on disposal of subsidiaries of approximately HK\$18.0 million. Despite the overall net loss recorded by the Group in the aforesaid period, net realized gain on disposal of financial assets held for trading amounted to approximately HK\$5.7 million for the six months ended 30 September 2015 as compared with merely approximately HK\$0.9 million in corresponding period in 2014, representing over 5 times growth.

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As at 31 August 2015, the cash and bank balances and cash balance held in securities accounts of the Group aggregate to approximately HK\$101.2 million. As at the Latest Practicable Date, the Group has a promissory note with principal amount of HK\$45.0 million (the “PN”) which will be repayable by end of 2015. After taking into account the needs for repayment of the PN, the Group recorded a net cash position of approximately HK\$56.2 million.

Owing to the nature of the Group’s business which is investment, the Group requires extensive cash to grow. Unlike other companies with constant cash income from operations, investments of investment companies under Chapter 21 of the Listing Rules do not necessarily generate extensive cash income. The Company constantly aims to increase and improve its investment portfolio in order to generate returns to the Shareholders. Therefore, it is crucial for the Group to have readily available funds for capturing suitable investment opportunities in a timely fashion to provide investment return to the Group and Shareholders and/or increase the size of its investment portfolio to diversify the risks of its investments. Hence, the Directors are of the view that the Company should take the opportunity to increase capital via Open Offer to equip itself with a healthier and stronger capital base and to pursue its business development.

The Company completed an open offer in July 2014 (the “**Previous Open Offer**”). Net proceeds of the Previous Open Offer was approximately HK\$56.6 million, of which approximately HK\$35.0 million was invested in an unlisted equity (the “**Unlisted Equity A**”) which has a total investment sum of HK\$70 million and approximately HK\$21.6 million was invested in certain listed equities (the “**Listed Equities A**”). The Unlisted Equity A was sold during the year ended 31 March 2015 which generated a profit of HK\$7 million, representing 10% return to the Group. Realised and unrealised gain of the Listed Equities A of approximately HK\$3.0 million and HK\$7.1 million was recognized respectively up to 23 October 2015.

Regarding the placing exercise which was completed in December 2014 (the “**December 2014 Placing**”), the net proceeds of approximately HK\$14.8 million was raised, among which, approximately HK\$7.4 million was invested in the Unlisted Equity A and brought 10% return to the Group and approximately HK\$3.4 million was invested in certain listed investments (the “**Listed Investments B**”) and the remaining balance of approximately HK\$4.1 million was used for general working capital. Realised loss on the Listed Investments B of approximately HK\$0.1 million was recognized.

Regarding the placing exercise which was completed in June 2015 (the “**June 2015 Placing**”), the net proceeds of approximately HK\$35.6 million were invested in two listed securities which generated unrealized gain of approximately HK\$30.2 million and realized gain of approximately HK\$0.2 million.

Set out below are (i) investments held by the Company which contributed to 10 largest realized gains; and (ii) investments held by the Company which contributed to 5 largest realized losses during three years ended 31 March 2015.

Each of the sixth to tenth largest realized losses during three years ended 31 March 2015 were less than approximately HK\$0.2 million. Such amount is considered to be relatively insignificant for disclosure purpose. As such, only the top five realized losses are disclosed.

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Investments held by the Company contributed to top 10 realized gain

	Name of investee company	Nature of investment	Holding period		Duration Approx. (Months)	Total realized gain/(loss) (Note)
			First date of acquired	Last date of disposal		HK\$
1	Evergrande Real Estate Group Limited (Stock code: 3333)	Listed debt securities	August 2011	March 2013	19	6,885,010
2	Next Union Limited	Unlisted securities	August 2014	March 2015	7	6,800,000
3	Yiu Tec Metal Engineering Limited	Unlisted convertible debt securities	February 2014	March 2015	13	4,293,014
4	China Cinda Asset Management Co., Ltd (Stock code: 1359)	Listed securities	December 2013	January 2014	1	3,387,250
5	China SCE Property Holding Limited (Stock code: 1966)	Listed debt securities	August 2011	March 2013	19	3,289,714
6	Hidili Industry International Development Limited (Stock code: 1393)	Listed debt securities	March 2013	March 2015	24	3,233,531
7	Road King Infrastructure Limited (Stock code: 1098)	Listed debt securities	August 2011	February 2013	18	3,169,689
8	BYD Company Limited (Stock code: 1211)	Listed debt securities	August 2011	March 2013	19	2,030,989
9	China Aircraft Leasing Group Holdings Limited (Stock code: 1848)	Listed securities	July 2014	February 2015	7	2,021,000
10	Galaxy Entertainment Group Limited (Stock code: 27)	Listed debt securities	August 2011	February 2013	18	1,345,910

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Investments held by the Company contributed to top 5 realized loss

	Name of investee company	Nature of investment	Holding period		Duration Approx. (Months)	Total realized gain/(loss) <i>(Note)</i>
			First date of acquired	Last date of disposal		HK\$
1	Winsway Coking Coal Holdings Limited (now known as Winsway Enterprises Holdings Limited) (Stock code: 1733)	Listed debt securities	March 2013	October 2013	7	(2,943,386)
2	Hao Wen Holdings Limited (Stock code: 8019)	Listed securities	February 2015	March 2015	1	(2,279,000)
3	China Cinda Asset Management Co., Ltd (Stock code: 1359)	Listed securities	February 2014	February 2015	12	(350,000)
4	China Maple Leaf Educational Systems Limited (Stock code: 1317)	Listed securities	November 2014	February 2015	3	(234,000)
5	Kingston Financial Group Limited (Stock code: 1031)	Listed securities	December 2014	February 2015	2	(223,300)

Note:

Total realized gain/(loss) comprised of realized gain from disposal of investment and/or bond interest income from relevant investment.

The Board has considered other fund raising alternatives before resolving to the Open Offer, including but not limited to debt financing, placing of new shares and rights issue.

The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them. Therefore, given the fund raising size and the business scale and investment portfolio of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms.

