



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 : 612



INTERIM REPORT 2007

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 unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June, 2007. The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been reviewed by the Company's auditors and the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	Notes	Unaudited six months ended	
		2007	2006
		HK\$	HK\$
Turnover	2	20,499,220	26,833,436
Cost of sales		(21,493,560)	(21,836,910)
Gross (loss)/profit		(994,340)	4,996,526
Other income		820,958	392,879
Unrealized gain on financial assets at fair value through profit or loss		5,025,790	727,921
Administrative expenses		(1,657,593)	(1,598,205)
Profit before taxation	4	3,194,815	4,519,121
Taxation	5	–	–
Profit for the period		3,194,815	4,519,121
			(restated)
Earnings per share			
Basic	6	0.47 cents	0.66 cents
Diluted	6	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

		Unaudited	Audited
		30th June,	31st December,
		2007	2006
	<i>Notes</i>	HK\$	HK\$
Non-current assets			
Available-for-sale financial assets	8	21,000,000	21,000,000
		21,000,000	21,000,000
Current assets			
Prepayments, deposits and other receivables		4,267,001	19,780,674
Cash and cash equivalents		26,987,416	11,785,472
Financial assets at fair value through profit or loss	9	25,310,876	20,958,270
		56,565,293	52,524,416
Current liabilities			
Accrued liabilities and other payables		591,706	233,963
Net current assets		55,973,587	52,290,453
Net assets		76,973,587	73,290,453
Capital and reserves			
Share capital		4,800,000	4,800,000
Reserves		72,173,587	68,490,453
Total equity		76,973,587	73,290,453
Net Asset Value per share	10	0.16	0.15

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	THE GROUP				
	Unaudited				
	Share capital	Share premium	Other reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January, 2007	4,800,000	79,555,597	–	(11,065,144)	73,290,453
Expenses of open offer	–	(511,682)	–	–	(511,682)
Equity-settled arrangements	–	–	1,000,001	–	1,000,001
Net profit for the period	–	–	–	3,194,815	3,194,815
At 30th June, 2007	4,800,000	79,043,915	1,000,001	(7,870,329)	76,973,587
At 1st January, 2006	4,800,000	79,555,597	–	(30,393,889)	53,961,708
Net profit for the period	–	–	–	4,519,121	4,519,121
At 30th June, 2006	4,800,000	79,555,597	–	(25,874,768)	58,480,829

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30th June, 2007

	THE GROUP	
	Unaudited six months ended	
	30th June,	
	2007	2006
	HK\$	HK\$
Net cash generated from operating activities	15,713,626	19,546,843
Net cash used in financing activities	(511,682)	–
Net increase in cash and cash equivalents	15,201,944	19,546,843
Cash and cash equivalents at 1 January	11,785,472	10,924,432
Cash and cash equivalents at 30 June	26,987,416	30,471,275
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents, being		
Bank balances and cash	24,998,636	28,349,446
Goldman Sachs US\$ Liquid Reserve Fund	1,988,780	2,121,829
	26,987,416	30,471,275

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation used in the preparation of unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2006.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

2. TURNOVER

The Group is principally engaged in investing in listed and unlisted financial assets held for trading. Turnover represents proceeds from sales of financial assets and dividend income.

	THE GROUP	
	Unaudited six months ended	
	30th June,	
	2007	2006
	HK\$	HK\$
Proceeds from sales of financial assets at fair value through profit or loss	20,284,509	26,695,290
Dividend income from financial assets at fair value through profit or loss	214,711	138,146
	20,499,220	26,833,436

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3. SEGMENT INFORMATION

During the periods ended 30th June, 2006 and 2007, more than 90% of the Group's turnover was derived from investments holding and trading in Hong Kong, no business and geographical segmental information on turnover are presented. The Group's segment assets and liabilities for the Period, analysed by geographical market, are as follows:

