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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus (the “**Prospectus**”) of China Investment and Finance Group Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) dated 24 December 2015 in relation to, among others, the use of proceeds of the Open Offer. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the context otherwise requires.

As set out in the paragraph headed “Reasons for the Open Offer and the use of proceeds” of the section headed “Letter from the Board” of the Prospectus, the Board intends to apply the net proceeds of the Open Offer as to

- (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;
- (ii) approximately HK\$50.0 million for investment in shares (the “Possible Investment”) in a listed company which is principally engaged in provision of asset advisory services and asset appraisal; corporate services and consultancy; media advertising; and financing services;
- (iii) approximately HK\$50.0 million for unlisted investment in a credit company 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;
- (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;
- (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.

As at the date of this announcement, the Group has used approximately HK\$111.9 million in investments in Target Industries; HK\$22.8 million in the Possible Investment; HK\$50.0 million in Potential Investment 1; approximately HK\$45.0 million for repayment of PN; HK\$15.0 million for listed investments; and HK\$4.2 million for general working capital of the Group. Accordingly, the unutilized net proceeds of the Open Offer amount to approximately HK\$161.9 million, which principally represented the amount of approximately HK\$120.0 million for Potential Investment 2. After several months’ negotiation for Potential Investment 2, the terms of the investment have not yet been finalized.

As detailed in the Company’s announcement dated 14 April 2016, the result on investment in listed securities is expected to improve from audited profit of approximately HK\$9.3 million for the year ended 31 March 2015 to unaudited profit of approximately HK\$27.2 million for the year ended 31 March 2016.

In view of the encouraging track record of investments in listed securities as mentioned above, the Company intends to increase the weight of listed securities in its investment portfolio. Accordingly, the Board has resolved to apply further amount of the unutilised net proceeds of approximately HK\$161.9 million to invest in listed securities.

The Directors (including the independent non-executive Directors) consider the above change in the use of the net proceeds from the Open Offer is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

Hong Kong, 20 June 2016

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. Tsang Hin Man Terence, Mr. Luk Simon, Ms. Liu Xiaoyin and Mr. Hon Leung as independent non-executive Directors.