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中 國 投 資

**CHINA INVESTMENT FUND COMPANY LIMITED**

**中國投資基金有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00612)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Board (the “**Board**”) of Directors (the “**Directors**”) of China Investment Fund Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2015, with the comparative figures for the year ended 31 December 2014 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

		2015	2014
	Notes	HK\$	HK\$
Revenue	3	840,901	899,371
Net realised gain (loss) on disposals of available-for-sale financial assets		3,665,506	(3,241,210)
Net realised gain on disposals of financial assets at fair value through profit or loss		3,846,224	856,396
Net unrealised (loss) gain on financial assets at fair value through profit or loss		<u>(3,207,804)</u>	<u>877,460</u>
		5,144,827	(607,983)
Other income	3	52,456	63,172
Net (loss) gain on disposals of subsidiaries	10	(317,275)	780
Impairment loss on available-for-sale financial assets	11	(29,232,240)	—
Impairment loss on prepayments and deposits		(1,215,000)	—
Administrative expenses		(65,908,706)	(35,054,678)
Finance costs	5	<u>(1,221,793)</u>	<u>(727)</u>
Loss before tax	6	(92,697,731)	(35,599,436)
Income tax expense	7	<u>—</u>	<u>—</u>
Loss for the year attributable to owners of the Company		<u>(92,697,731)</u>	<u>(35,599,436)</u>
<b>Loss per share</b>	9		
— Basic (HK cents per share)		<u>(10.12)</u>	<u>(4.65)</u>
— Diluted (HK cents per share)		<u>(10.12)</u>	<u>(4.65)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2015*

	<b>2015</b>	2014
	<i>HK\$</i>	<i>HK\$</i>
Loss for the year attributable to owners of the Company	<u><b>(92,697,731)</b></u>	<u>(35,599,436)</u>
<b>Other comprehensive income (expenses):</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of a foreign operation	<b>(23,919)</b>	—
Exchange loss on translation of available-for-sale financial assets	—	(3,146)
Reclassification of exchange differences upon disposal of available-for-sale financial assets	—	7,160
Net gain (loss) arising on revaluation of available-for-sale financial assets	<b>31,499,434</b>	(10,578,330)
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	<u><b>10,824,319</b></u>	<u>(3,861,706)</u>
Other comprehensive income (expenses) for the year, net of tax	<u><b>42,299,834</b></u>	<u>(14,436,022)</u>
Total comprehensive expenses attributable to owners of the Company	<u><b>(50,397,897)</b></u>	<u>(50,035,458)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	<b>2015</b>	2014
		<b>HK\$</b>	<b>HK\$</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,761,880	4,348,713
Available-for-sale financial assets	11	157,582,634	59,932,200
Rental deposit		<u>1,610,071</u>	<u>—</u>
		<u>161,954,585</u>	<u>64,280,913</u>
<b>Current assets</b>			
Prepayments, deposits and other receivables		19,071,121	26,122,506
Available-for-sale financial assets	11	24,274,600	—
Financial assets at fair value through profit or loss	12	50,968,080	9,031,600
Cash and cash equivalents		<u>33,983,457</u>	<u>38,769,130</u>
		<u>128,297,258</u>	<u>73,923,236</u>
<b>Current liability</b>			
Accruals and other payables		<u>2,579,479</u>	<u>796,074</u>
<b>Net current assets</b>		<u>125,717,779</u>	<u>73,127,162</u>
<b>Total assets less current liability</b>		<u>287,672,364</u>	<u>137,408,075</u>
<b>Non-current liability</b>			
Interest bearing loan notes		<u>43,355,361</u>	<u>—</u>
<b>Net assets</b>		<u>244,317,003</u>	<u>137,408,075</u>
<b>Capital and reserves</b>			
Share capital		55,351,000	38,256,000
Reserves		<u>188,966,003</u>	<u>99,152,075</u>
<b>Total equity</b>		<u>244,317,003</u>	<u>137,408,075</u>
Net asset value per share	9	<u>0.22</u>	<u>0.18</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

## 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Companies Ordinance (“**CO**”).

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ report and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments: Hedge Accounting and Impairment <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012—2014 Cycle <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective date yet to be determined.

### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ “FVTOCI” measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of *HKAS 39 Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors of the Company is in the process of making assessment of the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether these other new and revised HKFRSs would have any significant impact on its results of operations and financial position of the Group.

### **New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements of the Company.

### **3. REVENUE AND OTHER INCOME**

Revenue represents interest income and dividend income from financial assets for the year. An analysis of the Group’s revenue and other income for the year is as follows:

	<b>2015</b>	2014
	<i>HK\$</i>	<i>HK\$</i>
<b>Revenue</b>		
Interest income from:		
Deposits in banks and financial institutions	<b>20,379</b>	16,456
Available-for-sale (“AFS”) financial assets	<b>805,022</b>	—
Dividend income from:		
Financial assets at fair value through profit or loss (“FVTPL”)	<b>15,500</b>	134,648
AFS financial assets	—	748,267
	<b>840,901</b>	899,371
<b>Other income</b>		
Sundry income	<b>52,456</b>	63,172



#### 4. SEGMENT INFORMATION

For the years ended 31 December 2015 and 2014, the Group's revenue were mainly interest income and dividend income from financial assets. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC and others		Consolidated	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Segment revenue:						
Interest income from deposits in banks and financial institutions	20,379	16,456	—	—	20,379	16,456
Interest income from AFS financial assets	—	—	805,022	—	805,022	—
Dividend income from financial assets at FVTPL	15,500	134,648	—	—	15,500	134,648
Dividend income from AFS financial assets	—	—	—	748,267	—	748,267
	<u>35,879</u>	<u>151,104</u>	<u>805,022</u>	<u>748,267</u>	<u>840,901</u>	<u>899,371</u>
Non-current assets*	2,761,880	4,348,713	—	—	2,761,880	4,348,713
Total assets	<u>208,956,140</u>	<u>138,204,149</u>	<u>81,295,703</u>	<u>—</u>	<u>290,251,843</u>	<u>138,204,149</u>
Segment liabilities	45,934,840	—	—	—	45,934,840	—
Unallocated					—	796,074
Total liabilities					<u>45,934,840</u>	<u>796,074</u>
Other segment information:						
Additions to property, plant and equipment	<u>3,026,313</u>	<u>437,000</u>	<u>—</u>	<u>—</u>	<u>3,026,313</u>	<u>437,000</u>

\* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets and rental deposit.

Given that the nature of the Group's operations is investment holding, there was no information regarding major customers as determined by the Group.

