

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

- (1) FURTHER UPDATE ON THE PROGRESS OF THE INVESTIGATION INTO THE INCIDENT;**
- (2) RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS;**
- (3) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS;**
- (4) UPDATE ON REMUNERATION OF CERTAIN DIRECTORS;**
- (5) UPDATE ON PROGRESS OF THE PUBLICATION OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015;**
- (6) UPDATE ON LEGAL PROCEEDINGS AGAINST THE COMPANY AND ITS SUBSIDIARY**

Reference is made to (a) the announcement of China Investment Fund Company Limited (the “**Company**”) dated 17 December 2015 in respect of the suspension of duties of certain non-executive directors of the Company; (b) the announcement of the Company dated 23 December 2015 in respect of the formation of the Special Investigation Committee (the “**SIC**”); (c) the announcement of the Company dated 12 January 2016 in respect of the suspected misappropriation of funds of the Company (the “**Incident**”); (d) the announcement of the Company dated 19 February 2016 in respect of the engagement of an independent accounting firm to conduct an investigation into the Incident; (e) the announcement of the Company dated 29 March 2016 in respect of rescheduling the 30 March 2016 Board meeting for approving the annual results of the Group for the year ended 31 December 2015; and (f) the announcement of the Company dated 31 March 2016 in respect of the update of the progress of the investigation into the Incident (collectively, the “**Announcements**”). Defined terms and expressions in this announcement shall bear the same meanings as used in the Announcements, unless the context requires otherwise.

RECAP ON THE BACKGROUND OF THE INCIDENT

By way of background, as stated in the Announcements:

- (1) The Incident involves the misappropriation of a RMB30 million bill of exchange (“**RMB30 million bill**”) and the misappropriation took place via the replacement of the RMB30 million bill of exchange by three bills of exchange of RMB10 million denomination each (collectively the “**Three RMB10 million Bills**”), and the Company has been given to understand by the PRC based drawer bank of the RMB10 million Bills that the chop of the legal representative appearing on each of the Three RMB10 million Bills did not match with the bank’s records of the chop.
- (2) The Incident appears to be a standalone incident.
- (3) Insofar as financial impact is concerned, the Company’s financial exposure is limited to RMB30 million.
- (4) Insofar as operations of the Company are concerned, the Incident has had limited significance on the Company’s operations, and except for the Incident, there has been no other irregularity with the operations of the Company.
- (5) The SIC has on behalf of the Company on 17 February 2016 engaged an independent accounting firm (“**Independent Accounting Firm**”), to conduct an investigation into the Incident.

As of the date of this announcement, Independent Accounting Firm has carried out the investigation procedures as detailed in the sub-paragraph headed “The Investigation Report – Summary of the procedures performed by the Independent Accounting Firm” and issued its interim report on the Incident dated 3 May 2016 (the “**Investigation Report**”).

THE INVESTIGATION REPORT

Summary of the procedures performed by the Independent Accounting Firm

The Independent Accounting Firm has performed the following procedures:

- (1) Interviewed the Directors and relevant employees of the Company or its subsidiaries at the time of the Incident to understand the acquisition and chain of custody of the bills of exchange.

- (2) Inspected the underlying supporting documentation provided by the Company and Mr. Yao Yuan (“**Mr. Yao**”), a non-executive Director, in relation to the acquisitions and chain of custody of the RMB30 million Bill and the Three RMB10 million Bills.
- (3) Inspected relevant Board meeting minutes and legal correspondences provided by the Company.
- (4) Inspected personnel files of the Directors provided by the Company to identify business interests which may be potentially relevant to the acquisition of the bills of exchange.
- (5) Conducted inquiries at two branches of the PRC based drawer bank (the “**Drawer Bank**”) in Guangzhou about the authenticity of the Three RMB10 million Bills.
- (6) Interviewed Mr. H, one of the two individuals acting on behalf of the endorser of the bills of exchange (the “**Endorser**”), whose name chop appears on those bills of exchange.
- (7) Performed preliminary company searches on certain entities identified during the course of investigation.

Summary of key findings

A summary of key findings of the procedures performed by the Independent Accounting Firm is set out below.