	Hong Kong		United States of America		People's Republic of China		Others		Consolidated	
	30th June, 31st December,		30th June, 31st December,		30th June, 31st December,		30th June, 31st December,		30th June, 31st December,	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
ASSETS	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	56,096,213	52,524,416	10,000,000	10,000,000	11,000,000	11,000,000	469,080	-	77,565,293	73,524,416
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Total assets									77,565,293	73,524,416
LIABILITIES										
Unallocated liabilities									591,706	233,963

4. PROFIT BEFORE TAXATION

THE GROUP	
Unaudited six months ended	
30th June,	
2007	2006
HK\$	HK\$

Profits before taxation has been arrived at after charging:

Staff costs (including directors):

Salaries and other benefits	301,140	150,000
Contributions to mandatory provident fund scheme	9,357	3,000
	310,497	153,000

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits for both periods presented. No provision for deferred taxation has been recognised in the financial statements for both periods as the amount involved were insignificant.

The charge for the period can be reconciled to the profits per consolidated income statement as follows:

	THE GROUP	
	Unaudited six months ended	
	30th June,	
	2007	2006
	HK\$	HK\$
Profits before taxation	3,194,815	4,519,121
Tax at Hong Kong Profits Tax rate 17.5%	559,093	790,846
Tax effect of non-deductible expenses and non-taxable income in determining taxable profit	(997,699)	(34,457)
Tax effect of tax losses not recognised/utilisation of losses not previously recognised	438,606	(756,389)
Taxation	–	–

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit for the period of HK\$3,194,815 (net profit for the six months period ended 30th June, 2006: \$4,519,121) and on the weighted average number of 680,016,000 (six months ended 30th June, 2006 (restated): 680,016,000) ordinary shares during the period. Both the basic earnings per share for the current period and the prior period have been adjusted to reflect the open offer subsequent to the balance sheet date. No diluted earning/(loss) per share is presented since the Company has no dilutive potential ordinary shares in both periods presented.

7. DIVIDEND

The Board of Directors resolved not to pay an interim dividend for the period (six months ended 30th June, 2006: nil).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	Unaudited 30th June, 2007 HK\$	Audited 31st December, 2006 HK\$
Overseas unlisted debt securities, at cost	14,000,000	14,000,000
Less: Impairment	(4,000,000)	(4,000,000)
	10,000,000	10,000,000
Overseas unlisted equity securities, at cost	11,000,000	11,000,000
Less: Impairment	—	—
	11,000,000	11,000,000
Total	21,000,000	21,000,000

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	Unaudited 30th June, 2007 HK\$	Audited 31st December, 2006 HK\$
Held for trading:		
Equity securities listed in Hong Kong, at market value	25,310,876	20,958,270

10. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the net assets of HK\$76,973,587 (31st December, 2006: HK\$73,290,453) and the number of issued and fully paid up shares 480,000,000 (31st December, 2006: 480,000,000) as at 30th June, 2007.

11. RELATED PARTIES AND CONNECTED TRANSACTIONS

During the period, the Group had the following significant related party and connected transactions:

	Notes	THE GROUP	
		Unaudited six months ended	
		ended 30th June,	
		2007	2006
		HK\$	HK\$
Investment management fees paid to Baron Asset Management Limited	(i)	345,000	210,000
Rental expenses paid to Baron International Investment Holdings Limited	(ii)	9,000	18,000
Rental expenses paid to Baron International Consulting Services Limited	(iii)	240,000	–

Notes:

