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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)

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

Reference is made to the announcement (“**Announcement**”) of China Investment Fund Company Limited (the “**Company**”), together with its subsidiaries, collectively the (“**Group**”) dated 29 March 2016 (“**29 March 2016 Announcement**”) relating to the delay in publication of annual results of the Group for the year ended 31 December 2015 (“**2015 Annual Results**”). As stated in the Announcement, additional time is required for the preparation of the report in respect of the investigation on certain bills of exchange (“**SIC Investigation Report**”), details of which had been set out in the Company’s announcements dated 17 December 2015, 12 January 2016, 19 February 2016 and 31 March 2016. As also stated in the 29 March 2016 Announcement, the auditors of the Company would like to review the SIC Investigation Report in order to satisfy itself that there is nothing in the SIC Investigation Report that would have a material impact on its audit work relating to the annual results of the Group for the year ended 31 December 2015.

In light of the above, this announcement is made by the board (the “**Board**”) of directors (“**Directors**”) of the Company pursuant to Rule 13.49(3) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Based on the information available, the Board announces the unaudited consolidated annual results of the Group for the year ended 31 December 2015 together with comparative figures. These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved by the Board for publication.

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2016 and will remain suspended until further notice.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Audited)
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		(3,207,804)	877,460
		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 loan and receivable financial assets		(29,232,240)	—
Impairment loss on prepayments and deposits		(1,215,000)	—
Administrative expenses		(65,908,706)	(35,054,678)
Finance costs	5	(1,221,793)	(727)
Loss before tax	6	(92,697,731)	(35,599,436)
Income tax expense	7	—	—
Loss for the year attributable to owners of the Company		(92,697,731)	(35,599,436)
Loss per share	9		
— Basic (HK cents per share)		(10.12)	(4.65)
— Diluted (HK cents per share)		(10.12)	(4.65)

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

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 HK\$ (Unaudited)	2014 HK\$ (Audited)
Non-current assets			
Property, plant and equipment		2,761,880	4,348,713
Available-for-sale financial assets	<i>11</i>	157,582,634	59,932,200
Rental deposit		1,610,071	—
		161,954,585	64,280,913
Current assets			
Prepayments, deposits and other receivables		18,266,099	26,122,506
Financial assets at fair value through profit or loss	<i>12</i>	50,968,080	9,031,600
Loan and receivable financial assets	<i>13</i>	25,079,622	—
Cash and cash equivalents		33,983,457	38,769,130
		128,297,258	73,923,236
Current liability			
Accruals		2,579,479	796,074
Net current assets		125,717,779	73,127,162
Total assets less current liability		287,672,364	137,408,075
Non-current liability			
Interest bearing loan notes		43,355,361	—
Net assets		244,317,003	137,408,075
Capital and reserve			
Share capital		55,351,000	38,256,000
Reserves		188,966,003	99,152,075
Equity attributable to owners of the Company		244,317,003	137,408,075
Net asset value per share	<i>9</i>	0.22	0.18

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 and by the Hong Kong Companies Ordinance.

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 Companies Ordinance 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 Companies Ordinance or Listing Rules but not under the new Companies Ordinance 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 each 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 ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs HKAS 27 (Amendments)	Annual Improvements to HKFRSs 2012—2014 Cycle ¹ Equity Method in Separate Financial Statements ¹

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

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

³ Effective on a date yet to be determined by HKICPA.

HKFRS 9 Financial Instruments

HKFRS 9 was amended in 2013 to include the new requirements for general hedge accounting. A 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:

- Certain financial assets held within a business model whose objective is achieved both collecting contractual cash flows and selling financial assets should be measured at FVTOCI (unless designated at fair value through profit and loss (“**FVTPL**”) to eliminate or significantly reduce a measurement mismatch). This applies to assets passing the contractual cash flow characteristics assessment (which is the same test used to determine whether financial assets are measured at amortised cost). Interest revenue, foreign exchange gains and losses and impairment gains and losses shall be recognised in profit or loss with all other gains or losses (i.e. the difference between those items and the total change in fair value) being recognised in other comprehensive income. Any cumulative gain or loss recorded in other comprehensive income would be reclassified to profit and loss on derecognition, or potentially earlier if the asset is reclassified because of a change in business model. Interest income and impairment gains and losses would be recognised and measured in the same manner as for assets measured at amortised cost such that the amounts in other comprehensive income represents the difference between the amortised cost value and fair value. This results in the same information in profit or loss as if the asset was measured at amortised cost, yet the consolidated statement of financial position would reflect the instrument’s fair value.

- 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. However, 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 effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. 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 do not anticipate that the application of the other new and revised HKFRSs will have material effect on the Group’s consolidated financial statements.

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:

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

4. SEGMENT INFORMATION

For the years ended 31 December 2015 and 2014 respectively, 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\$ (Unaudited)	2014 HK\$ (Audited)	2015 HK\$ (Unaudited)	2014 HK\$ (Audited)	2015 HK\$ (Unaudited)	2014 HK\$ (Audited)
Segment revenue:						
Interest income from deposits in banks and financial institutions	20,379	16,456	—	—	20,379	16,456
Interest income from loan and receivable 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 corporate					—	796,074
Total liabilities					<u>45,934,840</u>	<u>796,074</u>
Other segment information:						
Additions to property, plant and equipment	<u>3,026,314</u>	<u>437,000</u>	<u>—</u>	<u>—</u>	<u>3,026,314</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.