- (1) It is observed that the Three RMB10 million Bills appeared to be forged and the following observations were made in this regard:
 - (a) The Independent Accounting Firm was verbally informed by the representatives of the Drawer Bank that the chops of the issuer of the bills of exchange (the “**Issuer**”) appearing on the front of the Three RMB10 million Bills did not match with the records of the Drawer Bank.
 - (b) There are apparent differences in the fonts of and the position of certain Chinese characters within the space of the company chop and name chops of the Issuer appearing on the Three RMB10 million Bills and those on the RMB25 million bill that was purchased by the Company previously and bears the same issuer and recipient (the “**RMB25 million Bill**”) although the chops on each of the Three RMB10 million Bills appeared to be consistent.

- (c) There are apparent differences in the fonts in the company chop of the Endorser and the name chops of certain individuals of the Endorser as well as the chop sizes appearing on the back of the Three RMB10 million Bills and those on the RMB25 million Bill although the chops on the RMB30 million Bill and the Three RMB10 million Bills appeared to be consistent.
 - (d) Mr. H, one of the two individuals acting on behalf of the Endorser, did not recall the Endorser had the Three RMB10 million Bills.
- (2) The Independent Accounting Firm identified the following major observations in connection with the acquisition of the RMB30 million bill of exchange (the “**RMB30 million Bill**”) effected on 9 October 2015:
- (a) The Company has in its possession an original copy of the transfer agreement between the Endorser and the agent of the bills of exchange (the “**Agent**”) in respect of the RMB30 million Bill (the “**Transfer Agreement**”). Neither the Company nor any of its subsidiary is a party to the Transfer Agreement.
 - (b) The Transfer Agreement in the possession of the Company did not contain the appendix stating the details of the underlying bill of exchange being traded. It did not contain any reference to any bill of exchange information such as face value, date of issue and bill number. It appears that the Transfer Agreement itself does not say if the Agent had the title of the RMB30 million Bill at the time of the transaction.
 - (c) Based on the comparison of the company and name chops appearing on the Transfer Agreement with the set of chops appearing on the equivalent transfer agreement between the same parties for the RMB25 million Bill, the Independent Accounting Firm noted apparent differences in the two sets of chops of the Endorser in terms of sizes and fonts of the chops.
 - (d) The transfer agreement between the Agent and Ultra Brave Company Limited (“**Ultra Brave**”) in relation to the RMB30 million Bill (the “**Ultra Brave Transfer Agreement**”) did not specify its transfer price and redemption price upon expiry. In addition, the Ultra Brave Transfer Agreement states that the Agent will make payment to a personal bank account of the then shareholder of Ultra Brave, a PRC individual, upon expiry instead of a corporate bank account of Ultra Brave, the Company or any of its subsidiaries. Subsequent to the acquisition of the entire issued share capital of Ultra Brave by a subsidiary of the Company for the purpose of acquiring the RMB30 million Bill held by Ultra Brave, the Company had not arranged a change of the payee account to a corporate bank account of the Company or any of its subsidiaries.

- (e) According to the Transfer Agreement and the Ultra Brave Transfer Agreement, the RMB30 million Bill was insured by an insurance company (the “**Insurance Company**”). The Ultra Brave Transfer Agreement further provided that Ultra Brave (which is an indirect wholly owned subsidiary of the Company acquired to effect the acquisition of the RMB30 million Bill) can be the beneficiary of the insurance, if needed. However, the insurance endorsement obtained by the Company stated that the underlying policy was a trading credit insurance where the Endorser was the applicant and the Agent is the beneficiary, and the Endorser agreed that should any compensation arise from the underlying transaction between the Endorser and the Issuer, the Insurance Company will pay the compensation directly to the Agent, in the maximum amount of RMB27 million. The Company subsequently obtained a letter from the Agent dated 4 December 2015, pursuant to which the Agent agreed to assign the right of the proceeds from any insurance claim to a newly established subsidiary of the Company in the PRC (the “**Letter of Assignment**”). The Letter of Assignment did not contain any specific reference to any policy number or the RMB30 million Bill.
- (f) The legal representative and shareholder of the Agent, Mr. S, appears to be related to Mr. Yao in terms of Mr. S’s directorship in Guangdong Yitong Investment Group (“**Yitong Investment**”), which is 80% owned by Ms. Yao Ai Yun (“**Ms. Yao**”), who appears to be the elder sister of Mr. Yao. Also, Mr. Yao himself was a former officer of Yitong Investment.
- (g) Both Mr. Zhang Xi (“**Mr. Zhang**”) and Mr. Luk Hong Man, Hammond (“**Mr. Luk**”), both of whom are executive Directors, confirmed that they did not carry out independent procedures to ascertain the authenticity of the RMB25 million Bill and the RMB30 million Bill before the transactions took place. No procedures had been carried out to identify potential conflicts of interests amongst the Directors. No background check had been conducted against the Endorser or the Agent before the transactions.
- (4) According to Mr. Zhang and Mr. Luk, Mr. Yao had admitted misappropriation of the RMB30 million Bill; whilst Mr. Yao denied such admission. The Independent Accounting Firm has not identified objective evidence that supports or refutes the representation of either side.
- (5) According to Mr. Zhang, Mr. Luk and Ms. Hong Lai Ping, Jasmine, the company secretary of the Company (“**Ms. Hong**”), Mr. Yao instructed someone, probably the personal assistant of Mr. Yao (the “**PA**”) to bring the Three RMB10 million Bills to Ms. Hong on 2 November 2015. However, according to Mr. Yao, he only learnt from Mr. S of the Agent that those bills were delivered to the Company by the Agent, although he did not know the exact date and how they were delivered. The Independent Accounting Firm could not contact the PA to obtain his representations relating to the initial chain of