Assuming that the Group is able to obtain bank loan of approximately HK\$410.8 million (being the estimated net proceeds of the Open Offer) (the “**Proposed Bank Loan**”) which is at a scale comparable to the Open Offer and with reference to the prime lending rate for Hong Kong dollars of approximately 5% per annum as announced by The Hongkong and Shanghai Banking Corporation Limited, the Company is expected to incur interest payment of approximately HK\$20.5 million per annum. As disclosed in the

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annual report of the Group for the year ended 31 March 2015 (the “**2015 Annual Report**”), the Group only recorded revenue of approximately HK\$12.2 million and net profit of approximately HK\$192,000 for the year ended 31 March 2015. The Group recorded a net loss of approximately HK\$44.6 million for the six months ended 30 September 2015. Therefore, the Proposed Bank Loan will increase the interest burden of the Group and will further increase the Group’s loss making position. In addition, as at 30 September 2015, the Group already incurred repayment obligation of HK\$45 million in connection with the PN and recorded a gearing ratio of 8% (defined as total debts and borrowings divided by total assets) as compared with nil gearing as at 31 March 2015. Therefore, debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to additional repayment obligations. In addition, debt financing may not be achievable on favourable terms on a timely basis under volatile market conditions.

Placing of new shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders.

Although rights issue can provide a way out to those Shareholders who do not wish to take up the entitlements by selling nil-paid rights, rights issue will involve extra administrative work and cost of approximately HK\$100,000 for the trading arrangements in relation to the nil-paid rights. In addition, in view of (i) the downward trend of the historical trading price of the Shares, over the past three full calendar months prior to the date of the Underwriting Agreement (9 September 2015). Monthly average closing prices of the Shares declined from approximately HK\$0.346 per Share in June 2015 to approximately HK\$0.180 per Share in August 2015, representing a decrease of approximately 48.0%. Trading price of the Shares further declined after August 2015 which closed at HK\$0.142 as at the date of the Underwriting Agreement, representing a drop of approximately 21.1% from the monthly average closing price in August 2015; and (ii) average daily trading volume of the Shares was thin and also demonstrated a downward trend during June 2015 to August 2015. Average daily trading volume of the Shares in June 2015, July 2015 and August 2015 are approximately 1.62%, 0.63% and 0.46% respectively of the total issued Shares as at the date of the Underwriting Agreement, there is uncertainty of the existence of a market to trade the nil-paid rights. In view of the above, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) considered that raising funds by way of the Open Offer is more cost effective, efficient and beneficial to the Company and its Shareholders as a whole than a rights issue. Furthermore, the Board considers it is prudent to finance the Group’s long term growth by long term financing, preferably in the form of equity which will not increase the Group’s finance costs.

The Directors consider that the Open Offer, which is on a fully underwritten basis, provide funding to capture suitable investment opportunities in both listed and unlisted securities when arises. In addition, the Open Offer would give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Therefore, the Directors (including the independent non-executive Directors after seeking the advice from the Independent Financial Adviser) consider that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

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The Company will receive gross proceeds of approximately HK\$418.1 million. The estimated net proceeds of the Open Offer will be approximately HK\$410.8 million. The Company intends to apply net proceeds from the Open Offer in the following manner:

- (i) approximately HK\$111.9 million to facilitate the Group to capture potential investment opportunities which may arise in the following industry sectors (the “**Target Industries**”) namely, (i) businesses of toys and medical care products in the PRC; (ii) media advertising business in the PRC; and (iii) financial services sector, with initial focus at securities brokerage and margin financing businesses in Hong Kong. As at the Latest Practicable Date, no specific investment targets have yet been identified;
- (ii) approximately HK\$50.0 million for investment in shares (the “**Possible Investment**”) in a listed company (“**Potential Investee**”) which is principally engaged in provision of asset advisory services and asset appraisal; corporate services and consultancy; media advertising; and financing services. The Company considers that the identity of the Potential Investee is commercially sensitive information and its disclosure will cause adverse impact to the Group in such potential investment. In estimating the investment amount, reference has been made to the Company’s initial plan to subscribe for shares of the Potential Investee in a placing exercise. However, due to the delay in the Open Offer, the placing exercise of the Potential Investee was completed. As such, the Company was not able to participate in the subscription. The Directors still view that investment in the Potential Investee to be a sound investment with good prospect. Therefore, the Directors will consider to acquire shares of the Potential Investee on the market or to participate in its future fund raising activities should suitable opportunities arise which allow the Group to acquire shares of the Potential Investee at attractive terms. The terms of the Possible Investment, such as the price and number of shares to be acquired, will be determined subject to the prevailing market situations and sentiment, prevailing market price, financial performance and business prospect of the Possible Investee. As at the Latest Practicable Date, no concrete terms have been established nor have any definitive agreements been reached. If the aforesaid Possible Investment does not proceed, the net proceeds which is originally intended to be used for financing the Possible Investment will then be used for capturing potential investment opportunities which may arise firstly in industry sector similar to the Possible Investee and/ or other suitable investment opportunities as and when identified by the Group;
- (iii) approximately HK\$50.0 million for unlisted investment in a credit company (the “**Investee 1**”) in the PRC (the “**Potential Investment 1**”) whose principal business involves provision of finance leasing. It specialises in customers and projects in environmental protection sectors which includes renewable energy, including but not limited to solar energy, renewable energy solutions, electric car charging points and electric car sales and rent;
- (iv) approximately HK\$120.0 million for unlisted investment in a degradable polymer manufacturer (the “**Potential Investment 2**”) which specialises in production of a biodegradable green environmental plastic materials which has diverse application (the “**Investee 2**”);

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- (v) approximately HK\$45.0 million for repayment of the PN which arose as a result of the Group's acquisition of an unlisted company which principally participated in the electronic commerce industry specializing in the provision of integrated application for settlement of part of the consideration for acquiring 25% of the entire share capital of the aforesaid company in July 2015. The PN was issued to the vendor of aforesaid acquisition, being third party(ies) who is/are independent of, and not connected with, the Company and its Connected Persons. The PN bears no interest and has a principal amount of HK\$45 million with prospective maturity by 31 December 2015;
- (vi) approximately HK\$15.0 million for listed investments as long as it is in compliance with its investment restrictions for both listed and unlisted equity investments in various industries including but not limited to agriculture, health and pharmaceutical related businesses, operation of supermarkets and convenience stores, communication technology, advertising, media and entertainment, energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, environmental protection, insurance, financial services, food and beverages, trading of natural resources and commodities, industrial, software, information technology related businesses and distribution of juvenile and infant products; and
- (vii) the remaining of approximately HK\$18.9 million for general working capital of the Group.