## 5. FINANCE COSTS

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interest expenses on bank and broker accounts overdrafts	302	727
Effective interest expenses on interest bearing loan notes	<u>1,221,491</u>	<u>—</u>
	<u>1,221,793</u>	<u>727</u>

## 6. LOSS BEFORE TAX

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
The Group's loss before tax has been arrived at after charging the following items:		
Directors' remuneration:		
Fees	1,678,401	300,000
Other emoluments	2,748,154	1,409,520
Discretionary bonuses	7,542,551	6,110,785
Mandatory provident fund contributions	36,000	33,500
Equity-settled share-based payments	1,290,858	—
Staff costs:		
Basic salaries and allowances	8,641,377	5,436,994
Discretionary bonuses	2,366,919	3,385,010
Mandatory provident fund contributions	185,283	158,804
Equity-settled share-based payments	<u>9,454,917</u>	<u>—</u>
Total staff costs (including Directors' remuneration)	<u>33,944,460</u>	<u>16,834,613</u>
Auditor's remuneration	670,000	330,000
Investment manager fee	1,064,695	1,151,666
Depreciation of property, plant and equipment	921,873	1,672,670
Impairment loss on AFS financial assets	29,232,240	—
Impairment loss on prepayments and deposits	1,215,000	—
Loss on disposals of property, plant and equipment	641,514	6,658
Net foreign exchange losses	349,323	38,420
Operating lease charges in respect of office premises	4,945,642	4,059,000
Equity-settled share-based payments (other than directors and employees)	<u>1,113,225</u>	<u>—</u>

## 7. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2014: Nil).

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Loss before tax	<u>(92,697,731)</u>	<u>(35,599,436)</u>
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	(15,295,125)	(5,873,907)
Tax effect of income not taxable for tax purpose	(983,243)	(304,000)
Tax effect of expenses not deductible for tax purpose	12,006,438	2,758,343
Tax effect of temporary differences previously not recognised	(10,649)	193,681
Tax effect of tax losses not recognised	<u>4,282,579</u>	<u>3,225,883</u>
Tax expense for the year	<u>—</u>	<u>—</u>

The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

At the end of the reporting period, the Group has tax losses of HK\$75,902,595 (2014: HK\$79,529,835) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not expire under the current tax legislation and may be carried forward indefinitely.

The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2014: Nil).

## 8. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

## 9. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

### Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK\$244,317,003 (2014: HK\$137,408,075) by the number of shares in issue as at 31 December 2015, being 1,107,020,000 (2014: 765,120,000).

## Loss per share

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK\$92,697,731 (2014: HK\$35,599,436) and the weighted average number of 916,098,904 (2014: 765,120,000) ordinary shares in issue during the year.

For the year ended 31 December 2015, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the year ended 31 December 2015. Accordingly, diluted loss per share are the same as basic loss per share. For the year ended 31 December 2014, there were no diluted potential ordinary shares and the diluted loss per share was the same as basic loss per share.

## 10. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

During the year 2015, the Group disposed of its 100% equity interest in Attractive Bright Limited together with its subsidiaries, Auspicious Grace Limited together with its subsidiaries, Blazing Source Limited together with its subsidiary, Hero Linker Investment Limited together with its subsidiary and Happy Amigo Limited with its subsidiaries to independent third parties for an aggregate consideration of HK\$8,031,972, resulting in a net loss on disposal of subsidiaries of HK\$317,077. The Group also disposed of its 100% equity interest in Serene Goodwill Limited together with its subsidiaries to a director of Serene Goodwill Limited for a consideration of HK\$330,000 resulting in a loss on disposal of subsidiaries of HK\$198.

The aggregate net assets of the subsidiaries at the date of disposal are as follow:

	<i>HK\$</i>
Motor vehicles	3,049,759
Other receivables	15
Cash and cash equivalents	<u>5,629,473</u>
Net assets disposal of:	8,679,247
Total consideration	<u>(8,361,972)</u>
Net loss on disposals	<u><b>317,275</b></u>

An analysis of net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	<i>HK\$</i>
Net cash inflow arising on disposal:	
Cash consideration received	8,361,972
Cash and cash equivalents disposed of	<u>(5,629,473)</u>
	<u><b>2,732,499</b></u>

During the year 2014, the Group disposed of its 100% equity interest in Rambo Treasure Limited and its subsidiaries to an independent third party for a cash consideration of HK\$780, resulting in a gain on disposal of subsidiaries of HK\$780.

The Group deregistered two dormant subsidiaries, Friendly Hong Kong Investment Limited and Marvelous Affluence Limited, which were incorporated in Hong Kong and the British Virgin Islands respectively. There was no gain or loss arising from the deregistration.

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$	2014 HK\$
Listed equity securities, at cost ( <i>Note 1</i> )	47,953,300	70,601,619
Fair value adjustments	41,491,700	(10,669,419)
	<u>89,445,000</u>	<u>59,932,200</u>
Unlisted equity securities, at cost ( <i>Note 2</i> )	77,975,000	—
Fair value adjustments	(9,837,366)	—
	<u>68,137,634</u>	<u>—</u>
Unlisted debt instruments, at cost ( <i>Note 3</i> )	53,506,840	—
Less: Provision for impairment loss	(29,232,240)	—
	<u>24,274,600</u>	<u>—</u>
Total	<u>181,857,234</u>	<u>59,932,200</u>
Analysed for reporting purpose as:		
Non-current assets	157,582,634	59,932,200
Current assets	24,274,600	—
	<u>181,857,234</u>	<u>59,932,200</u>

Particulars of investments in listed and unlisted equity and debt securities held by the Group as at 31 December 2015 and 2014 disclosed pursuant to Chapter 21 of Listing Rules are as follows.

*Note 1:* Listed equity securities, at fair value

Name of investee companies	Place of incorporation	At cost		Fair value adjustment		Carrying amounts	
		2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
China Nuclear Industry 23 International Corporation Limited	Bermuda	—	42,956,294	—	(15,473,594)	—	27,482,700
Infinity Financial Group (Holdings) Limited (Previously known as Fornton Group Limited)	Bermuda	—	7,244,815	—	4,699,185	—	11,944,000
China Aircraft Leasing Group Holdings Limited	Cayman Islands	—	3,005,410	—	(49,910)	—	2,955,500
Kingbo Strike Limited	Cayman Islands	17,395,100	17,395,100	11,104,900	154,900	28,500,000	17,550,000
China Baoli Technologies Holdings Limited (Previously known as REX Global Entertainment Holdings Limited)	Bermuda	30,558,200	—	30,386,800	—	60,945,000	—
		<u>47,953,300</u>	<u>70,601,619</u>	<u>41,491,700</u>	<u>(10,669,419)</u>	<u>89,445,000</u>	<u>59,932,200</u>

*Note 2:* Unlisted equity securities, at fair value

Name of investee companies	Place of incorporation	At cost		Fair value adjustment		Carrying amounts	
		2015	2014	2015	2014	2015	2014
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Galaxy Automotive MS Inc. ("Galaxy AMS")	Republic of Vanuatu	27,975,000	—	(12,052,000)	—	15,923,000	—
Mountain Gold Holdings Inc. ("Mountain Gold")	Republic of Vanuatu	50,000,000	—	2,214,634	—	52,214,634	—
		<u>77,975,000</u>	<u>—</u>	<u>(9,837,366)</u>	<u>—</u>	<u>68,137,634</u>	<u>—</u>

*Note 3:* Unlisted debt instrument, at cost

Description of debt instruments	At cost		Impairment loss		Carrying amounts	
	2015	2014	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investment in commercial acceptance bills with face value of RMB25 million	24,274,600	—	—	—	24,274,600	—
Investment in commercial acceptance bills with face value of RMB30 million	<u>29,232,240</u>	<u>—</u>	<u>(29,232,240)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>53,506,840</u>	<u>—</u>	<u>(29,232,240)</u>	<u>—</u>	<u>24,274,600</u>	<u>—</u>

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$	2014 HK\$
Financial assets designated as held for trading		
— Equity securities listed in Hong Kong, at fair value	<u>50,968,080</u>	<u>9,031,600</u>

The fair value of listed securities are based on their quoted market closing prices in an active market.