custody of the Three RMB10 million Bills prior to the receipt of the same by the Company on 2 November 2015.

- (6) Mr. Yao informed the Independent Accounting Firm that the Company bought another RMB20 bill of exchange (the “**RMB20 million Bill**”) on the same day as the purchase of the RMB30 million Bill. The Independent Accounting Firm has also not conducted a follow-up interview with Mr. Zhang and Mr. Luk on the representation.

PRELIMINARY VIEWS OF THE BOARD ON THE FINDINGS OF THE INVESTIGATION REPORT

At a meeting of the SIC (attended by Mr. Wong Chung Kin, Quentin (“**Mr. Wong**”), Mr. Leung Po Hon (“**Mr. Leung**”) and Mr. Leung Kai Fai (“**Mr. KF Leung**”)) held on 29 April 2016, the SIC after consideration, accepted and approved the Investigation Report.

The Investigation Report was considered and discussed at a meeting of the Board held on 6 May 2016 (“**6 May 2016 Board Meeting**”). The 6 May 2016 Board Meeting was attended by Mr. Sui Guangyi, Mr. Luk, Mr. Zhang, Mr. Ye Yinggang, Mr. Wang Mengtao, Mr. Wong, Mr. Leung and Mr. KF Leung. After discussion, the Board came up with the following preliminary views:

- (1) The Three RMB10 million Bills are likely to be forged. As such, any action taken by the Company to transfer, redeem or dispose of them was likely to attract legal consequences.
- (2) Based on a letter from the Issuer of the genuine bills of exchange dated 26 April 2016 (the “**Issuer 26 April Letter**”) and the Company’s understanding and belief, the original RMB30 million Bill which was removed from the Company’s possession (and replaced by the Three RMB10 million Bills) on 2 November 2015 was likely to be genuine although the Independent Accounting Firm could not ascertain the authenticity of the original RMB30 million Bill as the Company currently only has in its possession a copy of the said bill.
- (3) It is noted that the Investigation Report is an interim report based on information obtained by the Independent Accounting Firm at that time. Having considered (i) the steps already undertaken by the Independent Accounting Firm and the findings in the Investigation Report; (ii) the further procedures mentioned in the initial engagement letter of the Independent Accounting Firm and the receipt of the Issuer 26 April Letter, it is considered that the further investigation by the Independent Accounting Firm as was defined in its initial engagement is unlikely to be able to identify the culprit(s) of the Incident and/or the creator(s) of the Three RMB10 million Bills. Accordingly, it was considered unnecessary to instruct the Independent Accounting Firm to proceed with the further investigation of the Incident as defined in its initial engagement and that the SIC should be dissolved. Both Mr. Wong and Mr. Leung did not agree to the dissolution of the SIC. For further details of the view of Mr. Wong and Mr. Leung in this regard, please refer to the paragraph headed “Views of Mr. Wong and Mr. Leung, members of the SIC, with respect to the resolution of the Board to dissolve the SIC” below.

- (4) Although there are practical difficulties in the Company itself continuing to investigate the Incident, given that the culprit(s) of the Incident and/or creator(s) of the Three RMB10 million Bills have yet to be identified and having considered the observations of the Independent Accounting Firm in connection with the acquisition of the RMB30 million Bill and the documentation for the bills of exchange, the Board considered that further follow up actions were certainly warranted. For details of the follow up actions to be taken by the Company, please refer to the paragraph headed “Actions taken or to be taken by the Company” below.