In respect of the Target Industries where proceeds from the Open Offer may be applied for making potential investments, the Group has undertaken industry researches and studies for the Target Industries and after taking into account (i) upward trend in turnover of the toys market in the PRC, the medical equipment market in the PRC and media advertising market in the PRC over the past few years; and (ii) growth in total turnover trading value of listed securities in Hong Kong and net income of securities dealers and securities margin financiers in Hong Kong, the Directors consider that the Target Industries have growth potential. Furthermore, the Company has previous experience in investing in the Target Industries for around 1.5 years and recorded profit from its investment in the media sector. Based on the foregoing, the Directors believe that proposed investments in the Target Industries which have growth prospect with the view to provide the Group with satisfactory returns to be justifiable.

The anticipated funding required for each of the Potential Investment 1 and the Potential Investment 2 (collectively, the "**Potential Investments**") are estimated with reference to the proposed scale of investments to be made by the Group during preliminary discussion with the potential investees conducted at arm's length basis. The Company considers that the identity of the aforesaid potential investees are commercially sensitive information and its disclosure will cause adverse impact to the Group in the negotiation for such potential investments. During the negotiation process, the Group has obtained preliminary information from the potential investees regarding their respective maximum scale of investments as determined based on their proposed business development and possible funding requirements. Maximum scale of investments of Investee 1 and Investee 2 will be over HK\$200 million and HK\$2 billion respectively. In estimating the size of each of the Potential Investments, the Group has taken into account, the respective maximum sale of investments of each of Investee 1 and Investee 2, the Group's anticipated investment scale and its investment restriction, anticipated shareholding interest in potential investees and the investment size which the potential investees are willing to invite the Group to participate. Reference is also made to the Group's previous investment experience and historical

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investment size of unlisted investments in the range of approximately HK\$35 million to HK\$75 million, with an average investment size of approximately HK\$53 million as at 30 September 2015. As at the Latest Practicable Date, negotiation for the Potential Investments is still at a preliminary stage and no concrete terms have been established nor have any definitive agreements been reached. In the course of the preliminary discussion regarding the Potential Investments, it has been indicated to the Group that it has to demonstrate that it has sufficient funding prior to further negotiation with the potential investees. As such, until the Group is able to raise the funds required, it will not be in a position to further negotiate for the Potential Investments. In this connection, readily available funds will be essential to the Group to facilitate negotiation of the Potential Investments.

The Company is an investment company and its principal business is restricted to making investments. Accordingly, net proceeds of the Open Offer will be and can only be used for making investments and for general working capital purpose. Upon receiving proceeds from the Open Offer, the Group will continue to explore suitable investment opportunities actively. In the event that suitable investments with acceptable return are not identified after completion of the Open Offer, the Company will place the proceeds from the Open Offer with financial institution in Hong Kong and such proceeds will be reserved for future investments when suitable investment opportunities arise. As at the Latest Practicable Date, the Directors considered that no fund raising activities will be carried out for at least the next twelve months due to insufficiency of general working capital of the Group. In addition, as at the Latest Practicable Date, based on current information available to the Group, save for the Open Offer, the Company did not have any immediate plan or was not contemplating to have further fund raising for at least the next twelve months for financing its business or investments referred to in this Prospectus and any other potential projects or transactions of the Company.

Underwriting Agreement

Date:	9 September 2015 (after trading hours)
Underwriter:	Black Marble Securities Limited
Number of Offer Shares underwritten:	1,672,592,000 Offer Shares
Commission:	1.5% of the total aggregate Subscription Price for the Underwritten Shares

The terms of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

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As disclosed in the Company's announcement dated 26 May 2015, on 31 March 2015, the Group entered into an agreement, pursuant to which a wholly-owned subsidiary of Lerado would acquire from the Group all the shares in the capital of Garron International Strategic Limited ("**Garron International**") (a wholly-owned subsidiary of the Group as at 31 March 2015) together with all obligations, liabilities and debts owed by or due from Garron International to the Company as at date of completion (the "**Transaction**") at a consideration of HK\$39 million (the "**Transaction Consideration**"). The Transaction Consideration would be settled as to HK\$1 million by cash and as to HK\$38 million by issue of 76,000,000 shares of Lerado to the Company at a price of HK\$0.5 per share of Lerado. As a result of completion of the Transaction which took place on 17 April 2015, 76,000,000 shares of Lerado were issued to the Group for settling part of the Transaction Consideration. Subsequently, 4,084,000 shares of Lerado were disposed by the Group through a series of transactions on market. As at the date of the Announcement, the Group is interested in 71,916,000 shares of Lerado, representing approximately 7.49% of its issued share capital, and Wonder Time Holdings Limited ("**Wonder Time**"), the entire issued share capital of which is beneficially owned by Lerado, is interested in 103,392,000 Shares, representing approximately 9.89% of the existing issued share capital of the Company. This acquisition of shares of Lerado resulting from the Transaction was in line with the Company's investment policy. The Group disposed of its entire interest in an aggregate of 71,916,000 shares of Lerado between 5 October 2015 and 6 October 2015 on the market in a series of transactions at selling prices ranged from HK\$0.240 to HK\$0.249. As the aforesaid disposal was made on the market, the Group is not aware of the identity of the buyer of the shares of Lerado. As at the Latest Practicable Date, the Group ceased to have any shares in Lerado and Wonder Time does not hold any Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief, each of the Underwriter and its ultimate beneficial owner is not a Connected Person of the Company.

Pursuant to the Underwriting Agreement, the Company has undertaken not to issue any Shares or Consolidated Shares (save for Consolidated Shares to be issued under Share Consolidation) or issue any options or other securities which carry rights to acquire or convert into Shares or Consolidated Shares or repurchase its own Shares or Consolidated Shares from the date of the Underwriting Agreement until the Latest Time for Acceptance.

The Underwriter has irrevocably undertaken to the Company in the Underwriting Agreement that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

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Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the section headed “Proposed Open Offer – Conditions of the Open Offer” above.

