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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)

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

The Company proposes to implement the Capital Reduction involving the reduction of the paid-up capital of each of the issued Shares by cancelling the paid-up capital to the extent of HK\$0.19 per issued Share so that the nominal value of each issued Share will be reduced from HK\$0.20 to HK\$0.01. The credit arising from the Capital Reduction will be credited to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will also be sub-divided into twenty (20) New Shares with a nominal value of HK\$0.01 each.

As at the date of this announcement, 915,370,000 Shares have been issued and are fully paid or credited as fully paid. Assuming that the paid-up capital of each of the 915,370,000 issued Shares will be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up capital to the extent of HK\$0.19 per issued Share by way of a reduction of capital, so as to form New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$183,074,000 will be reduced by HK\$173,920,300 to HK\$9,153,700.

The Capital Reduction is conditional upon fulfillment of the conditions contained in the section headed "Conditions of the Capital Reduction and the Sub-division" in this announcement.

<p>A circular containing, among other matters, details of the Capital Reduction and the Sub-division, together with a notice of EGM and the related proxy form, will be sent to the Shareholders on or before Monday, 9 February 2015.</p>
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PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

As at the date of this announcement, the authorised share capital of the Company is HK\$1,200,000,000 divided into 6,000,000,000 Shares, of which 915,370,000 Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reduction and the Sub-division to be implemented in the following manner:

- (i) the paid-up capital of each of the issued Shares be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up capital to the extent of HK\$0.19 per issued Share by way of a reduction of capital, so as to form New Shares with par value of HK\$0.01 each;
- (ii) the credit arising from the Capital Reduction be credited to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate; and
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Shares with par value of HK\$0.20 each be subdivided into twenty (20) New Shares with par value of HK\$0.01 each, and such New Shares shall rank pari passu in all respects with each other and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction and the Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and the Sub-division becoming effective
Par value	HK\$0.20 per Share	HK\$0.01 per New Share
Amount of the authorised share capital	HK\$1,200,000,000	HK\$1,200,000,000
Number of authorised shares	6,000,000,000 Shares	120,000,000,000 New Shares
Amount of the issued share capital	HK\$183,074,000	HK\$9,153,700

The size of each board lot of the New Shares will remain the same as that of the Shares, being 8,000 New Shares per board lot. The New Shares will rank pari passu in all respects with each other.

As at the date of this announcement, 915,370,000 Shares have been issued and are fully paid or credited as fully paid. Assuming that the paid-up capital of each of the 915,370,000 issued Shares will be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up capital to the extent of HK\$0.19 per issued Share by way of a reduction of capital, so as to form New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$183,074,000 will be reduced by HK\$173,920,300 to HK\$9,153,700.

As at the date of this announcement, the Company has no outstanding share options, warrants or convertible bonds.

Reasons for and Effects of the Capital Reduction and the Sub-division

The total credit arising from the Capital Reduction will be credited to a distributable reserve account of the Company. The amount standing to the credit of the account will be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate. The Board is of the opinion that the proposed Capital Reduction and Sub-division will enable the Company to declare dividends to the Shareholders in the future. At this stage, there can be no assurance that when a dividend will be declared or paid in future even if the Capital Reduction and the Sub-division become effective. Also, the Board considers that the Capital Reduction and the Sub-division will enable the nominal value of the Shares to be reduced from HK\$0.20 each to HK\$0.01 each, thus giving greater flexibility to the Company to raise funds through the issue of New Shares in the future given that the Company is not permitted to issue new Shares (without order of the Court) below their nominal value.

As such, the Directors are of the view that the Capital Reduction and the Sub-division are in the best interests of the Company and its Shareholders as a whole.

Save for the expenses to be incurred in relation to the Capital Reduction and the Sub-division, the Directors consider that the Capital Reduction and the Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

Conditions of the Capital Reduction and the Sub-division

The Capital Reduction and the Sub-division are conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reduction and the Sub-division;

- (ii) approval of the Capital Reduction by the Court;
- (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Court and the minutes approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

The Capital Reduction and the Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction and the Sub-division at the EGM, the legal advisors to the Company (as to the Cayman Islands Law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New 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 New 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.

Free Exchange of Certificates for New Shares

As the Court hearing date(s) has yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction and the Sub-division become effective, Shareholders may submit existing certificates for the Shares (in light green colour) to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction and the Sub-division, for certificates for the New Shares. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and the Sub-division is ascertained.

All existing certificates of the Shares will continue to be evidence of title to such Shares and be valid for delivery, trading and settlement purpose.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction and the Sub-division. A circular containing, among other things, further details of the Capital Reduction and the Sub-division, together with a notice convening the EGM and the related proxy form, will be despatched by the Company to the Shareholders on or before Monday, 9 February 2015.

As no Shareholders have a material interest in the Capital Reduction and the Sub-division, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction and the Sub-division.

DEFINITIONS

“Board”	the board of the Directors
“Capital Reduction”	the reduction of the paid-up capital of each of the issued Shares by cancelling the paid-up capital to the extent of HK\$0.19 per issued Share, thereby reducing the nominal value of each issued Share from HK\$0.20 to HK\$0.01
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Company”	China Investment and Finance Group Limited 中國投融資集團有限公司, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1226)
“Court”	The Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Capital Reduction and the Sub-division
“Group”	the Company and its subsidiaries

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	has the meaning attributed to that term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the Sub-division becoming effective
“PRC”	The People’s Republic of China
“Registrar”	Tricor Standard Limited, the Hong Kong branch share registrar and transfer office of the Company
“Share(s)”	ordinary share(s) with par value of HK\$0.20 each in the share capital of the Company prior to the Capital Reduction and the Sub-division becoming effective
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s), as case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorised but unissued Share into twenty (20) unissued New Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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

Hong Kong, 20 January 2015

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