ACTIONS TAKEN OR TO BE TAKEN BY THE COMPANY

- (1) The Company will discuss with its legal advisors and consider the appropriate course of action to be taken next, including the instigation of civil proceedings to recover its loss or damages (where further relevant information will likely emerge in the discovery process).
- (2) The Company had already previously reported the Incident to the Hong Kong Police. The Company was subsequently informed by the Hong Kong Police that the evidence they had collected so far was insufficient to charge anyone with reference to the criminal standard. The Hong Kong Police has also invited the Company to liaise with them further if new evidence came to light in respect of the Incident. The Company has recently provided the Issuer 26 April Letter to the Hong Kong Police and will continue to liaise with them.
- (3) The Company had also previously filed a report of the Incident to the police in the PRC and will further discuss with its PRC legal advisors to follow up on the status of the matter, in particular, whether the PRC police has jurisdiction to accept the report of the Incident.
- (4) Although (i) the Incident appears to be a standalone incident with no clear indication of any material internal control deficiencies on the part of the Company; and (ii) since the Incident, the Company has established the risk management committee and the investor relations committee of the Board (as disclosed in the announcement of the Company dated 22 April 2016), having considered the observations of the Independent Accounting Firm with respect to the acquisition of the RMB30 million Bill and as a prudent corporate governance measure, the Board has decided to engage an independent internal control consultant to conduct a review of the Company’s internal control procedures with respect to the current investments of the Company and make recommendations to the Board to address and rectify the weaknesses identified, if any. Periodic review of the implementation of the internal control procedures will also be conducted on a regular basis. On 13 May 2016, the Company has engaged a firm of certified public accountants (the “**Independent CPA Firm**”) to provide internal control review services for the period from May 2016 to May 2017. The Independent CPA Firm will evaluate the designs of the

existing internal control of the Company, identify weakness of the internal control procedures and provide management action plans for rectification of the identified weakness.

- (5) As the Board has decided not to proceed with further investigation of the Incident by the Independent Accounting Firm, the duties of the SIC have been fully discharged. As such, the Board has resolved to dissolve the SIC. Going forward, the Board will be responsible for all the follow-up actions in relation to the Incident.

VIEWS OF MR. WONG AND MR. LEUNG, MEMBERS OF THE SIC WITH RESPECT TO THE RESOLUTION OF THE BOARD TO DISSOLVE THE SIC

Views of Mr. Wong and Mr. Leung

Mr. Wong and Mr. Leung, both of whom independent non-executive Directors and members of the SIC at the material times, have expressed their disagreement concerning the resolution of the Board to dissolve the SIC on the following grounds as set out in an email to the Board (“**6 May 2016 Email**”):

1. The 6 May 2016 Board Meeting was originally scheduled to discuss other matters and the lack of notice for discussing the sensitive resolution is improper.
2. The dissolution of the SIC in the view of Mr. Wong and Mr. Leung is not in the interest of the Company and the shareholders of the Company.
3. 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. Consequently, Mr. Wong and Mr. Leung do believe these investigation should not be stopped at the moment.
4. The contents of the Investigation Report seems to cast doubt on certain directors and in the view of Mr. Wong and Mr. Leung, the Board should consider whether the participation of those directors in the voting process concerning the dissolution of the SIC was appropriate.

Response of the Board to the 6 May 2016 Email

The Board responded to the contents of the 6 May 2016 Email as follows:

1. The 6 May 2016 Board Meeting was attended by all Directors other than Mr. Yao Yuan, Mr. Shi Mingqing, Mr. Yao Zhixiang and Ms. Li Jiangtao, all of whom were suspended from their duties as Directors. Notice of the 6 May 2016 Board Meeting had been given to the Directors and the Investigation Report was one of the items for discussion and consideration at the 6 May 2016 Board Meeting.

2. The Board has already decided at the 6 May 2016 Board Meeting on the further steps and actions to be taken following on from the Investigation Report, as more particularly set out in the paragraph headed “Actions taken or to be taken by the Company” above.
3. The Board is of the view that the difference in opinion seems to lay in the fact whether there is any practical value in the Company itself continuing to investigate the matter or whether it is more appropriate and effective to hand the matter over to the Hong Kong Police and the PRC Police, as they have more statutory powers and resources to investigate.