Termination of the Underwriting Agreement

Information on the termination of the Underwriting Agreement has been set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer			
			Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares (Note)</i>	<i>%</i>
Underwriter sub-underwriter(s) and subscribers procured by any of them <i>(Note)</i>	–	–	–	–	1,672,592,000	88.89%
Other public Shareholders	209,074,000	100.00%	1,881,666,000	100.00%	209,074,000	11.11%
	<u>209,074,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>

Note:

The Underwriter has irrevocably undertaken to the Company that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

LETTER FROM THE BOARD

FUND RAISING EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not carried out any fund raising exercises in the past twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
19 November 2014	Subscription of 43,000,000 new shares under general mandate	Approximately HK\$14.78 million	Intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company	(i) Approximately HK\$7.36 million was in unlisted equities; (ii) approximately HK\$3.36 million was invested in listed equities; and (iii) approximately HK\$4.06 million was used for general working capital
21 May 2015	Subscription of 130,000,000 new shares under general mandate	Approximately HK\$35.55 million	Intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company	Approximately HK\$35.55 million was invested in listed equities

Procedures for acceptance of and payment for the Offer Shares

Qualifying Shareholders will find enclosed with this Prospectus, an Application Form which entitles the relevant Qualifying Shareholder(s) to accept the subscription of the number of Offer Shares shown therein. If a Qualifying Shareholder wishes to exercise his/her/its rights to accept the subscription of the Offer Shares specified in the Application Form, the Qualifying Shareholder must lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's Share Registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 11 January 2016. All remittances must be by cheques or cashier's orders in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "China Investment and Finance Group Limited – Open Offer Account" and crossed "ACCOUNT PAYEE ONLY".

LETTER FROM THE BOARD

It should be noted that unless the duly completed Application Form, together with the appropriate remittance, has been lodged with the Company's Share Registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:00 p.m. on Monday, 11 January 2016, by the original allottee, the relevant assured allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and the relevant Offer Shares will be taken up by the Underwriter.

The Application Form contains further information regarding the procedures to be followed if Qualifying Shareholders wish to accept the whole or part of their assured allotment. All cheques and cashier's orders accompanying duly completed Application Form(s) will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a cheque and/or a cashier's order, will constitute a warranty by the relevant Qualifying Shareholder that the cheque and/or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any Application Form in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant assured allotment and all rights and entitlement given pursuant to which will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any monies received under the Open Offer. If the conditions of the Open Offer are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of the Offer Shares will be returned to the Qualifying Shareholders or, in case of joint holders, to the first-named person without interest by means of cheques despatched by ordinary post to the respective addresses specified in the register of members of the Company at their own risk as soon as practicable thereafter on or before Wednesday, 20 January 2016.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

WARNING OF THE RISKS OF DEALING IN SHARES AND CONSOLIDATED SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and/or Consolidated Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares and Consolidated Shares will be dealt in on an entitlement basis commencing from Tuesday, 15 December 2015 and that dealing in the Shares and/or Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or Consolidated Shares up to the date on which all conditions to which the Open Offer are subject to are fulfilled (which is expected to be at 4:00 p.m. on Thursday, 14 January 2016), will accordingly

LETTER FROM THE BOARD

bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares and/or Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

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

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 March 2013, the year ended 31 March 2014, the year ended 31 March 2015 and six months ended 30 September 2015 are disclosed on pages 22-87 of the 2013 annual report published on 19 July 2013, pages 22-89 of the 2014 annual report published on 9 July 2014, pages 22-89 of the 2015 annual report published on 29 July 2015 and pages 13-24 of the 2015/16 interim report published on 17 November 2015 respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.chnif.com). Please refer to the hyperlinks as stated below:

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0719/LTN20130719264.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0709/LTN20140709451.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0729/LTN20150729380.pdf>

2015/16 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1117/LTN20151117632.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Prospectus, the Group had the following outstanding indebtedness:

Promissory note

As at the close of business on 30 November 2015, the Group had outstanding promissory notes of approximately HK\$45,000,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank drafts, loans, debt securities or other similar indebtedness, foreign exchange liabilities, liabilities under acceptance or acceptances credits, finance lease, or hire purchase commitments guarantees or other material contingent liabilities at the close of business on 30 November 2015.

3. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds and the available credit facilities the Group has sufficient working capital for at least the next twelve months from the date of this Prospectus.

4. WORKING CAPITAL MANAGEMENT POLICY

Cash is required to pay for all assets and services subscribed by the Company and to meet future obligations as they come due. A sufficient level of cash should be kept available for daily operating expenses. It is the Company's practice to place its general working capital in bank to meet anticipated day-to-day expenditures and provide reasonable cushion for emergency spending.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group was made up.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company is an investment company and its shares are listed on the main board of the Stock Exchange since 19 September 2002, pursuant to Chapter 21 of the Listing Rules. The Group will remain principally engaged in securities trading, investment holding and rendering of consultancy service.

The Company expects the global market will continue to face greater challenges and is 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared in accordance with paragraph 4.29(1) of the Listing Rules set out below to illustrate the effect of the proposed Share Consolidation and the proposed Open Offer on the consolidated net tangible assets of the Group as if they had taken place on 30 September 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the proposed Share Consolidation and the proposed Open Offer been completed as at 30 September 2015 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2015, extracted from the published interim report of the Company for the six months ended 30 September 2015, with adjustment described below:

Taking into account 209,074,000 Consolidated Shares in issue as at the Latest Practicable Date, and there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of the Record Date, 1,672,592,000 Offer Shares will be issued under the Open Offer.

	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 <i>HK\$'000</i>	Unaudited consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Open Offer <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after completion of the Open Offer <i>HK\$</i> <i>(Note 4)</i>
Based on 1,672,592,000 Offer Shares at subscription price of HK\$0.250 per Offer Share	<u>514,579</u>	<u>410,848</u>	<u>925,427</u>	<u>2.461</u>	<u>0.492</u>

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 has been extracted from the published interim report of the Company for the six months ended 30 September 2015.
- (2) The estimated net proceeds from the Open Offer is approximately HK\$410,848,000 are based on the 1,672,592,000 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Open Offer, of approximately HK\$7,300,000.
- (3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Open Offer is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 of approximately HK\$514,579,000 as disclosed in note 1 above, divided by 209,074,000 Consolidated Shares (assuming the Share Consolidation become effective on 30 September 2015) of the Company in issue as at 30 September 2015.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Open Offer per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 for the Open Offer of approximately HK\$925,427,000 divided by 1,881,666,000 shares which comprise 209,074,000 Consolidated Shares (assuming the Share Consolidation became effective on 30 September 2015) in issue as at 30 September 2015 and 1,672,592,000 Offer Shares to be issued after the completion of the Open Offer.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2015.

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.