Particulars of investments of listed equity securities held by the Group as at 31 December 2015 disclosed pursuant to Chapter 21 of Listing Rules is as follows:

Name of investee companies	Place of incorporation	Carrying amounts HK\$	Market value HK\$	Unrealised gain (loss) arising on revaluation HK\$	Dividend received during the year HK\$
At 31 December 2015					
Newtree Group Holdings Limited	Cayman Islands	29,340,340	21,402,000	(7,938,340)	–
Tech Pro Technology Development Limited	Cayman Islands	<u>24,835,544</u>	<u>29,566,080</u>	<u>4,730,536</u>	–
		<u>54,175,884</u>	<u>50,968,080</u>	<u>(3,207,804)</u>	–
At 31 December 2014					
HSBC Holding PLC	England	791,500	740,000	(51,500)	38,761
PetroChina Company Limited	The People's Republic of China	1,284,700	1,118,000	(166,700)	–
Tech Pro Technology Development Limited	Cayman Islands	<u>6,077,940</u>	<u>7,173,600</u>	<u>1,095,660</u>	–
		<u>8,154,140</u>	<u>9,031,600</u>	<u>877,460</u>	<u>38,761</u>

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The independent auditor of the Company will issue a disclaimer of opinion on the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2015:

### BASIS FOR DISCLAIMER OF OPINION

#### (a) Deposit paid for acquisition of an investment

As set out in note 16(b) to the consolidated financial statement, on 10 September 2015, Grand Dragon Investment Development Limited ("**Grand Dragon**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("**MOU**") with Qianhai Yun Hui Equity Investment Fund Management Co. Limited (the "**Target Company**") pursuant to which Grand Dragon would acquire the entire equity interest of the Target Company which held certain unlisted equity investments in the People's Republic of China (the "**PRC**"). A deposit of HK\$8,000,000 was paid on signing of the MOU. Subsequent to the MOU, Grand Dragon signed an undated acquisition contract ("**Acquisition Contract**") with Ms. Yang Yan ("**Ms. Yang**"), the sole shareholder of the Target Company, for the acquisition of the Target Company, and another HK\$2,000,000 was paid as deposit (in aggregate, the "**Deposits**"). However, the Group did not complete the due diligence work in the Target Company in accordance with the MOU and the Acquisition Contract and the Company's management eventually decided to terminate the Acquisition Contract. In February 2016, the Company engaged a PRC lawyer to negotiate with Ms. Yang for the refund of the Deposits.

On 13 May 2016, Ms. Yang (the "**Plaintiff**") issued a writ of summon against the Company and Grand Dragon (collectively the "**Defendants**") claiming forfeiture of the Deposits on the ground that the Defendants failed to commence the process of due diligence for the Target Company despite repeated requests, and thus have wrongfully repudiated the Acquisition Contract.

As at the date of this report, the Deposits are subject to the litigation claims, details of which are disclosed in note 28 to the consolidated financial statements. Based on the advice from its legal advisor, who took the view that (i) the action initiated by the Plaintiff is at an early stage and (ii) the claim does not have any merit, the Company has not made any provision in respect of such claim in the consolidated financial statements.



As at the date of this report, the above litigation is still in progress and we are not aware of any legal opinion obtained by the Company providing a full analysis on the merits of the claim and the likely outcome of the litigation. In addition, we are unable to ascertain the financial viability of Ms. Yang. As a result, we are unable to obtain sufficient appropriate audit evidence concerning (i) the validity of the Acquisition Contract and therefore the right and obligations of Grand Dragon and the Company, and (ii) the recoverability of the Deposits from Ms. Yang.

In light of the above, we are unable to satisfy ourselves regarding the rights and obligations of Grand Dragon and the Company and the recoverability of the Deposits. There are no alternate audit procedures that we could perform to satisfy ourselves as to the carrying amount of the Deposits or to determine whether any provision for impairment loss is necessary. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015 and its net loss for the year then ended and the related note disclosures to the consolidated financial statements.

**(b) Material uncertainty relating to the investigation and impairment loss on available-for-sale financial assets**

As disclosed in note 3 to the consolidated financial statements, on 9 October 2015, Profit Winner Investment Holdings Limited (“**Profit Winner**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the entire share capital of Ultra Brave Company Limited (“**Ultra Brave**”). The sole asset of Ultra Brave was an investment in a commercial acceptance bill with a face value of RMB30,000,000 (the “**RMB30M Bill**”) and a carrying value of HK\$29,232,240 (equivalent to RMB24,000,000). The investment in the RMB30M Bill was acquired by Ultra Brave from a factoring company in the PRC (the “**Factoring Company**”) pursuant to a transfer agreement (“**Transfer Agreement**”). It was understood that at the time of the acquisition of Ultra Brave, the RMB30M Bill was physically passed to the Company and kept in its safe. According to the terms of the Transfer Agreement, the Factoring Company was responsible for redeeming the RMB30M Bill on its maturity on 9 April 2016 and would repay Ultra Brave an amount of RMB24,000,000 together with interest calculated at 12% per annum.

On 17 December 2015, the Company made an announcement that the Company was carrying out an investigation into a suspected misappropriation of certain bills of exchange (the “**Investigation**”) and the Company had reported the matter to the Hong Kong Police. Pending the results of the Investigation, the Company suspended all duties of three non-executive directors of the Company with effect from 16 December 2015. The Company further announced on 23 December 2015 that a special investigation committee (“**SIC**”) was established for the purposes of addressing the matter of the misappropriation of the bills of exchange.

On 12 January 2016, the Company announced that the suspected misappropriation (the “**Incident**”) involved an alleged misappropriation of the RMB30M Bill which “took place via the replacement of the RMB30M Bill by three bills of exchange of RMB10 million denomination each” (the “**Three RMB10M Bills**”). It was also stated that the Company understood from the PRC based drawer bank that the chop of the legal representative appearing on the Three RMB10M Bills did not match with the bank’s records of the chop. In the view of the management of the Company, (i) the Incident appeared to be a standalone incident, (ii) the financial exposure of the Incident to the Company was limited to RMB30 million, (iii) insofar as operations of the Company were concerned the Incident had limited significance on the Company’s operations, and (iv) except for the Incident, there had been no other irregularity with the operations of the Company.

On 17 February 2016, the SIC, on behalf of the Company, engaged an independent accounting firm to conduct an investigation into the Incident. On 3 May 2016, the independent accounting firm submitted an interim report on the investigation (the “**Investigation Report**”) to the SIC. As at the date of this report, neither the RMB30M Bill nor the Three RMB10M Bills have been redeemed.