- (i) Pursuant to the investment management agreement dated 12th December, 2001 (the "Fund Management Agreement") entered into between the Company and Baron Asset Management Limited (the "Fund Manager"), the Fund Manager has agreed to provide the Company with investment management services commencing on the date of agreement. The Fund Management Agreement will continue for successive periods unless terminated at any time by either the Company or the Fund Manager serving not less than six month's prior notice in writing. Under the latest Agreement signed on 24th April, 2007, the management fee is revised to HK\$80,000 per month commencing from 1st April, 2007 to 31st December, 2007.
- (ii) Pursuant to a tenancy agreement signed on 20th March, 2004 between the Company and Baron International Investment Holdings Limited (the "Baron International"), Baron International leased office premises to the Company commencing on 1st April, 2004 for a monthly rental of HK\$3,000. The agreement was terminated on 31st March 2007. Baron International is a fellow subsidiary of the Fund Manager.
- (iii) Pursuant to a tenancy agreement signed on 1st April, 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting leased office premises to the Company commencing on 1st April, 2007 for a monthly rental of HK\$80,000. The tenancy agreement will continue for successive period unless terminated at any time by either the Company or the lessor by notice in writing. The tenancy agreement was negotiated between the parties with reference to the normal commercial terms. Baron International Consulting is a fellow subsidiary of the Fund Manager.

12. CONTINGENT LIABILITIES

At 30th June, 2007, the Group had no significant contingent liabilities.

13. POST BALANCE SHEET EVENT

- (i) On 12th June, 2007, the Company entered into an underwriting agreement for the open offer of new shares on the basis of one offer share for every 2 shares held on record date (“Open Offer”) through an underwriter, Harvest Capital Global Enterprises Ltd. A resolution in respect of the Open Offer was passed at the Board Meeting held on 12th June, 2007. The Offer Shares, when fully paid, rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 30th July, 2007. The net proceeds from the Open Offer of approximately HK\$11,090,000 will be used for future investment that have good earnings and growth potential and are within the acceptable risk profile of the Group.
- (ii) On 7th August, 2007, the Company entered into an agreement with an independent third party to acquire additional 10% equity interest of Sino Win Pacific International Limited at consideration of HK\$5,527,638.
- (iii) On 17th August, 2007, the Company entered into an agreement with Prosperity Investment Holdings Limited (the “Prosperity”) in which the Company issue 80,000,000 new shares at HK\$0.276 each with an aggregate consideration of HK\$22,080,000, and Prosperity has agreed to grant the Prosperity option to the Company to acquire up to a maximum of 86,000,000 new Prosperity shares at HK\$0.20 each and a payment of HK\$8,320,000 in cash upon completion. Further details of the transactions are set out in the announcement of the Company dated 23rd August, 2007.
- (iv) On 29th August, 2007, the Company entered into an agreement with an independent third party to dispose the wholly owned subsidiary Crystal Shine Limited at a consideration of HK\$10,000,000.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The principal activity of the Group is investing in both listed and unlisted securities. During the six months ended 30th June, 2007, the Group has deployed approximately HK\$25.3 million in listed securities.

Operating Results

During the six months ended 30th June, 2007, the Group reported a profit of approximately HK\$3.2 million (six months ended 30th June, 2006: a profit approximately HK\$4.5 million). The profit was mainly attributable to the unrealized gain on financial assets.

Financial Position and Working Capital

As at 30th June, 2007, the Group had cash and cash equivalents of approximately HK\$26.9 million (31st December, 2006: HK\$11.8 million) with no borrowings. The increase in cash and cash equivalents was mainly due to the disposal of investments in securities. Cash and cash equivalents represented approximately 34.8% of the Group's total asset as at 30th June, 2007.

Prospect

Given the recent fluctuation in the worldwide financial markets, the Directors continue to adopt cautious and prudent approach in managing the portfolio of investments of the Group and developing the investment strategies. The Group is continually looking for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

On 12th June, 2007, the Company entered into an underwriting agreement for the open offer of new shares on the basis of one offer share for every 2 shares held on record date ("Open Offer") through an underwriter, Harvest Capital Global Enterprises Ltd. The Open Offer was completed on 30th July, 2007. The net proceeds from the Open Offer of approximately HK\$11,090,000 will be used for future investment.