RESPONSE OF THE BOARD TO CERTAIN FINDINGS IN THE INVESTIGATION REPORT

In respect of certain findings by the Independent Accounting Firm as set out in the Investigation Report, the Board makes the following responses:

- (1) Acquisition of bills of exchange – The Company has so far conducted two transactions with respect to bills of exchange, the RMB30 million Bill, which is the subject of the Incident and the RMB25 million Bill. The Board has resolved not to make further investment in bills of exchange.
- (2) RMB20 million Bill – The Company has never acquired the RMB20 million Bill. On 9 October 2015, the Company only acquired the RMB30 million Bill and paid the consideration in the amount of HK\$29,520,000 (equivalent to RMB24 million at the exchange rate of RMB1.00 to HK\$1.23). Neither Mr. Zhang nor Mr. Luk mentioned the RMB20 million Bill to the Independent Accounting Firm because neither of them is aware of the existence of the RMB20 million Bill.
- (3) RMB25 million Bill – The Company, through its wholly owned subsidiary acquired the RMB25 million Bill on 25 September 2015 for a consideration of RMB20 million. The RMB25 million Bill is payable on 18 March 2016 and the redemption price is RMB21,200,000. The issuer and endorser of the RMB25 million Bill are the same as those for the RMB30 million Bill. The Company has been approached by the legal adviser of the Agent in relation to the redemption of the RMB25 million Bill. On 13 May 2016, the Company received cashier orders in the amount of HK\$25,016,003 (equivalent to RMB21,200,000 at the exchange rate of RMB1.00 to HK\$1.18) for redemption of the RMB25 million Bill which have since been cleared.
- (4) RMB30 million Bill and the Three RMB10 million Bills – The Company has been approached by the legal adviser of the Agent in relation to the redemption of the Three RMB10 million Bills. Given that the authenticity of the Three RMB10 million Bills is in doubt and the misappropriation of the original RMB30 million Bill, the Company is seeking professional advice before it takes any action in respect of the Three RMB10 million Bills.

- (5) Due diligence undertaken in respect of the bills of exchange transactions and the observations on the documentations – Both Mr. Zhang and Mr. Luk focused their due diligence on assessing the ability of the Issuer to settle the bills of exchange. As the Issuer for both the RMB25 million Bill and the RMB30 million Bill is a company listed on the exchange in the PRC, they considered the default risk of the Issuer to be low. Furthermore, as the bills of exchange were insured by the Insurance Company, it is believed that the Insurance Company had performed adequate due diligence on the authenticity of the bills of exchange prior to insuring the same. The Agent is only an intermediary in the transaction and its role is considered to be similar to that of an estate agent in a property transaction. Hence, no background check was undertaken with respect to the Endorser and the Agent. An investment proposal with financial statements of the Issuer attached thereto as appendices was prepared. In accordance with then applicable internal approval procedures of the Company, the investment in the RMB30 million Bill was approved by Mr. Zhang, Mr. Ye Yinggang and Mr. Luk, all of whom were executive Directors on 9 October 2015.

UPDATE ON THE STATUS OF THE SUSPENDED DIRECTORS

Mr. Yao, Mr. Shi Minqiang and Mr. Yao Zhixiang

As disclosed in the announcement of the Company dated 17 December 2015, the Company has suspended all the duties of Mr. Yao, Mr. Shi Minqiang and Mr. Yao Zhixiang, who are non-executive Directors, with effect from 16 December 2015. According to the Investigation Report, the original RMB30 million Bill was taken from the premises of the office of the Company by the personal assistants (including the PA) of Mr. Yao and Ms. Yao and was handed over to Ms. Yao in Shenzhen. Ms. Yao then handed the said bill to a person who was understood to be a son of Mr. Yao Zhixiang and therefore Mr. Yao's nephew (“**Mr. T**”). In so far as the Company is aware Ms. Yao and Mr. T had no prior involvement in the RMB30 million Bill and hence, their roles in the handling of the RMB30 million Bill is not clear. No explanation was given by any of these parties why the said bill was returned to the issuer without the Company's authorisation. Although Mr. Yao has denied his knowledge or involvement in the exchange of the RMB30 million Bill, the Board considers it to be unlikely that the personal assistants would have acted without instructions from their supervisors. Mr. Yao had also orally admitted his direct involvement in the Incident to Mr. Zhang and Mr. Luk when first confronted about the Incident, although Mr. Yao subsequently denied such admission. Taking all this into account, given the proximity of Mr. Yao to the Incident and the gravity of the Incident, the Board has resolved to continue with the suspension of Mr. Yao's duties as a non-executive Director. As for Mr. Shi Minqiang and Mr. Yao Zhixiang, given their close family relationship with Mr. Yao and the involvement of Mr. Yao Zhixiang's son, the Board considers that there is a real risk that they will divulge relevant information and any proposed courses of action intended to be taken by the Board to Mr. Yao and hence jeopardize the position of the Company. As such, the Board has resolved to also continue with the suspension of duties of Mr. Shi Minqiang and Mr. Yao Zhixiang as non-executive Directors.