On 17 May 2016, the Company announced that, based on the findings of the Investigation Report, the directors of the Company (the “**Board**”) were of the view that the Three RMB10M Bills were likely to be forged. A summary of the key interim findings of the independent accounting firm is contained in the announcement. The Board further took the view that any action taken by the Company to transfer, redeem or dispose of the Three RMB10M Bills was likely to attract legal consequences. Furthermore, the Board, based on (i) a letter from the issuer of the RMB30M Bill dated 26 April 2016 and (ii) the Company’s understanding and belief, considered that the original RMB30M Bill which was removed from the Company’s possession on 2 November 2015 (and replaced by the Three RMB10M Bills) was likely to be genuine although the independent accounting firm could not ascertain the authenticity of the original RMB30M Bill as the Company currently only has in its possession a copy of the said bill. A majority of the Board also considered that further investigation by the independent accounting firm was unlikely

to be able to identify the culprit(s) of the Incident and/or the creator(s) of the Three RMB10M Bills. In the circumstances, the Board considered that it was unnecessary to proceed with any further investigation into the Incident and the SIC should be dissolved. Two directors (who were also members of the SIC) disagreed with the dissolution of the SIC and resigned subsequently. According to the announcement on 17 May 2016, these two directors were concerned that “the contents of the Investigation Report is alarming and further investigation need to be carried out immediately to protect the interests of the Company and also to clarify whether there are any further misbehavior or breach of duty by senior management”. The two directors considered that the investigation should proceed.

The Board considered that the impact of the Incident was HK\$29,232,240 (equivalent to RMB24 million) being the cost of investment of the RMB30M Bill as at 31 December 2015. The Board made an impairment loss on the cost of investment of the RMB30M Bill of HK\$29,232,240 which was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

According to the Company’s announcement on 17 May 2016, the Company had been approached by the legal adviser of the Factoring Company in relation to the redemption of the Three RMB10M Bills but due to possible legal consequences, the Company needed to seek professional advice before it takes any action in respect of the Three RMB10M Bills. It is uncertain whether the Company may be able to seek recovery from the Factoring Company or any third party in respect of the investment. We have not been able to obtain sufficient and satisfactory audit evidence to satisfy ourselves as to the amount, if any, of the impairment loss on available-for-sale financial assets made.

In addition, we were not able to carry out any effective confirmation procedures in relation to the RMB30M Bill or the Three RMB10M Bills. There were no alternate audit procedures that we could perform to satisfy ourselves as to whether the impairment loss of available-for-sale financial assets as recorded in the consolidated financial statements are free from material misstatement. The Board has resolved to dissolve the SIC and not to continue with further investigation. As noted above, two members of the SIC disagreed with the Board’s resolution and subsequently resigned, citing concerns that the findings of the Investigation Report were alarming and casted doubts on certain Directors. In light of the above, we consider that there are material uncertainties as to whether the interim findings by the independent accounting firm may have an impact on the results and the financial position of the Group.

(c) **Valuation of available-for-sale investments in Galaxy Automotive MS Inc.**

As disclosed in note 15(2)(a) to the consolidated financial statements, on 14 August 2015, the Group acquired 29% equity interest in Galaxy Automotive MS Inc. (“**Galaxy AMS**”) for a consideration of HK\$27,975,000. The vendor had irrevocably and unconditionally guaranteed to the Group that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall be no less than HK\$6,500,000 (“**Guaranteed Profit**”). The Directors of the Company performed a valuation assessment on Galaxy AMS as at 31 December 2015. This was done with reference to a valuation report prepared by an independent valuer company using the income-based approach, profit forecast and financial data provided by the management of Galaxy AMS, and taking into account the Guaranteed Profit provided by the vendor of Galaxy AMS. On this basis, the Directors considered the fair value of the Group’s investment in Galaxy AMS as at 31 December 2015 was HK\$15,923,000 and a fair value loss on revaluation of available-for-sale financial assets of HK\$12,052,000 was recognised in the other comprehensive income.

We were not able to obtain sufficient appropriate audit evidence to establish the reasonableness of bases and assumptions in arriving at the valuation of Galaxy AMS. There were no other alternate audit procedures that we could perform to satisfy ourselves that the fair value of the Group’s investment in Galaxy AMS as at 31 December 2015 was free from material misstatement. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group’s net assets as at 31 December 2015 and the other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

(d) **Valuation of available-for-sale investments in Mountain Gold Holdings Inc.**

As disclosed in note 15(2)(b) to the consolidated financial statements, on 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold Holdings Inc. (“**Mountain Gold**”) at a consideration of HK\$50,000,000. Mountain Gold indirectly holds a mining license called Jinping County Jinchangxi-Bize Gold Mine (“**Mining License**”) and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property (“**Exploration License**”), both located in Guizhou Province, the PRC. These are the sole and only assets of Mountain Gold. However, the Mining License expired in July 2015 and Exploration License expired in May 2016. Mountain Gold’s operation is currently suspended as the mines are subject to the mine merger and consolidation plans as required by Guizhou Provincial Government. The management of Mountain Gold is in the process of applying for renewal of the Licenses with the relevant PRC government authorities, and up to the date of this report, the process has not been

concluded and Mountain Gold has not yet been able to renew the Mining License and Exploration License. It is uncertain that the mining operation will be re-commenced in the near future. In accordance with the sale and purchase agreement between a wholly-owned subsidiary of the company, the vendor and the shareholder of the vendor, the shareholder of the vendor has agreed to guarantee the performance of the obligations of the vendor.

The directors of the Company performed a valuation assessment on its investment in Mountain Gold as at 31 December 2015, with reference to the valuation report prepared by an independent valuer company using the market approach. The fair value of the Group's investment in Mountain Gold was valued at HK\$52,214,634 and therefore a fair value gain on revaluation of available-for-sale financial assets of HK\$2,214,634 was recognised in the other comprehensive income.

The valuation of Mountain Gold was based on the available information obtained and under the assumption that there are valid Mining License and Exploration License. We are not able to obtain sufficient appropriate audit evidence to satisfy ourselves in respect of (i) the prospect of renewing the Mining License and Exploration License, and (ii) whether the mining operation could be re-commenced in the near future. As a result we are unable to ascertain the reasonableness of the assumptions used in the valuation of Mountain Gold as at the end of the reporting period. There are no other alternate audit procedures that we could perform to satisfy ourselves that the fair value of the Group's investment in Mountain Gold is free from material misstatement. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 December 2015 and the other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

**(e) Limitation in scope in respect of representations from the certain directors of the Company**

In view of the fact that certain directors had been suspended duties and some had resigned from the Company during the year and up to the date of this report, and the non-response to our request for direct communication, we are unable to satisfy ourselves that information and documentation we had obtained for the purpose of our audit were complete and accurate in relation to above (a) to (d) and subsequent events of the Company. We are not able to quantify the extent of adjustments that might have been necessary, if any, and the impact on the Group's consolidated financial statements for the year ended 31 December 2015.