5. FINANCE COSTS

	2015 HK\$ (Unaudited)	2014 HK\$ (Audited)
Interest expenses on bank and broker overdrafts wholly repayable within five years	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> (Unaudited)	2014 <i>HK\$</i> (Audited)
The Group's loss before tax has been arrived at after charging the following items:		
Directors' remuneration:		
Fees	1,758,735	300,000
Other emoluments	10,210,371	7,520,305
Mandatory provident fund contributions	36,000	33,500
Staff costs:		
Salaries	11,008,296	8,822,004
Mandatory provident fund contributions	185,283	158,804
Total staff costs (including Directors' remuneration)	<u>23,198,685</u>	<u>16,834,613</u>
Auditor's remuneration	<u>810,000</u>	<u>330,000</u>
Investment management fee	1,064,695	1,151,666
Depreciation on property, plant and equipment	921,873	1,672,670
Impairment loss on loan and receivable financial assets	29,232,240	—
Impairment loss on prepayments and deposits	1,215,000	—
Loss on written off of property, plant and equipment	641,514	—
Loss on disposal of property, plant and equipment	—	6,658
Net foreign exchange losses	349,323	38,420
Operating lease charges in respect of office premises	<u>4,945,642</u>	<u>4,059,000</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 HK\$ (Unaudited)	2014 <i>HK\$</i> (Audited)
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 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 unused 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 un-provided deferred tax liabilities at the end of the reporting period (2014: Nil).

8. DIVIDEND

No dividend was paid or proposed during the year 2015, 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 effect for the year ended 31 December 2015. Accordingly, diluted loss per share are 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 the independent third parties with an aggregate net assets value of HK\$8,349,049 for a consideration of HK\$8,031,972, resulting in a net loss on disposal of subsidiaries of HK\$317,077. The Group disposed of its 100% equity interest in Serene Goodwill Limited together with its subsidiaries to a director of Serene Goodwill Limited, with net assets of value HK\$330,198 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> (Unaudited)
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>317,275</u>

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

	<i>HK\$</i> (Unaudited)
Net cash inflow arising on disposal:	
Cash consideration received	8,361,972
Cash and cash equivalents disposed of	<u>(5,629,473)</u>
	<u>2,732,499</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 with an aggregate net assets value of HK\$Nil 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. There was no gain or loss arising from the deregistration.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Audited)
Listed equity securities in Hong Kong, at cost	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 in PRC, at cost	50,000,000	—
Fair value adjustments	2,214,634	—
	<u>52,214,634</u>	<u>—</u>
Unlisted equity securities in Hong Kong, at cost	27,975,000	—
Fair value adjustments	(12,052,000)	—
	<u>15,923,000</u>	<u>—</u>
Total	<u>157,582,634</u>	<u>59,932,200</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Audited)
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 values of listed securities are based on their quoted market closing prices in an active market.

13. LOAN AND RECEIVABLE FINANCIAL ASSETS

	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Audited)
Commercial bill receivables, at amortised cost	<u>25,079,622</u>	<u>—</u>

Effective interest rates of above loan and receivable financial assets carry at approximately 12.2% per annum.

At 31 December 2015, loan and receivable financial assets of HK\$29,232,240 (2014: HK\$Nil) were considered impaired for full provision of impairment has been made.

MANAGEMENT DISCUSSION AND ANALYSIS

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 loan and receivable 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, the Group held the available-for-sale financial assets 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).

The Group acquired 6.4% equity interest of Mountain Gold which is principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, People's Republic of China. It contains a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km² and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km². 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.

The Group acquired 29% equity interest of Galaxy AMS which is 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 is 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 retails market.

Loan and receivable financial assets

As at 31 December 2015, the commercial bill receivables at amortised cost were approximately HK\$25,080,000 (2014: Nil) and carry interests at approximately 12.2% per annum. The investment income derived from the loan and receivable financial assets was approximately HK\$805,000 (2014: Nil). The carrying amount of approximately HK\$29,232,000 (2014: Nil) of commercial bill receivables as at 31 December 2015 was fully impaired.

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.

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\$25,080,000 (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 approximate HK\$71,145,000.
- (b) On 7 July 2015, 5,900,000 share options were exercised and converted into ordinary shares.
- (c) 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 approximate HK\$73,200,000.

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.

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 vacancies 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.

AUDIT COMMITTEE

The Audit Committee currently comprised solely of independent non-executive Directors, namely, Mr. Wong Chung Kin, Quentin (chairman), Mr. Leung Po Hon, Ms. Li Jiangtao and Mr. Luo Ji. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

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.

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

REMUNERATION COMMITTEE

Remuneration Committee currently comprised solely of independent non-executive Directors, namely, Mr. Wong Chung Kin (chairman), Mr. Leung Po Hon, Ms. Li Jiangtao and Mr. Luo Ji.

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, namely, Mr. Luk Hong Man, Hammond, independent non-executive Directors, namely, Ms. Li Jiangtao, Mr. Leung Po Hon and Mr. Luo Ji. Ms. Li Jiangtao is the chairman of the Nomination Committee.

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.

By Order of the Board
China Investment Fund Company Limited
Luk Hong Man, Hammond
Executive Director

Hong Kong, 15 April 2016

As at the date of this announcement, the executive Directors are Mr. Luk Hong Man, Hammond, Mr. Ye Yinggang and Mr. Zhang Xi; the non-executive directors are Mr. Yao Yuan, Mr. Sui Guangyi, Mr. Shi Minqiang and Mr. Yao Zhixiang; and the independent non-executive Directors are Mr. Wong Chung Kin, Quentin, Mr. Leung Po Hon, Ms. Li Jiangtao and Mr. Luo Ji.

* *For identification purpose only*