



China Investment Fund Company Limited
中國投資基金有限公司
(Incorporated in the Cayman Islands with limited liability)



Interim Report 2004

INTERIM RESULTS

The Board (the "Board") of Directors (the "Directors") of China Investment Fund Company Limited (the "Company") is pleased to present the unaudited Interim Report and condensed financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June, 2004. The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have not been reviewed by the Company's auditors but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2004

		Unaudited six months ended	
		30th June,	
	<i>Notes</i>	2004	2003
		HK\$	HK\$
Turnover		–	–
Interest Income		69,249	90,100
Other Income		1,248	–
Gain on disposal of investments in securities		46,339	–
Unrealised loss on investments in securities		(111,291)	(60,000)
Other operating expenses		(1,812,001)	(1,936,013)
Loss before taxation	3	(1,806,456)	(1,905,913)
Taxation	4	–	–
Net loss for the period		(1,806,456)	(1,905,913)
Loss per share – basic	5	(0.91) cents	(2.38) cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2004

	<i>Notes</i>	Unaudited 30th June, 2004 HK\$	Audited 31st December, 2003 HK\$
Non-current assets			
Property and equipment		71,621	104,582
Current assets			
Prepayments, deposits and other receivables		3,846,392	3,929,122
Amount due from an investee company		–	4,627,856
Investments in listed securities	7	4,973,840	2,496,920
Investments in unlisted securities	8	21,112,670	8
Cash and bank balances		45,614,571	14,505,102
		<u>75,547,473</u>	<u>25,559,008</u>
Current liabilities			
Accrued charges and other payables		3,423,205	172,436
		<u>72,124,268</u>	<u>25,386,572</u>
Net current assets			
		<u>72,195,889</u>	<u>25,491,154</u>
Capital and reserves			
Share capital		4,800,000	800,000
Share premium		79,717,788	35,206,597
Accumulated losses		(12,321,899)	(10,515,443)
		<u>72,195,889</u>	<u>25,491,154</u>
Total capital and reserves			
		<u>72,195,889</u>	<u>25,491,154</u>
Net Asset Value per share	9	0.15	0.32

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2004

	Unaudited			
	Share capital	Share premium	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st January, 2004	800,000	35,206,597	(10,515,443)	25,491,154
Shares issued at premium	4,000,000	46,000,000	-	50,000,000
Share issue expenses	-	(1,488,809)	-	(1,488,809)
Net loss for the period	-	-	(1,806,456)	(1,806,456)
At 30th June, 2004	<u>4,800,000</u>	<u>79,717,788</u>	<u>(12,321,899)</u>	<u>72,195,889</u>
At 1st January, 2003	800,000	35,206,597	(5,953,720)	30,052,877
Net loss for the period	-	-	(1,905,913)	(1,905,913)
At 30th June, 2003	<u>800,000</u>	<u>35,206,597</u>	<u>(7,859,633)</u>	<u>28,146,964</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30th June, 2004

	Unaudited six months ended 30th June,	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Net cash outflow from operating activities	(17,448,061)	(1,751,789)
Net cash inflow/(outflow) from investing activities	46,339	(208,034)
Net cash inflow from financing activities	48,511,191	-
Increase/(decrease) in cash and cash equivalents	31,109,469	(1,959,823)
Cash and cash equivalents at beginning of period	14,505,102	28,429,245
Cash and cash equivalents at end of period	<u>45,614,571</u>	<u>26,469,422</u>
Cash and bank balances	<u>45,614,571</u>	<u>26,469,422</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2003.

These financial statements should be read in conjunction with the 2003 annual financial report.

2. Business and geographical segments

The Group is principally engaged in investment in listed and unlisted companies and debt securities. Accordingly, no further analysis by business segment is provided, and no geographical analysis is presented as all the Group's turnover, contribution to operating loss are attributable to Hong Kong.

3. Loss before taxation

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$	HK\$
Staff costs (including directors):		
Salaries and other benefits	150,000	890,734
Contributions to mandatory provident fund scheme	4,500	21,333
	154,500	912,067
Loss before taxation has been arrived at after charging:		
Depreciation	32,961	50,772
Interest expense	14,063	–
Loss on disposal of property and equipment	–	3,359
Gain on disposal of investments in securities	46,339	–

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for both periods presented. No provision for deferred taxation has been recognized in the financial statements as the amount involved is insignificant.

5. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$1,806,456 (six months ended 30th June, 2003: HK\$1,905,913) and on the weighted average number of 198,681,319 (six months ended 30th June, 2003: 80,000,000) ordinary shares during the period. No diluted loss per share is presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

6. Dividend

The Board of Directors resolved not to pay an interim dividend for the period (six months ended 30th June, 2003: nil).

7. Investments in listed securities

As at 31st December, 2003						
Code	Name	Quantity	Cost	At fair value	% of total assets of the Group	Percentage of interest held
310	GR Investment International Limited	17,060,000	2,164,827	1,740,120	6.78%	3.95%
633	Warrant – Kenfair International (Holdings) Limited	688,000	656,555	756,800	2.95%	0.32%
	Total		<u>2,821,382</u>	<u>2,496,920</u>		

As at 30th June, 2004						
Code	Name	Quantity	Cost	At fair value	% of total assets of the Group	Percentage of interest held
310	GR Investment International Limited	17,060,000	2,164,827	1,876,600	2.48%	3.95%
633	Warrant – Kenfair International (Holdings) Limited	1,648,000	1,657,328	1,384,320	1.83%	0.76%
677	Golden Resources Development International Limited	5,038,000	1,655,350	1,712,920	2.27%	0.39%
	Total		<u>5,477,505</u>	<u>4,973,840</u>		

Principal business on listed investments:

GR Investment International Limited: The principal activity of the company is investment holdings. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to these investee companies.

Kenfair International (Holdings) Limited: The principal activity of the company is investment holding, activities include organization of exhibitions and trade shows in Hong Kong, provision of advertising services and publication of trade show and exhibition booklets, property holding, organization of overseas exhibitions and trade shows, arrangement of hotel accommodation and travel package.

Golden Resources Development International Limited: The company acts as an investment holdings company and its subsidiaries are engaged in the business of sourcing, importing, wholesaling, processing, packaging, marketing and distribution of rice, warehouse operations, securities investment, property investment and investment holding.

During the 6 months ended 30th June, 2004, no dividend income was received from the above securities.

8. Investments in unlisted securities

	Purchase Cost <i>HK\$</i>	As at 31st December, 2003		% of interest hold
		Director's valuation <i>HK\$</i>	% of the group total asset	
Unlisted securities				
Greater Achieve Limited	8	8	18.00%	100%

	Purchase Cost <i>HK\$</i>	As at 30th June, 2004		% of interest hold
		Market price/ Director's valuation <i>HK\$</i>	% of the group total asset	
Unlisted securities				
765 Airport Boulevard Partnership	10,000,000	10,000,000	13.22%	20%
Hennabun Management Inc.	5,000,000	5,000,000	6.61%	0.60%
Debt securities				
Index Option	1,364,908	1,432,670	1.89%	
Floating Rate Note	4,680,000	4,680,000	6.19%	
	21,044,908	21,112,670		

The Company owned the entire issued shares of Greater Achieve Limited, a company incorporated in British Virgin Islands and its only asset was an investment property in Hong Kong. As at 31st December, 2003, amount due to the Company from Greater Achieve Limited was HK\$4,627,856 representing approximately 18% of the Group's total asset. During the period, the Company sold Greater Achieve Limited for a consideration of US\$600,000 with a total gain of HK\$46,339.

The Company acquired 50% of Crystal Shine Limited on 20th February, 2004 and further acquired the remaining 50% on 26th June, 2004. Crystal Shine Limited, a wholly-owned subsidiary of the Company, is a shell company incorporated in British Virgin Islands where its principal activity is investment holding. Crystal Shine Limited indirectly holds one investment – 20% limited partnership interest in a hotel located in the San Francisco, United States, namely 765 Airport Boulevard Partnership. The investment in 765 Airport Boulevard Partnership is not equity accounted for under SSAP 10 "Accounting for investments in associates". This is because the directors are of the opinion that the Group is not in a position to exercise significant influence over the financial and operating policies of 765 Airport Boulevard Partnership.

Hennabun Management Inc. is a financial group engaged in securities trading, investment holding, investment advisory and money lending. The Company subsequently disposed its shareholding in Hennabun Management Inc. on 9th August, 2004 for a consideration of HK\$5,200,000.

During the period, no dividend income was received from the above securities.

9. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$72,195,889 (2003: HK\$25,491,154) and the number of issued and fully paid up shares of 480,000,000 (2003: 80,000,000) as at 30th June, 2004.