## **DISCLAIMER OF OPINION**

Based on the significant matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements, in particular as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BOARD'S RESPONSE TO BASIS FOR DISCLAIMER OPINION**

In relation to the matters set out under the subsection headed "Basis for Disclaimer of Opinion" in the above section, the Board's responses are set out below, and for ease of reference the same numberings are used. Defined expressions shall bear the same meanings as used in the subsection unless the context below requires otherwise.

### **(a) Deposit paid for acquisition of an investment**

The reference to a lack of legal opinion (in the fourth paragraph) providing a full analysis on the merits of the claim and the likely outcome of the litigation should be considered in light of the early stage of the legal proceeding where there has been no disclosure or discovery of documents or exchange of any evidence among the Plaintiff and the Defendants, and this means that there cannot be any basis from which any legal opinion may be formed on the merits of the claim.

### **(b) Material uncertainty relating to the investigation and impairment loss on available for-sale financial assets**

The Incident essentially arose from the replacement of a genuine bill of exchange (that is, the RMB30M Bill) with three RMB10M Bills which are likely to be forged. During the material times, the Company made investment into only two bills of exchange, that is, the RMB30M Bill and the RMB25M Bill, the latter of which was subsequently redeemed by the Company as stated in the announcement of the Company dated 17 May 2016. Apart from the investment into the two bills of exchange, it was noted that the other investments of the Company were in the form of listed securities held at securities accounts maintained by the Company at SFC licensed stockbrokers while the balance of investment comprised unlisted securities in companies holding the underlying investments, and there was

nothing which suggested that these other investments had been misappropriated. Accordingly, the chance for the suspected misappropriation giving rise to the Incident to have taken place on a systemic or a recurrent basis was very low, and on this basis, the Board took the view that the Incident was a standalone incident.

According to the letter dated 26 April 2016 issued by the issuer of the RMB30M Bill, the issuer has issued a bill for a RMB30 million transaction, which was numbered 25669207. This information corresponds to the number and the amount of the RMB30M Bill. The same letter also states that the issuer has not issued bills numbered 20829970, 20829971 and 20829973, and this information ties in with the findings in the Investigation Report that the Three RMB10M Bills are likely to be forged. On the basis as mentioned above, the Company believes that the RMB30M Bill is likely to be genuine.

Apart from the Incident, the Directors are not aware of other matters which point to any material deficiency in the Company's existing internal control system. Accordingly, the Directors believe that the Company has an effective internal control system and procedures in place to safeguard the Company's assets.

The Board noted that the findings as stated in the Investigation Report that the Three RMB10M Bills are likely to be forged confirms the initial suspicion of the Company. The same findings, however, provide no indication at all as to the identity of the culprit(s) of the forged Three RMB10M Bills, and this is not something that may be dispelled or confirmed by furthering the Investigation. In any event, the steps proposed to be taken in connection with furthering the Investigation do not appear to focus on identifying the culprit(s) of the forged Three RMB10M Bills.

The concerns of the two Directors who were also members of the SIC had been noted by the Board. Their concerns did not rest on any specific ground stemming from any specific finding of the Investigation which had not been addressed and considered by the Board as set out under the heading "Response of the Board to certain findings in the Investigation Report" in the announcement of the Company dated 17 May 2016.

The Board, in arriving at its decision not to further the Investigation, had to strike a balance between any practical value that may ensure from continuing the Investigation or having the Hong Kong and/or the PRC Police with their statutory powers take the lead on the matter, and this balance was struck in light of other measures available to protect the interests of the Company as set out under the heading "Actions taken or to be taken by the Company" in the announcement of the Company dated 17 May 2016. Among the measures is the engagement of the Independent CPA Firm to provide internal control review services for the period from May 2016 to May 2017. The Independent CPA Firm has already commenced providing its services, and it is expected that a preliminary report will be available before August 2016.



The other member of the SIC agrees to the Board's decision not to instruct the independent accounting firm to proceed with further investigation of the Incident on reasoning largely similar to what is set out above.

The Company has been given to understand by the Hong Kong Police and the PRC Police that they are open to considering any new evidence that may further their investigations into the Incident. In this regard, the Company has been liaising with the PRC Police and the Hong Kong Police on new evidence which may assist them with their investigations, and will provide an update on any progress or outcome as appropriate.

The Company will provide an update as appropriate should there be any material development to any of the above.

**(c) Valuation of available-for-sale investments in Galaxy Automotive MS Inc.**

The Board considered that the profit forecast provided by the management of Galaxy AMS and the underlying assumptions as fair and reasonable based on the management accounts of Galaxy AMS available and due diligence on the prospects of the motor vehicle segment.

**(d) Valuation of available-for-sale investments in Mountain Gold Holdings Inc.**

The investment in Mountain Gold was made having regard to a variety of factors, including the trend of gold prices; that its valuation was higher than the cost of investment; the amount of time available for renewing the relevant licences before the deadline in August 2016 as stipulated by the authorities, the absence of material non-compliance with the applicable regulations which enhanced prospectus of renewal of licences and the performance guarantee given by the vendor.



- (e) The Board notes that there has been non-response to the auditors on the part of those directors whose duties have been suspended and those who have resigned. The Board had cooperated with the auditors by providing the addresses of the directors concerned among its records for the auditors to make the contact. The Board believes that the non-response should be considered in light of (i) the directors concerned with non-executive duties have never taken part in the day-to-day operations and investment decisions of the Company, and hence the impact on the Group's consolidated financial statements for the year ended 31 December 2015 as a result of any response that they may have given would be minimal; (ii) the circumstances surrounding the suspension of duties of the three non-executive directors as disclosed in the Company's announcements dated 17 December 2015 and 17 May 2016; and (iii) the status of a non-executive director whose duties have been suspended according to the website of the PRC courts in Guangzhou as disclosed in Company's announcement dated 13 June 2016.

Notwithstanding the above views of the Board which were made known to the auditors in several rounds of discussions, the Board was given to understand by the auditors that direct contact with the directors mentioned in paragraph (e) on page 21 above was something they considered to be a necessary part of their audit procedures as the directors concerned had certain disagreements and disputes with the rest of the Board. The Board drew the attention of the auditors to (i) the disclosure in respect of the disagreement between two resigned independent non-executive directors and the Board as set out in the announcement of the Company dated 17 May 2016 and the Board's response thereto; and (ii) the announcement of the Company dated 17 June 2016 in respect of an application by two non-executive directors whose duties have been suspended for an injunction restraining the Company from denying them access to the Company's premises and records while the Court only granted them restricted inspection rights to a limited number of documents and for limited purposes only. The Board then inquired with the auditors the specific disputes and disagreements among the directors that the auditors considered might have potential impact, if any, on the financial statements of the Company, and how direct contact with the directors concerned would help address any such potential impact on the financial statements. However, the Board has not received any substantive response from the auditors.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CHANGES IN THE COMPOSITION OF THE BOARD**

Given the voting results of the further adjourned extraordinary general meeting that took place on 20 July 2016 and the appointments to the Board as referred to in the announcements of the Company dated 21 and 22 July 2016, the composition of the Board as at the date hereof is:

Executive Directors: Mr. Zhang Xi and Mr. Luk Hong Man, Hammond  
Non-executive Director: Mr. Sui Guangyi  
Independent non-executive Directors: Ms. Jing Siyuan, Ms. Li Jiangtao and Mr. Zhang Aimin

### **BUSINESS REVIEW**

In 2015, the global financial markets were subjected to a wide range of instability factors, including high volatility of stock markets, economic slowdown in China, sharp drop in oil, gold and other commodities, interest rates raised by US Federal Reserve while the European Central Bank, the Bank of Japan and the People's Bank of China were taking an opposite direction to continue and further expand their financial easing policies. Under the uncertain investment environment, the Directors have taken cautiously defensive measures and prudent investment strategy to manage the Group's investment portfolio.