The Board of Directors
China Investment and Finance Group Limited
Room 1104, Crawford House
70 Queen's Road Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Investment and Finance Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets of the Group attribution to the owners of the Company as at 30 September 2015, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II of the prospectus issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed open offer of 1,672,592,000 new shares to be issued by the Company at a subscription price of HK\$0.25 per offer share on the basis of eight offer shares for every one existing share (the “**Open Offer**”) as if the transaction had taken place as at 30 September 2015. As part of this process, information about the unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 has been extracted from the published interim report of the Company for the six months ended 30 September 2015 dated 11 November 2015.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on consolidated net tangible assets of the Group as if the event or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Yip Kai Yin
Practising Certificate Number: P05131

Hong Kong, 24 December 2015

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Open Offer are as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>24,000,000,000</u>	Consolidated Shares of HK\$0.05 each	<u>1,200,000,000.00</u>

Issued and fully paid or credited as fully paid:

<u>209,074,000</u>	Consolidated Shares of HK\$0.05 each	<u>10,453,700.00</u>
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(ii) Immediately following completion of the Open Offer

<i>Authorised:</i>		<i>HK\$</i>
<u>24,000,000,000</u>	Consolidated Shares of HK\$0.05 each	<u>1,200,000,000.00</u>

Issued and fully paid or credited as fully paid:

209,074,000	Consolidated Shares of HK\$0.05 each in issue as at the Record Date	10,453,700.00
<u>1,672,592,000</u>	Offer Shares to be issued	<u>83,629,600.00</u>
<u>1,881,666,000</u>	Total	<u>94,083,300.00</u>

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All the Offer Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Open Offer.

The Offer Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Consolidated Shares or the Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, 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 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 contained in the Listing Rules (the "Model Code") were as follows:

Name of Director	Number of Consolidated Shares			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
Liao Jintian	5,000,000	–	5,000,000	2.39%

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.

Interest of substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, the following persons (other than a Director or chief executives of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Name	Capacity and nature of interest	Number of Shares/underlying Consolidated Shares held	Approximate percentage of the Company's issued share capital
Classictime Investments Limited (<i>Note</i>)	Beneficial owner	13,248,000	6.34%
Jun Yang Solar Power Investments Limited (<i>Note</i>)	Interest in a controlled corporation	13,248,000	6.34%

Note:

Classictime Investments Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited), a company listed on main board of the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2015 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, the Group was not involved in any litigation, arbitration or claim of material importance which is known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Chan Cheong Yee, the executive Director, is also the executive directors of several investment companies listed on the Stock Exchange, namely, (i) China Innovation Investment Limited (stock code: 1217); (ii) China Investment Development Limited (stock code: 204); (iii) Capital VC Limited (stock code: 2324); and (iv) China New Economy Fund Limited (stock code: 80); and the executive director of an investment company listed on AIM of London Stock Exchange, namely, Alpha Returns Group PLC.

Saved as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling Shareholder or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflict of interest with the Group.

8. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of this Prospectus, and are or may be material:

- (1) the underwriting agreement dated 9 June 2014 entered into between the Company and Emperor Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the open offer of the Company completed on 23 July 2014. The amount of commission was 2.0% of the aggregate subscription price of the maximum number of 290,790,000 underwritten shares, which amounted to approximately HK\$1.2 million;
- (2) the subscription agreement dated 19 November 2014 entered into between the Company and Cashcow Development Limited relating to the subscription of 43,000,000 new shares at the subscription price of HK\$0.345 per subscription share;
- (3) the subscription agreement dated 21 May 2015 entered into between the Company and Wonder Time Holdings Limited relating to the subscription of 130,000,000 new shares at the subscription price of HK\$0.275 per subscription share; and
- (4) the Underwriting Agreement.

9. EXPERT AND CONSENT

The following is the name and the qualification of the professional adviser who has given opinions or advice which are contained or referred to in this document:

Name	Qualification
Elite Partners CPA Limited ("Elite Partners")	Certified Public Accountants

As at the Latest Practicable Date, Elite Partners had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Elite Partners has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or its letters dated 24 December 2015 and/or references to its name and/or its advice in the form and context in which they respectively appear.

10. EXPENSES

The expenses in connection with the Open Offer, including underwriting commission, printing, registration, legal, accounting and financial adviser fees, are estimated to be approximately HK\$7.3 million and will be payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Company secretary	Mr. Chan Kwan Pak who is a member of the Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in company secretarial practices in respect of listed companies.
Investment Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Authorised representatives	Mr. Chan Cheong Yee Room 1104, Crawford House 70 Queen's Road Central Hong Kong Mr. Liao Jintian Room 1104, Crawford House 70 Queen's Road Central Hong Kong

Share registrar and transfer office in Hong Kong	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong
Auditors	Elite Partners CPA Limited <i>Certified Public Accountants</i> 10/F., 8 Observatory Road Tsim Sha Tsui Kowloon, Hong Kong
Reporting accountants	Elite Partners CPA Limited <i>Certified Public Accountants</i> 10/F., 8 Observatory Road Tsim Sha Tsui Kowloon, Hong Kong
Legal advisers to the Company in relation to the Open Offer	Hau, Lau, Li & Yeung Solicitors & Notaries Unit 1303, 13th Floor, Tower 1, Admiralty Centre 18 Harcourt Road Admiralty, Hong Kong
Underwriter	Black Marble Securities Limited Block A-C, 10th Floor Man Lok Building 89-93 Bonham Strand East Hong Kong

12. PARTICULARS OF THE DIRECTORS

(a) Name and address of the Directors

Name	Address
<i>Executive Director</i>	
Mr. Chan Cheong Yee	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
<i>Non-executive Directors</i>	
Mr. Liao Jintian	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Ms. Lee Kar Ying	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Wu Qi	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. Tsang Hin Man Terence	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Luk Simon	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Ms. Liu Xiaoyin	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Hon Leung	Room 1104, Crawford House 70 Queen's Road Central Hong Kong

(b) Profile of the Directors*Executive Director*

Mr. Chan Cheong Yee (“**Mr. Chan**”), aged 51, was appointed as an executive Director on 8 March 2011. He is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. Chan is currently a licensed person to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading) and Type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules of Hong Kong Stock Exchanges. Since June 2003, Mr. Chan joined China Innovation Investment Limited (stock code: 1217), an investment company listed on the Stock Exchange, as executive director. Mr. Chan was appointed as an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Growth Enterprise Market of the Stock Exchange, in August 2007, and was re-designated as an executive director of Bingo Group Holdings Limited in April 2009. Mr. Chan was appointed as an executive director of China Investment Development Limited (stock code: 204), an investment company listed on the Stock Exchange, in May 2012. Mr. Chan was appointed as an executive director of Capital VC Limited (stock code: 2324), an investment company listed on the Stock Exchange, in November 2012. Mr. Chan was appointed as an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, in May 2013. Mr. Chan was also appointed as an executive director of China New Economy Fund Limited (stock code: 80), an investment company listed on the Stock Exchange, in June 2013. Mr. Chan resigned as an independent non-executive director of Agritrade Resources Limited (stock code: 1131), a company listed on the Stock Exchange, with effect from 26 October 2015.