Ms. Li Jiangtao

In respect of the suspension of Ms. Li Jiangtao's duties as an independent non-executive Director as disclosed in the announcement of the Company dated 19 January 2016, the reason for her suspension is that she has not been acting independently and impartially in the best interest of the Company as a whole while the investigation of the Incident was on-going. Since the investigation of the Incident has been concluded, the Board has resolved to uplift the suspension so that Ms. Li Jiangtao can resume her duties as an independent non-executive Director.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

On 9 May 2016, Mr. Leung tendered his resignation as independent non-executive Director, a member of Audit Committee, Remuneration Committee and Investor Relation Committee of the Company as he had disagreement with the Board in respect of the resolution passed at the 6 May 2016 Board Meeting concerning dissolution of the SIC. Mr. Leung also stated that he did not agree with the view of the Directors as the contents of the Investigation Report were alarming and cast doubt on certain Directors and further investigation needed to be carried out immediately to protect the interests of the Company and the shareholders and to investigate whether there were any further misbehavior or breach of duty by senior management as detailed in the 6 May 2016 Email.

On 17 May 2016, Mr. Wong tendered his resignation as independent non-executive Director with immediate effect. In his resignation letter, Mr. Wong stated that he did not agree with the Board resolution passed at the 6 May 2016 Board Meeting concerning dissolution of the SIC. Mr. Wong also stated that the contents of the Investigation Report were alarming; further investigation was required to protect the interests of the Company and the shareholders and that the investigation should not be stopped. Mr. Wong also asserted that the lack of follow up action plan was not in the interests of the Company and its shareholders.

With Mr. Wong's resignation as an independent non-executive Director, he also ceased to be a member of the Nomination Committee and the chairman of the Audit Committee.

For the views of the Board (other than Mr. Wong and Mr. Leung), please refer to the sub-paragraph headed "Views of Mr. Wong and Mr. Leung, members of the SIC in respect of the resolution of the Board to dissolve the SIC – Response of the Board to the 6 May 2016 Email" and the paragraphs headed "Actions taken or to be taken by the Company" and "Response of the Board to certain findings in the Investigation Report" above.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Miao (郭淼) (“Mr. Guo”)

Mr. Guo has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee with effect from 17 May 2016.

Mr. Guo, aged 45, has been a partner of the Tianjin branch of Beijing Shouxin Law Firm (北京市首信律師事務所(天津分所)) since April 2012. Mr. Guo graduated from the Beijing Union University with a degree in Bachelor of Law in July 1995. He obtained the certificate of PRC legal professional qualification (中華人民共和國法律職業資格證書) in March 2006.

Mr. Guo did not hold directorship in any listed companies in Hong Kong or elsewhere during the last three years. Mr. Guo does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). Mr. Guo does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. Mr. Guo has entered into a letter of appointment with the Company on 17 May 2016 for an initial term of three years commencing from the same date. He is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Guo is entitled to receive an annual fee of HK\$180,000, which has been recommended by the remuneration committee of the Board and determined with reference to Mr. Guo’s duties and responsibilities with the Company, his qualifications, experiences and current market conditions. Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company and there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules in connection with Mr. Guo’s appointment as an independent non-executive Director.

Ms. Jing Si Yuan (荆思源) (“Ms. Jing”)

Ms. Jing has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Investor Relations Committee with effect from 17 May 2016.

Ms. Jing, aged 39, has been working as an internal control and financial consultant in Shenzhen Fronter Electronics Co., Ltd. (深圳市福浪電子有限公司), Shenzhen Hi-Chipcom Electronics Co., Ltd. (深圳市海芝通股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 837413) and Shenzhen Zhi Ling Wei Ye Technology Co.,Ltd. (深圳志凌偉業股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 834148) since August 2015. Ms. Jing has been working as general manager in Shenzhen An Ping Tai Management Consulting Co., Ltd. (深圳市安平泰企業管理諮詢有限公司) since July 2015.