For the year ended 31 December 2015, the Group recorded a net loss of approximately HK\$92,698,000 (2014: approximately HK\$35,599,000), representing an increase in net loss of approximately HK\$57,099,000 or 160% as compared to last year. The loss was mainly due to impairment loss on available-for-sale financial assets and the increase in administrative expenses.

### **SECURITIES INVESTMENTS**

The Board exercised caution while actively managing its investment portfolio. Given the severe fluctuation of global financial market seen last year, the Board seeks to diversify its investments in listed and unlisted securities in accordance with the Company's investment objective and policy for the best interest for our shareholders. For the year ended 31 December 2015, the Group recorded a revenue of approximately HK\$841,000 (2014: approximately HK\$899,000), decreased by approximately 6% over the previous year. The Group made a net realised gain on disposals of available-for-sale financial assets of approximately HK\$3,666,000

(2014: net realised loss of approximately HK\$3,241,000). The Group recorded a net realised gain on disposals of financial assets at fair value through profit or loss of approximately HK\$3,846,000 (2014: approximately HK\$856,000). The Group made a net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$3,208,000 (2014: net unrealised gain of approximately HK\$877,000).

### **Investment in listed securities**

For the year ended 31 December 2015, included in the Group's available-for-sale financial assets, listed securities of approximately HK\$89,445,000 (2014: approximately HK\$59,932,000) and the financial assets at fair value through profit or loss of approximately HK\$50,968,000 (2014: approximately HK\$9,032,000).

### **Investment in unlisted securities**

For the year ended 31 December 2015, the Group's investment portfolio in unlisted securities consists of Mountain Gold Holdings Inc. ("**Mountain Gold**") of approximately HK\$52,215,000 (2014: Nil) and Galaxy Automotive MS Inc. ("**Galaxy AMS**") of approximately HK\$15,923,000 (2014: Nil).

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km<sup>2</sup> and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km<sup>2</sup>. A total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. While the necessary mining license had expired in July 2015 and the necessary exploration license had expired in May 2016, according to a valuation report prepared by an independent valuer using the market approach and on the assumption that the relevant mining licences would be in force, the valuation was higher than the cost of investment. The investment was made taking the above into account, as well as factors including the trend of gold prices, the amount of time available for renewing the licences before the stipulated deadline in August 2016, and the absence of material non-compliance with the applicable regulations which enhanced the prospects of renewal of licences and the performance guarantee given by the vendor. As at the date hereof, Mountain Gold has no mining operation, as such operation is pending approval for renewal of the necessary mining and exploration licences. The Company is considering alternatives including selling the equity interest in Mountain Gold at the appropriate price although no agreement has been reached in this regard.

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past three years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market. The investment was made on the basis of among other things a profit forecast provided by the management of Galaxy AMS, which was based on assumptions considered to be reasonable in view of the management accounts available and the due diligence on the prospects of the motor vehicle segment.

### **Investment in commercial acceptance bills**

As at 31 December 2015, included in the Group's available-for-sale financial assets, the investment in commercial acceptance bill with face value of RMB 25 million at cost were approximately HK\$24,275,000 (2014: Nil) and carried interests at approximately 12% per annum. The investment income derived from the above available-for-sale financial assets was approximately HK\$805,000 (2014: Nil). Besides, the carrying amount of approximately HK\$29,232,000 (2014: Nil) of investment in RMB 30M Bill as at 31 December 2015 was fully impaired. The Board has resolved not to make further investment in bills of exchange.

### **Going forward**

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

Since September 2015 when the service agreement with its then outside investment manager terminated, the Company's investment decisions have been based upon the professional judgement of its executive Directors with the assistance of outside professional advice as appropriate. While it is not a mandatory requirement for the Company to engage an outside investment manager, the Company notes the contribution an outside investment manager may bring, and in this regard, it has been in active discussions with two firms of investment managers and with the aim to engage a suitable investment manager subject to obtaining the

required regulatory approval. It is the Company's plan to formally engage an investment manager before the end of the third quarter in 2016. Until the engagement of the investment manager takes effect, all the investment decisions of the Company will need to be approved unanimously by the Company's executive Directors, who will have to demonstrate, with the assistance of legal or other professional advisers as appropriate, that their investment decisions will not contravene the investment restrictions currently set out in the Company's articles of association.

### **List of all investment with value greater than 5% of the Groups' gross assets as at 31 December 2015**

Please refer to notes 1 to 3 on pages 13 to 14 and the bottom of page 15 of this announcement for a list of all investments with value greater than 5% of the Groups' gross assets as at 31 December 2015 ("**List of investments**").

Since 31 December 2015, there have been material changes as set out below to the List of investments.

1. In April 2016, the Group sold listed equity securities, being 8,200,000 shares of the Newtree Group Holdings Limited ("**Newtree**") at the average cost of HK\$0.35. In May and June 2016, the Group purchased listed equity securities, being 5,172,000 shares of Newtree at the average cost of HK\$0.29. The divestment and investment were made after considering analysis and recommendation of the Company's executive directors.
2. In April 2016, the Group sold listed equity securities, being 239,000,000 shares of the China Baoli Technologies Holdings Limited (previously known as REX Global Entertainment Holdings Limited) at the average cost of HK\$0.26. The divestment was made after considering analysis and recommendation of the Company's executive directors.
3. In April 2016, the Group purchased listed equity securities, being 20,040,000 shares of the Zhidao International (Holdings) Limited ("**Zhidao**") at the average cost of HK\$1.31. In June 2016, the Group purchased listed equity securities, being 10,380,000 shares of the Zhidao at the average cost of HK\$1.17. The principal activities of Zhidao are engaged in trading of aluminium products and supply of aluminium products in the construction projects. During the year, Zhidao extended its business into the operation of money lending business. The investment is held for long term and was made after considering analysis and recommendation of the Company's executive directors.

4. In June 2016, the Group purchased listed equity securities, being 99,000,000 shares of the WLS Holdings Limited (“WLS”) at the average cost of HK\$0.30. The principal activities of WLS are (i) the provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work, (ii) money lending business and (iii) trading of securities in Hong Kong. The investment is held for long term and was made after considering analysis and recommendation of the Company’s executive directors.

Since 31 December 2015, the Group has not made any investment in unlisted securities.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had cash and cash equivalents of approximately HK\$33,983,000 as at 31 December 2015 (2014: approximately HK\$38,769,000). As at 31 December 2015, the Group had interest-bearing loan notes in an aggregate amount of approximately HK\$43,355,000 (2014: Nil).