Non-Executive Directors

Mr. Liao Jintian (“**Mr. Liao**”), aged 47, has been a non-executive Director since 23 March 2012. Mr. Liao is a council member of the China National Furniture Association (中國家具協會), an executive committee member of Shunde Gong Shan Lian (順德工商聯(總商會)), a vice-president of Shunde Furniture Association (順德家具協會), a vice-president of Shunde Longjiang Chamber (順德龍江商會) and a director of the Longjiang Charity Association. Mr. Liao is also the executive director and legal representative of Guangdong Xie Feng Financial Guarantee Co., Ltd. (廣東協豐融資擔保有限公司), the chairman and legal representative of Guangdong Jingongzi Trading and Economic Development Co., Ltd. (廣東金公子經貿發展有限公司). Mr. Liao has over 10 years of experience in wide scope of businesses including trading, finance, property development and project investment.

Ms. Lee Kar Ying (“Ms. Lee”), aged 27, was appointed as a non-executive Director on 20 March 2015. She holds a Bachelor of Arts degree in Arts and Science in Sociology of University of Southern California in the United States of America. Ms. Lee has over 3 years’ experience in hospitality industry.

Mr. Wu Qi (“Mr. Wu”) aged 32, was appointed as a non-executive Director on 3 July 2015. He is a famous securities analyst in China. He has many years’ solid experience in the financial industries. He has often been interviewed by many Chinese media and has been invited by a number of financial programs as a guest. He is also a financial columnist of sina.com, yicai.com and other famous websites. Mr. Wu specializes in the stock market analysis and his choice of stocks also has outstanding insights.

Independent Non-Executive Directors

Mr. Tsang Hin Man Terence (“Mr. Tsang”), aged 53, has been an independent nonexecutive Director since 1 April 2014. He was admitted as a solicitor in Hong Kong in 1993 and he is currently the sole proprietor of H. M. Tsang & Co. Mr. Tsang obtained a bachelor’s degree in science (BSc.) from the University College London, the University of London. He also holds a bachelor’s degree in law (LLB.) from the University of Westminster, United Kingdom. Mr. Tsang serves as a non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238), and an independent non-executive director in Lee & Man Handbags Holding Limited (Stock Code: 1488) and Differ Group Holding Company Limited (Stock Code: 6878).

Mr. Luk Simon (“Mr. Luk”), aged 50, was appointed as an independent non-executive Director on 2 July 2014. He is a responsible officer for the regulated activities of asset management (Type 9) under the Securities and Futures Ordinance since 2003. Mr. Luk has over 10 years’ experience in asset management and investment advising. Mr. Luk worked in various investment advising companies. Since November 2013, Mr. Luk is the responsible officer of W. Falcon Asset Management (Asia) Limited. During the period from 2011 to November 2013, Mr. Luk was a responsible officer of Capital Focus Asset Management Limited. Before that, Mr. Luk was a founder and responsible officer of Money Concepts (Asia) Ltd. During the period of 2000 to 2009, Mr. Luk managed various funds and private equity portfolios. Mr. Luk was appointed as a non-executive director of Shaanxi Northwest New Technology Industry Company Limited (Stock code: 8258) since September 2012 until 12 August 2014. Mr. Luk was appointed as an independent non-executive director of Infinity Chemical Holdings Company Limited (Stock code: 640) since November 2013.

Ms. Liu Xiaoyin, aged 30, was appointed as an independent non-executive Director on 20 March 2015. She is currently the assistant to the general manager of a China based investment company. She has over 5 years solid investment and management experience.

Mr. Hon Leung, aged 33, has been appointed as an independent non-executive Director on 20 November 2015. He is the founder of William Hon & Co, and a certified public accountant (practising) in Hong Kong, with 8 years of professional practice experience. He possess solid finance and accounting knowledge.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday (except for public holidays) at the principal place of business of the Company in Hong Kong at Room 1104, Crawford House 70 Queen’s Road Central Hong Kong from the date of this Prospectus up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the year ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (c) the interim report of the Company for the six months ended 30 September 2015;
- (d) the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this prospectus;
- (e) the letters of consent referred to under the paragraph headed “Experts and Consents” in this Appendix;
- (f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix;
- (g) the Circular; and
- (h) this Prospectus.

14. MISCELLANEOUS

- i. As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- ii. The English text of this Prospectus shall prevail over the Chinese text.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of the Listing Rules in connection with the listing document of investment companies. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. This appendix, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this appendix is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this appendix misleading.

INFORMATION ON THE INVESTMENT MANAGER AND THE CUSTODIAN

Investment Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Directors of the Investment Manager	Cheung Pang To 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	So Hin Pong 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	Li Bingtao 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	Ho Chi Ho 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

The Investment Manager

China Everbright Securities (HK) Limited (“CES”) is a company incorporated in Hong Kong on 4 January 1991 with limited liability and is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The biographical details of the directors of the Investment Manager are set out as follows:

Mr. Cheung Pang To

Mr. Cheung Pang To (“**Mr. Cheung**”) is the managing director and one of the responsible officers of the CES. Mr. Cheung is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO accredited to CES. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited.

Mr. Cheung has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

Mr. So Hin Pong

Mr. So Hin Pong (“**Mr. So**”) is a director and one of the responsible officers of CES. Mr. So is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO accredited to CES. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited, and Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities accredited to China Everbright Securities Asset Management Limited.

Mr. So has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

Mr. Li Bingtao

Mr. Li Bingtao (“**Mr. Li**”) is the Director of CES. He joined CES on 13 October 2014. Mr. Li holds several degrees including a Master of Arts from New York University. Mr. Li started his financial career at Lianhe Securities in 2001, and worked for Washington Mutual and JP Morgan Chase Bank later on. From April 2009 to March 2014, Mr. Li served at China Securities Regulation Committee, and joined Everbright Securities Company Limited in April 2014. Since September 2014, Mr. Li has been the Executive Director and Chief Executive Officer of China Everbright Securities International Limited. Mr. Li also holds the CFA and FRM designation.

