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CHINA INVESTMENT AND FINANCE GROUP LIMITED

中國投融資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1226)

CLARIFICATION ANNOUNCEMENT IN RELATION TO 2014 INTERIM REPORT

Reference is made to the interim report (“**2014 Interim Report**”) of China Investment and Finance Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) for the six months ended 30 September 2014. The board of directors (“**Board**”) of the Company would like to clarify certain information disclosed in 2014 Interim Report.

In the Condensed Consolidated Financial Position of the Company in the 2014 Interim Report, the amount HK\$30,367,000 of “Property, plant and equipment” includes approximately HK\$21,263,000 which represent the carrying value of three office units located in Guangzhou, the People’s Republic of China (“**PRC**”) and such amount shall be presented as “Investment Properties”.

Acquisition and Disposal of the Property

The Property was acquired by Guangzhou Kairun Enterprise Management Services Co., Ltd 廣州凱潤企業管理服務有限公司 (“**GZ Kairun**”) (which is a wholly owned subsidiary of the Group and is directly held by another subsidiary of the Group namely Garron International Strategic Limited (“**Garron International**”) in 2012 for own use purpose by the Group. As at the time of acquisition of the Property in 2012, the applicable percentage ratios for this transaction are less than 25%, the transaction is not subject to requirements of announcement and shareholders’ approval under Chapter 21 of the Listing Rules. The idea of acquisition was initiated by Mr. Xie Leshan (“**Mr. Xie**”), the then Chairman of the Company and Mr. Chen Yiyuan (“**Mr. Chen**”), the then Vice-Chairman of the Company who planned to use the Property as the main office in the PRC and establish a base in Guangzhou for locating suitable investment opportunities in the PRC. After the completion of the acquisition of the Property, the

Company lost contact with Mr. Xie and Mr. Chen and both of them were removed by the Board in September 2012. Then the plan of using the Property as the main office in the PRC was suspended and the Property had become vacant then.

In July 2014, Mr. Zhou Han Jie (“**Mr. Zhou**”), the legal representative of GZ Kairun and a non-executive director of the Company, made the decision of renting three units of the Property to tenants without informing and obtaining the approval of the Board prior to entering into such tenancy agreements. However, renting part of the Property to third parties will constitute investment activity which is governed by the investment policy of the Company (“**Investment Policy**”). Under the Investment Policy, the Group should invest principally in listed and unlisted companies in Hong Kong, PRC and Taiwan and investment in real property is not permitted. The Company understood from Mr. Zhou that the purpose of renting the Property was to save running costs of the Group, and he inadvertently did not pay due attention to the Investment Policy. On 31 March 2015, an agreement was entered into to dispose of all the shares in the capital of Garron International to a subsidiary of Lerado Group (Holding) Company Limited (stock code: 1225) (“**Lerado Group**”) at a consideration of HK\$39,000,000 which has been settled by cash payment of HK\$1,000,000 and issue of 76,000,000 shares of Lerado Group to the Company. The applicable percentage ratios for the disposal transaction are less than 25%, the transaction is not subject to requirements of announcement and shareholders’ approval under Chapter 21 of the Listing Rules.

The Group has received rental income of approximately HK\$591,000 from renting of the three units of the Property since July 2014 until 17 April 2015 (completion date of the said disposal transaction). During the six months ended 30 September 2014, the rental income was approximately HK\$103,000 and presented as part of “Other Income” in the Condensed Consolidated Statement of Profit and Loss in 2014 Interim Report. As such amount is immaterial as compared with other financial figures in the financial statements, the Board and audit committee of the Company did not identify this non-compliance at that time. Mr. Zhou resigned as director of the Company with effect on 1 June 2015.

Compliance with Investment Policy

This incident did not have significant impact on the financial position, business and operations of the Group. But it reveals that Mr. Zhou’s knowledge about the Investment Policy and understanding of the limit of his authority is not sufficient for him to discharge his duty as a director of the Company. The existing members of the Board well understand the importance of adherence to the Investment Policy. The Company will strengthen communication among the members of the Board to ensure awareness of the Investment Policy by all of them. The Company will also provide appropriate materials to any new candidates who will join the Board in the future. The Company

is of the view that the said measures can address the internal control issue and prevent similar incident from happening again.

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

Hong Kong, 7 August 2015

As at the date of this announcement, the Board comprises Mr. CHAN Cheong Yee as executive Director; Mr. LIAO Jintian, Ms. LEE Kar Ying and Mr. WU Qi as non-executive Directors; and Mr. HA Tak Kong, Mr. TSANG Hin Man Terence, Mr. LUK Simon and Ms. LIU Xiaoyin as independent non-executive Directors.