The Group’s gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was approximately 18% as at 31 December 2015 (2014: not applicable).

There were no capital commitments as at 31 December 2015 which would require a substantial use of the Group’s present cash resources or external funding (2014: Nil). The Group did not have any material contingent liability as at 31 December 2015 (2014: Nil).

The assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and approximately HK\$24,275,000 (2014: Nil) of the Group’s financial assets are denominated in Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES**

Total 32 subsidiaries were established and 27 subsidiaries were disposed of during the year ended 31 December 2015.

## **CAPITAL STRUCTURE**

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the year, the movements in the Company’s share capital are as follows:

- (a) On 28 May 2015, 153,000,000 shares were issued by the Company as a result of a placing agreement dated 7 May 2015. Shares were issued at a price of HK\$0.465 giving the gross proceeds of approximately HK\$71,145,000.
- (b) On 8 September 2015, 183,000,000 shares were issued by the Company as a result of a placing agreement dated 14 August 2015. Shares were issued at a price of HK\$0.4 giving the gross proceeds of approximately HK\$73,200,000.
- (c) On 7 July 2015, 5,900,000 share options were exercised at the subscription price of HK\$0.74, and a total of 5,900,000 shares were issued with an aggregate nominal value of HK\$295,000.

## **PROSPECTS**

China’s economic growth continued to slow down during the year. China’s GDP growth further weakened from 7.5% to 7.0%. Meanwhile, the Chinese government launched a number of loosening financial and monetary policies by way of cutting interest rates and required reserve ratios in a bid to boost the economy. All of these indicated that there have been corresponding supportive policies issued by the Chinese government to limit the downside risks of the economic growth. Besides the Shanghai-Hong Kong Stock Connect Scheme, the implementation of Shenzhen-Hong Kong Stock Scheme will further provide new impetus to the Hong Kong stock market.

## **EMPLOYEE INFORMATION**

As at 31 December 2015, the Company had 22 employees (2014: 21), including executive Directors, non-executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY**

### *High Court Action 796 of 2016*

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court Action 796 of 2016 by Yang Yan as plaintiff against the Company and its subsidiary Grand Dragon Investment Limited as defendants whereby the plaintiff claims against the Defendants for the forfeiture of deposit for RMB10,000,000 paid by the Defendants in relation to the Defendants' failure to commence the process of due diligence of the target company, despite repeated requests, and thus has wrongfully repudiated the agreement. The Writ of Summons was served on the Company and Grand Dragon on 13 May 2016 and the Statement of Claim is due to be served on 15 August 2016. The Company and Grand Dragon Investment Limited will strenuously contest the above legal proceedings on the basis that, inter alia, the P's Claim shows no reasonable cause of action.

### *High Court Action 1453 of 2016 and High Court Action 1473 of 2016*

A Writ of Summons with an Indorsement of Claim dated 2 June 2016 has been issued in the High Court of Hong Kong in High Court Action 1453 of 2016 by Fan Weiyong as plaintiff against the Company, Luk Hong Man, Hammond, Zhang Xi and Hong Lai Ping as defendants. In addition, a second Writ of Summons dated 3 June 2016 with an Indorsement of Claim dated 3 June 2016 was issued in the High Court of Hong Kong in High Court Action 1473 of 2016 by Fan Weiyong as plaintiff against the Company, Luk Hong Man, Hammond, Zhang Xi, Hong Lai Ping and Sui Guangyi as defendants. Apart from the addition of Sui Guangyi as a defendant in the second Writ of Summons dated 3 June 2016, the plaintiff in both actions make identical claims against the defendants for negligent misstatements and/or fraud and/or breaches of



directors' duties and company secretary's duties under statutes and common law in relation to provision or dissemination of false and/or misleading information through announcements published on The Stock Exchange of Hong Kong Limited from December 2015 to May 2016 for damages and other relief. The solicitors for the Plaintiff have since agreed to withdraw High Court Action 1453 of 2016 and the proceedings were discontinued by the Court's the parties concerts on 5 July 2016. The Company and other defendants will strenuously contest the legal proceedings in High Court Action 1473 of 2016. An application to strike out the Plaintiff's claims as showing no reasonable cause of action has been issued by individual Defendants is fixed to be heard on 8 December 2016.

#### *High Court Miscellaneous Proceedings 1449 of 2016*

A Summons dated 10 June 2016 has been issued in the High Court of Hong Kong in High Court Miscellaneous Proceedings 1449 of 2016 by Yao Zhixiang and Shi Minqiang as the Applicants for a hearing of an application for an order against the Company as the Respondent, their directors, officers, servants or agents or howsoever otherwise be restrained and that an injunction be granted restraining them to deny the Applicants getting access to namely, (i) the Respondent's books and accounts for inspection; (ii) the office premises of the Respondent; and (iii) to attend duly convened board meeting of the Respondent, until the trial of the action, or until further order. At the hearing of the summons on 17 June 2016, it was ordered by the Court to the effect that the Company as the Respondent be required to make available certain documents for collection by representatives of the solicitors for the Applicants upon the undertaking of the solicitors for the Applicants that, among other things, the documents could only be shown to the Applicants solely for the purpose of the proceedings in HCMP 1449/2016 and the board meeting of the Respondent to be held on 20 June 2016 (and the extraordinary general meeting scheduled to be held on 13 July 2016) and for no other purpose(s). The documents have since been made available to the solicitors for the Applicants upon the terms of their undertakings. As far as the Company is aware, there is no material outstanding matter from the above legal proceedings and the Company has invited the Plaintiff's Applicants to agree to discontinue the said proceedings.

#### *High Court Action 411 of 2016*

The Company as plaintiff has issued a Writ of Summons in the High Court of Hong Kong under High Court Action 411 of 2016 against certain shareholders as requisitionists pursuant to the Company's articles of association ("**Requisitionists**") as defendants seeking a declaration that none of the resolutions set out in the requisition dated 13 January 2016 may be validly passed at the extraordinary general meeting that the Requisitionists sought to convene ("**EGM**"). Based on the grounds set out above, the Company has also issued a summons dated 17 February 2016 ("**Plaintiff's Summons dated 17 February 2016**") in the High Court of Hong Kong seeking an interlocutory injunction against the Requisitionists as defendants seeking to restrain the Requisitionists from voting for the resolutions set out in the requisition and to adjourn the EGM until further order of the Court.

On 27 May 2016, the substantive hearing of the Plaintiff's Summons dated 17 February 2016 took place. After hearing Counsel on behalf of the Company and Counsel on behalf of the Requisitionists, the Court dismissed the Company's application for further continuance of the injunction. However, the Court did not give any date for the adjourned EGM or any direction in this regard, and neither did the Counsel appearing on behalf of the Requisitionists ask the Court to give any date or make an order with respect to the date of the adjourned EGM. Notwithstanding this, the Company, mindful of its obligation under the applicable law, has scheduled the adjourned EGM to be re-convened on 13 July 2016 as set out in the circular of the Company dated 24 June 2016. The Adjourned EGM was further adjourned to 20 July 2016 and on which date it took place as scheduled. As far as the Company is aware, there is no material outstanding matter from the above legal proceeding.