Ms. Jing graduated from Oxford Brookes University in the United Kingdom with a degree in Bachelor of Science (Applied Accounting) in July 2008. She graduated from Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Ms. Jing did not hold directorship in any listed companies in Hong Kong or elsewhere during the last three years. Ms. Jing does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). Ms. Jing does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. Ms. Jing has entered into a letter of appointment with the Company on 17 May 2016 for an initial term of three years commencing from the same date. She is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Ms. Jing is entitled to receive an annual fee of HK\$180,000, which has been recommended by the remuneration committee of the Board and determined with reference to Ms. Jing’s duties and responsibilities with the Company, her qualifications, experiences and current market conditions. Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company and there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules in connection with Ms. Jing’s appointment as an independent non-executive Director.

The Board members would like to welcome Mr. Guo and Ms. Jing to the Board.

UPDATE ON REMUNERATION OF MR. WANG MENGTAO, MR. LUK HONG MAN, HAMMOND AND MR. ZHANG XI

Reference is made to the announcement of the Company dated 22 April 2016 in relation to, among other things, the appointment of (i) Mr. Wang Wengtao (“**Mr. Wang**”) as a non-executive Director, a vice-president of the Group and a member of the Investor Relations Committee; (ii) Mr. Luk as the chief executive officer of the Group and a member of the risk management committee of the Board; and (iii) Mr. Zhang as the chief investment officer of the Group and a member of the remuneration committee of the Board.

Taking into account the recommendation by the remuneration committee of the Board, the Board hereby announces the details of the remuneration in relation to the abovementioned appointments:

- Mr. Wang shall be entitled to receive an annual fee of HK\$960,000, which has been determined with reference to his duties and responsibilities with the Company, his qualifications, experiences and current market conditions. Mr. Wang has entered into a letter of appointment with the Company on 22 April 2016 for an initial term of three years commencing from the same date. He is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.
- Mr. Luk is currently entitled to a fee of HK\$100,000 per month as an executive Director. Having considered his duties and responsibilities with the Company, the Board has determined that there shall be no change to this fee arrangement as long as he is still acting as an executive Director and/or the chief executive officer of the Group.
- Mr. Zhang is currently entitled to a fee of HK\$100,000 per month as an executive Director. Having considered his duties and responsibilities with the Company, the Board has determined that there shall be no change to this fee arrangement as long as he is still acting as an executive Director and/or the chief investment officer of the Group.

UPDATE ON PROGRESS OF THE PUBLICATION OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

With the issue of the Investigation Report, the Company was informed by the auditors that they will commence the performance of further audit works on events occurred after the financial year end. It is expected that the audited financial statements will be available before mid June.

UPDATE ON LEGAL PROCEEDINGS AGAINST THE COMPANY AND ITS SUBSIDIARY

Reference is made to the announcement of the Company dated 31 March 2016 relating to a Writ of Summons with an Indorsement of Claim which was issued by Yang Yan (楊艷) as the Plaintiff (the “**Plaintiff**”) against the Company as 1st Defendant and Grand Dragon Investment Development Limited (“**Grand Dragon**”), a wholly-owned subsidiary of the Company as 2nd Defendant, in the High Court of Hong Kong under High Court Action 796 of 2016 (“**Action**”). In the Action, the Plaintiff claims relief including forfeiture of a deposit in the amount of RMB10,000,000 paid by or on behalf of the 1st and the 2nd Defendants. On 13 May 2016 the Writ was delivered to the principal place of business in Hong Kong of the Company for the Company and Grand Dragon.

The Company considers that there is no basis for the Action, and each of the Company and Grand Dragon denies the allegations raised in the Action. No letter before action had been received by the Company or Grand Dragon before receipt of the said Writ. The Company is seeking legal advice as to the appropriate course of action and will make an update announcement as and when appropriate.

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

Hong Kong, 17 May 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. Sui Guangyi, Mr. Wang Mengtao, Mr. Shi Minqiang, Mr. Yao Yuan and Mr. Yao Zhixiang and the independent non-executive Directors are Mr. Leung Ka Fai, Mr. Guo Miao, Ms. Jing Si Yuan and Ms. Li Jiangtao.

* *For identification purpose only*