Mr. Ho Chi Ho

Mr. Ho Chi Ho (“**Mr. Ho**”) is the Director of China Everbright Capital Limited and CES. He joined China Everbright Capital Limited on 20 June 2005. Mr. Ho graduated from the Chinese University of Hong Kong in 1996 with a bachelor degree in Business Administration. Mr. Ho has been in the corporate finance industry for over 16 years. Mr. Ho is the Principal and the Responsible Officer for carrying on types 1, 4, 6 regulated activities pursuant to the SFO of China Everbright Capital Limited and CES. Prior to joining China Everbright Capital Limited, Mr. Ho worked for Guotai Junan Capital Limited and First Shanghai Capital Limited as their senior management.

The Custodian

Since all the available-for-sale assets held by the Company are listed and unlisted equity and debt securities or unlisted convertible debt securities, the Company did not appoint any custodian bank to provide custodian services.

RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted companies mainly in Hong Kong and the PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company’s income and its Net Asset Value are liable to be adversely affected by the prevailing market conditions as well as external factors beyond the control of the Company. The Company is also exposed to financial assets price risks as investments held by the Company are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. Investors should be aware of these risks when investing in the Company. Save as disclosed above, the Directors are of the view that an investment in the Company is not subject to other abnormal risks.

INVESTMENT OBJECTIVES AND POLICIES

The Company’s investment objective is to achieve medium to long term (i.e. generally more than one year) capital appreciation, and interest incomes and dividends by investing principally in listed and unlisted companies in Hong Kong, the PRC and Taiwan.

The Company has adopted the following investment policies:

- i. The Company’s investments will normally be made in the form of equity or equity-related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to information technology, telecommunications, manufacturing, pharmaceutical, service, property, infrastructure, life and environmental sectors to maintain a balance in the Company’s exposure to different industry sectors in order to minimise the impact on the Company of any downturn in any particular sector;

- ii. the Company's investments will normally be made in enterprises which are established in their respective fields and in which the Board believes that there are prospectus of earnings growth and/or capital appreciation. In particular, the Company will seek to identify businesses or entities with a potential or record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long-term growth of such companies;
- iii. the Company may invest in companies or other entities which are considered by the Board and/or the Investment Manager as being special or in recovery situations on a case-by-case basis, e.g. companies under restructuring or liquidation, which may have extensive growth in shorter period and provide attractive returns;
- iv. where possible, the Board and the Investment Manager will seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other; and
- v. the Company's investments are intended to be held for medium to long term (i.e. generally more than one year) capital appreciation and there is no present intention to realise any of such investments in any specific period or by any specific date. Nevertheless, the Company will realise investments from time to time where to do so is in the opinion of the Board to be in the best interests of the Company or where the terms on which such realisation can be achieved are in the opinion of the Board to be particularly favourable to the Company.

The Investment Manager shall have discretion over the assets of the Company, including acquisition and disposals of assets provided that the value of each transaction will not exceed 20% of the Net Asset Value (or such other amount as may be determined by the Board from time to time). Approval by the Board is required if the value of a transaction has exceeded such limit.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as soon as practicable, due to the market and other investment consideration, it may take some time before the funds of the Company are fully invested.

The Company shall engage in transactions in options and futures which are traded on recognised securities or futures exchanges and shall issue or purchase derivative financial products for hedging purpose only.

Before suitable investment projects are identified:

- i. the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in Hong Kong in any currency, bonds or treasury securities issued by the government of the United States of the government of Hong Kong, their respective agencies; or securities or other instruments denominated in any currency issued by various governments or international development agencies; and

- ii. the Company may enter into forward interest rate agreements, interest rates and bond futures contracts and interest rate swaps or purchase or write (sell) put or call options on interest rates and put or call options on futures on interest rates for the purpose of hedging interest rate risks and currency risks only.

The Company's investment objectives and policies above may be altered with Shareholders' approval.

INVESTMENT RESTRICTIONS

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. To abide by such restrictions, the Board has resolved that the Company may not:

- i. either itself or through its wholly owned subsidiaries, if any, or in conjunction with any Connected Person (as defined in the Listing Rules) take legal, or effective, management control of underlying investments and in no event will the Company itself or through its wholly-owned subsidiaries, if any, own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity, except in relation to such wholly-owned subsidiaries of the Company;
- ii. invest in any company or entity other than wholly-owned subsidiaries of the Company if such investment will result in more than 20% of the Company's Net Asset Value being invested in such company or entity as at the date the investment is made in such company or entity;
- iii. buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; and
- iv. invest more than 20% of its assets outside the PRC, Hong Kong and Taiwan.

Pursuant to Rules 21.04 (3)(a) and (b) of the Listing Rules, the Company has to comply with investment restrictions (i) and (ii) above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules. Such restrictions are contained in the Articles and cannot be changed so long as the Shares remain listed on the Stock Exchange under Chapter 21 of the Listing Rules. Investment restrictions (iii) and (iv) can be changed subject to Shareholders' approval.

BORROWING POWER

Pursuant to the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of the latest available Net Asset Value at the time the borrowing is made. In the event that the borrowing should exceed 50% of the latest available Net Asset Value, the Company must obtain prior approval of the Shareholders at a general meeting. The Company's assets may be charged or mortgaged as security for borrowings. Subject to the provisions of

the memorandum of association, the Articles and the investment management agreement entered with the Investment Manager, the Company may from time to time borrow for the purposes of providing liquidity or taking advantage of investment opportunities.

DISTRIBUTION POLICY

Interest income, dividend income and other incomes of the Company will be used first to meet expenses. The Investment Manager will then assess whether it is reasonable to make provisions for future expenses and/or any possible diminution of investments, and will consider the amount of cash which should be retained by the Company for future investments. It is the Board's intention to distribute any excess balance after such provisions by way of dividend to the extent permitted by law and the Articles. Dividends will be declared and paid only to the extent that they are covered by net income received from underlying investments. Distributions (if any) will be made annually after the annual audited financial statements of the Company are approved by the Shareholders at the annual general meeting but interim distributions may be made from time to time to the Shareholders if it appears to the Board to be justified by the financial position of the Company and permissible by law and the Articles. Distributions by way of cash dividends will be made in Hong Kong dollars.