#### *High Court Action 1847 of 2016*

On Friday, 15 July 2016 (after office hours), the Company received the following documents from the solicitors for Guang Sheng Investment Development Group Limited (廣晟投資發展集團有限公司) ("**Guang Sheng**"): (a) a Writ of Summons dated 14 July 2016 issued in the High Court of Hong Kong under High Court Action 1847 of 2016 ("**Guang Sheng Action**") by Guang Sheng as the plaintiff against the Company with an Indorsement of Claim claiming against the Company for breaches and anticipatory breach(es) of its memorandum and/or articles of association, statutes, regulations and/or rules in relation to the proceedings and/or conduct of the Company at the material times before and/or of its extraordinary general meetings held on 13 July 2016 and claims for injunction, damages, interests, costs and other relief; and (b) an order dated 15 July 2016 from the High Court of Hong Kong ("**Ex-Parte Injunction**") to the effect that the Further Adjourned EGM shall be chaired by Mr. Kenneth Yeo or such other person as the Court shall approve; the Company and its directors and employees be restrained from obstructing any shareholders of the Company entitled to vote at the Further Adjourned EGM from entering the venue of the Further Adjourned EGM and rejecting, not admitting and/or disallowing any votes to be cast at the Further Adjourned EGM by any shareholders of the Company entitled to vote thereat and obstructing or otherwise interfering with the proceedings and/or conduct of the Further Adjourned EGM; among other things.

The Ex-parte Injunction was obtained by Guang Sheng as the plaintiff on an ex-parte basis after a hearing on 15 July 2016. The Company did not have sufficient opportunity to have its case prepared and to have Counsel appeared on its behalf at the hearing on 15 July 2016.

On Monday, 18 July 2016, the Company made an urgent application to the High Court of Hong Kong to discharge the Ex-Parte Injunction. The hearing took place in the afternoon of 18 July 2016 and the morning 19 July 2016. On 19 July 2016, the High Court Judge, after hearing arguments from each of the Company and Guang Sheng, discharged the Ex-Parte Injunction forthwith, with costs to the Company to be paid by Guang Sheng on an indemnity basis. As far as the Company is aware, there is no outstanding material matter from the above proceeding.

In his decision, the High Court Judge also stated that he was not satisfied that Guang Sheng had sufficiently good prospects in the Guang Sheng Action; that the evidence filed by and relied on by Guang Sheng in its application for the Ex-Parte Injunction was lacking in substance and that Guang Sheng had clearly misconceived the effect of the proxy form and voting instructions. The High Court Judge also ordered that the hearing of the inter-partes summons issued by Guang Sheng for the Ex-parte Injunction scheduled on 22 July 2016 be vacated.

Following the above, the solicitors for the Company have written to the solicitors for Guang Sheng to invite Guang Sheng to agree to dismiss forthwith the Guang Sheng Action altogether with costs to be paid to the Company. As far as the Company is aware, there is no material outstanding matter from the above legal proceeding.

#### **RESIGNED INDEPENDENT NON-EXECUTIVE DIRECTOR**

On Saturday, 30 January 2016, Mr. Zhang Qi, an independent non-executive Director, resigned out of his own accord when he emailed the Board stating that he “had time constraints and could not properly do his job as independent non-executive director”. On the next business day after Mr. Zhang Qi’s email of 30 January 2016, the Company prepared a standard resignation letter in English and provided it to Mr. Zhang for his signature. Mr. Zhang replied asking for a Chinese version, which was also prepared and provided to him shortly afterwards. The Company then followed up with Mr. Zhang Qi at least twice, but was given to understand that Mr. Zhang Qi needed to seek legal advice on the same. Thereafter, there was no other response from Mr. Zhang Qi, and in view of the need to update the market on a timely basis, in the evening of 1 February 2016 the Company published the announcement in respect of Mr. Zhang Qi’s resignation stating the lack of response from Mr. Zhang Qi. After that, the Company has not made further attempt to procure responses from Mr. Zhang Qi as to whether he had any disagreement with the Board and other matters that needed to be brought to the attention of the Stock Exchange and the shareholders in connection with his resignation.

## **CORPORATE GOVERNANCE PRACTICES**

Following the issue of the Code on Corporate Governance Practices (the “**CG Code**”), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the CG Code. We have, throughout the year ended 31 December 2015, complied with the code provisions of the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 and E.1.2 set out as below:

### **Code Provision A.2.1**

In accordance with Code Provision A.2.1, it stipulates that the roles of the chairman and the chief executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Board has appointed Mr. Sui Guangyi to the posts of chairman. The Board is in the process of identifying suitable candidate to fill in the vacancy for chief executive in compliance with the requirement of the Code Provision A.2.1. Further announcement will be made by the Company with regard to the new appointment of chief executive of the Company in due course.

### **Code Provision E.1.2**

In accordance with Code Provision E.1.2, it stipulates that the chairman of the Board should attend the annual general meeting (“**AGM**”). No chairman of the Board had attended the AGM of the Company held on 26 June 2015 as the Board was in the process of identifying suitable candidate to fill in the vacancy for chairman. The said AGM was chaired by an executive Director.

For a short period of time between 20 and 22 July 2016, there was non-compliance with Rule 3.10(1) in terms of the minimum number of independent non-executive Directors.

## AUDIT COMMITTEE

The Audit Committee currently comprised solely of independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin. Since 20 July 2016, the minimum number of members of the Audit Committee has not complied with the requirements under Rule 3.21 of the Listing Rules. We are actively identifying the suitable candidates in order to fulfill this requirement.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2015.

The Group's 2015 audited financial statement had been duly reviewed by the Audit Committee with the auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the auditor and therefore recommends the Board that HLM CPA Limited (“HLM”) be re-appointed as our auditor in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2015 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

HLM CPA Limited was appointed as the Company's auditor until the AGM is ended.

## **REMUNERATION COMMITTEE**

Remuneration Committee currently comprised of executive Director, Mr. Zhang Xi and independent non-executive Directors, namely, Mr. Zhang Aimin (Chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

## **NOMINATION COMMITTEE**

The Nomination Committee comprised of executive Director, Mr. Luk Hong Man, Hammond, independent non-executive Directors, namely, Ms. Jing Siyuan (Chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This final results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.cifund.com.hk](http://www.cifund.com.hk). The Company's annual report for the year ended 31 December 2015 will be published on the same websites and will be despatched to the Company's shareholders in due course.

## **SCOPE OF WORK OF HLM**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, HLM, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLM on this announcement.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted from 9:00 a.m. on Friday, 1 April 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company from 9:00 a.m. on 25 July 2016.

By Order of the Board  
**China Investment Fund Company Limited**  
**Zhang Xi**  
*Executive Director*

Hong Kong, 22 July 2016

*As at the date of this announcement, the executive Directors are Mr. Luk Hong Man, Hammond and Mr. Zhang Xi; the non-executive director is Mr. Sui Guangyi; and the independent non-executive Directors are Ms. Jing Siyuan, Ms. Li Jiangtao and Mr. Zhang Aimin.*

\* *For identification purpose only*