10. Commitments

No capital commitment for investments in investment securities has been made in the financial statement.

11. Related party transaction

The Group had the following material transaction with its related company during the period:

	Unaudited six months ended	
	30th June,	
	2004	2003
	HK\$	HK\$
Management fee expenses to a related company	210,000	250,000

The Group has employed Baron Asset Management Limited as the Group's investment manager with management fee of HK\$35,000 (2003: HK\$41,666) per month.

12. Contingent Liabilities

At 30th June, 2004, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Results

During the six months ended 30th June, 2004, the Group reported a loss of approximately HK\$1.8 million (six months ended 30th June 2003: approximately HK\$1.9 million). The loss was mainly attributable to the Group's operating expenses in Hong Kong.

Financial Position and Working Capital

As at 30th June, 2004, the Group had cash and bank balances of approximately HK\$45.6 million (31st December, 2003: HK\$14.5 million) and had no long-term borrowings. The increase in cash and bank balances is mainly caused by the Open Offer completed in May 2004 where the Company received a gross proceed of HK\$50 million by issuing 400,000,000 new shares. Cash and bank balances represented 63% of the Company's net asset. The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements.

Operation Review And Prospect

The Group's principal business is investment. During the past six months, the Group has diversified its investment portfolio into both listed and unlisted securities and debt securities. The Group has deployed part of its resources in unlisted securities where these investments are principally engaged in hospitality business in United States and financial services in Hong Kong. The Group also extended its investment portfolio into three securities listed in Hong Kong and two debt securities products issued by overseas financial institutions.

In recent years, China's economy has continued to report strong growth. The directors will regularly review the investment portfolio of the Group in order to achieve the Group's investment objective. With the robust Chinese economy and the recent improvement in market sentiment in worldwide financial markets, the directors believe that ample investment opportunities will emerge. The Directors will continue to seek investment targets that will increase return for the shareholders.

The Group is open-minded towards all investment opportunities. The Directors of the Company always take a cautious and prudent approach in formulating the Group's overall investment strategies and making investment decision. With the extensive investment experience of the Directors, the Group has confidence and determination to meet challenges in the new era, with a view to maximizing returns for our shareholders.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the following person or corporations interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interest in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Long Position in Shares

Name	Note	Number of Shares	Type of interest	% of issued share capital of the Company
Cosmopolitan International Holdings Limited	1	126,304,000	Interest of controlled corporation	26.3
Wan Chuen Chung, Joseph	2	95,976,000	Interest of controlled corporation	19.99
Ip Ki Cheung	3	92,616,000	Interest of controlled corporation	19.29
Lam Sai Mann	4	45,600,000	Interest of controlled corporation	9.5
Cheng Fat Ning, Lenda	5	44,164,000	Interest of controlled corporation	9.2

Note 1: Cosmopolitan International Holdings Limited is deemed to be interested in 107,376,000 Shares held by Core Success Limited and 18,928,000 Shares held by Cosmopolitan Properties and Securities Limited. Both Core Success Limited and Cosmopolitan Properties and Securities Limited are wholly-owned by Cosmopolitan International Holdings Limited.

Note 2: Wan Chuen Chung, Joseph is deemed to be interested in 95,976,000 Shares held by International Securities Investment Limited. International Securities Investment Limited is indirectly wholly-owned by Wan Chuen Chung, Joseph.

Note 3: Ip Ki Cheung is deemed to be interested in 92,616,000 Shares held by Kenfair International (Holdings) Limited. Ip Ki Cheung is indirectly beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which holds 50.05% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the Stock Exchange.

Note 4: Lam Sai Mann is deemed to be interested in 45,600,000 Shares held by Joint Success Limited. Joint Success Limited is wholly owned by Lam Sai Mann.

Note 5: Cheng Fat Ning, Lenda is deemed to be interested in 44,164,000 Shares held by Best News Investments Limited. Best News Investments Limited is wholly-owned by Cheng Fat Ning, Lenda.

Save as disclosed above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company (which is discloseable under Division 2 and 3 of Part XV of the SFO), or is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

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

During the six months ended 30th June, 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company currently comprises two independent non-executive Directors. The principal duties of the audit committee are the review and supervision of 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 management. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2004 have been reviewed by the audit committee.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the period, in compliance with the Code of Best Practice as set out in Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

By Order of the Board
Wan Chuen Hing, Alexander
Director

Hong Kong, 17th September, 2004