FOREIGN EXCHANGE POLICY

The Company's investment may be denominated in currencies other than Hong Kong dollars, and there is accordingly an exchange risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions. Therefore, no financial instrument was made to hedge such exposures.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay the fees of the Investment Manager, as described below. In addition, the Company will pay certain other costs and expenses incurred by the Investment Manager in the proper performance of its duties.

Investment management fees

Pursuant to the agreement entered into between the Investment Manager and the Company dated 6 November 2012, China Everbright Securities (HK) Limited agreed to act as the investment manager for a period of three years. The Company will pay the Investment Manager an annual management fee of HK\$960,000, payable monthly in arrears.

As the management fee to be payable by the Company to the Investment Manager shall not exceed HK\$960,000 per annum, which is less than HK\$10,000,000 and 25% in respect of each of the percentage ratios prescribed under Rule 14.07 of the Listing Rules, the payment of management fees is therefore subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

Save for the fees mentioned hereinabove, the Investment Manager is not entitled to receive any other fees from the Company.

The Directors confirm that none of the Directors, the Investment Manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.

INVESTMENT PORTFOLIO

The following are the details of the ten largest investments of the Group as at 31 March 2015, which include all listed investments and all other investments with a value of more than 5% of the Company's gross assets as at the respective dates.

As at 31 March 2015

Note	Name of investee companies	Percentage of effective interest held	Cost HK\$'000	Fair value HK\$'000	Dividend/ Coupons/ Interest received HK\$'000	Dividend cover HK\$'000	Underlying earnings HK\$'000	Net assets attributable to investment HK\$'000
(i)	IGOSEATING Limited*	N/A	50,000	54,565	398	N/A	N/A	N/A
(ii)	YUET JOIN INDUSTRIAL LIMITED*	N/A	50,000	52,977	2,500	N/A	N/A	N/A
(iii)	Plexson Limited	15%	45,000	38,750	-	N/A	5,239	33,762
(iv)	Full Ever Industrial Company Limited*	N/A	35,000	35,311	1,750	N/A	N/A	N/A
(v)	Forest Investment Company Limited	29%	34,800	35,645	-	N/A	4,593	35,358
(vi)	Town Health International Medical Group Limited	0.22%	15,630	28,590	-	0.22	186	10,127
(vii)	Hao Wen Holdings Limited	0.68%	8,180	2,644	-	N/A	(107)	3,825
(viii)	WLS Holdings Limited	0.72%	4,053	6,641	-	N/A	(70)	2,147
(ix)	China New Economy Fund Limited	0.52%	1,201	824	-	N/A	709	2,677

* No dividend cover, underlying earnings and net assets attributable to the investments are presented above as these are investments in debt securities.

** As at 31 March 2015, the Group only held nine investments which have been listed above.

Notes:

- (i) A 5-year convertible bond issued by IGOSeating Limited (“**IGO**”), a private company with limited liability which business is principally engaged in furniture related doings, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries fixed interest rate at 0.8% per annum, paid annually, with date of maturity on 11 December 2016 and is guaranteed by the beneficial owners of IGO. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

The Group has not been in a position to exercise any significant influence over the financial and operating policies of IGO. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$38,097,000 and HK\$11,903,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (ii) A 3-year (extendible for 2 years) convertible bond issued by Yuet Join Industrial Limited (“**Yuet Join**”), a private company with limited liability which business is principally engaged in manufacturing of electronic generator and related business, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries at fixed interest rate at 5% per annum, paid semi-annually, with date of maturity on 10 March 2016 (extendible to 10 March 2018 upon the agreement by both parties) and is guaranteed by the shareholders of Yuet Join. The Group has the option to convert the convertible bond to 29.79% of the equity interest of the issuers at any time and from time to time before the maturity date.

The Group has not been in a position to exercise any significant influence over the financial and operating policies of Yuet Join. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$47,424,000 and HK\$2,576,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (iii) Plexson Limited (“**Plexson**”), a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Plexson. Accordingly, investment in Plexson has been designated upon initial recognition as an available-for-sale financial asset.

- (iv) A 2-year bond issued by Full Ever Industrial Company Limited (“**Full Ever**”), a private company with limited liability which business is principally engaged in trading of knitted gloves, was acquired at a face value of HK\$35,000,000 during the year ended 31 March 2014. The bond carries fixed interest rate at 5% per annum, paid quarterly, with date of maturity on 8 December 2015, extendible for 3-year upon agreement by both parties. The Group was designated the bond issued by Full Ever as available-for-sale financial asset.

- (v) Forest Investment Company Limited (“**Forest**”), a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Forest. Accordingly, investment in Forest has been designated upon initial recognition as an available-for-sale financial asset.

- (vi) Town Health International Medical Group Limited (stock code: 3886) (“**Town Health**”) is principally engaged in healthcare, dental and pharmaceutical business in PRC and Hong Kong and also securities and properties investments. The audited net profit attributable to shareholders for the year ended 31 December 2014 was approximately HK\$84.6 million, and its unaudited net asset value as at 30 June 2015 was approximately HK\$4,603.2 million.

- (vii) Hao Wen Holdings Limited (stock code: 8019) (“**Hao Wen**”) is principally engaged in trading of biodegradable containers, money lending business, manufacturing and sale of biomass fuel. The audited net loss attributable to shareholders for the year ended 31 December 2014 was approximately RMB12.6 million, and its unaudited net asset value was approximately RMB450.0 million as at 30 June 2015.

- (viii) WLS Holdings Limited (stock code: 8021) (“**WLS**”) is principally engaged in construction business including scaffolding and fitting out, management contracting services and equipment installation and maintenance services. The audited net loss attributable to shareholders for the year ended 30 April 2015 was approximately HK\$9.7 million, and its audited net asset value as at 30 April 2015 was approximately HK\$298.2 million.

- (ix) China New Economy Fund Limited (stock code: 0080) is principally engaged in direct investments, including securities trading and equity fund. The audited net profit attributable to shareholders for the year ended 31 December 2014 approximately HK\$136.3 million, and its unaudited net asset value was approximately HK\$514.8 million as at 30 June 2015.

The Group reviews the fair value of its unlisted equity investments to determine whether there is any indication that those investment has required to make provision. As at 31 March 2015, the Group is not aware that any provision should be made for those investments.