On 7th August, 2007, the Group has further invested HK\$5.5 million in a project which focuses on providing services in technology solution for clients in the hospitality industry.

On 17th August, 2007, the Company entered into an agreement with Prosperity Investment Holdings Limited ("Prosperity") in which the Company issue 80,000,000 new shares at HK\$0.276 each with an aggregate consideration of HK\$22,080,000, and Prosperity has agreed to grant the Prosperity option to the Company to acquire up to a maximum of 86,000,000 new Prosperity shares at HK\$0.20 each and a payment of HK\$8,320,000 in cash upon completion.

For enhancing the investment opportunity, the Company entered into an agreement with an independent third party to dispose the wholly owned subsidiary Crystal Shine Limited at a consideration of HK\$10,000,000 on 29th August, 2007.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at the 30th June, 2007, none of the Directors, chief executive of the Company or their associated 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 of the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2007, 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:

Name	<i>Notes</i>	Number of Shares	Type of interest	Approximately percentage of issued share capital of the Company
Harvest Capital Global Enterprises Limited	1	214,000,000	Beneficial owner	29.72%
Yang Pao Yan Eric	1	214,000,000	Interest of controlled corporation	29.72%
Yue King Investment Limited	2	96,000,000	Beneficial owner	20.00%
Hung Chen Richael	2	96,000,000	Interest of controlled corporation	20.00%
Kenfair International (Holdings) Limited	3	92,616,000	Beneficial owner	19.30%

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Name	Notes	Number of Shares	Type of interest	Approximately percentage of issued share capital of the Company
Capital Concord Profits Limited	3	92,616,000	Interest of controlled corporation	19.30%
Ip Ki Cheung	3	92,616,000	Interest of controlled corporation	19.30%
Golden Resources Development International Limited	4	52,000,000	Interest of controlled corporation	10.83%
Cosmopolitan International Holdings Limited	5	33,088,000	Interest of controlled corporate	6.89%
Space Capital Investments Limited	5	33,088,000	Interest of controlled corporation	6.89%

Notes:

1. These Shares are held by Harvest Capital Global Enterprises Limited ("Harvest Capital"). Pursuant to the underwriting agreement (the "Underwriting Agreement") entered into between Harvest Capital (as underwriter) and the Company on 12th June, 2007 regarding an open offer of the Company (the "Open Offer") as announced by the Company on 13th June, 2007, Harvest Capital had agreed to underwrite up to 214,000,000 Open Offer Shares. The percentage interest is calculated based on 720,000,000 Shares as enlarged by the issue of the Open Offer Shares. Mr. Yang Pao Yan Eric ("Mr. Yang"), the beneficial owner of Harvest Capital, is deemed to be interested in 214,000,000 Shares held by Harvest Capital. Harvest Capital and Mr. Yang are interested in 69,676,511 Shares upon the completion of the Open Offer on 30th July, 2007.
2. Yue King Investment Limited ("Yue King") is the holder of call option granted by the Company for the subscription of up to 96,000,000 Shares. Mr. Hung Chen Richael ("Mr. Hung"), the beneficial owner of Yue King, is deemed to be interested in these 96,000,000 Shares.
3. These Shares are held by Kenfair International (Holdings) Limited ("Kenfair International"), whose shares are listed on the main board of the Stock Exchange. Mr. Ip Ki Cheung ("Mr. Ip") and Capital Concord Profits Limited ("Capital Concord") are deemed to be interested in 92,616,000 Shares held by Kenfair International, which is owned as to approximately 50.12% by Capital Concord, which in turn is owned as to approximately 50% by Mr. Ip.

4. Golden Resources Development International Limited (“Golden Resources”), whose shares are listed on the main board of the Stock Exchange, is deemed to be interested in 52,000,000 Shares held by Billion Trade Development Limited, a company 100% owned by Reo Development Limited, which is in turn wholly owned by Golden Resources.
5. These Shares are held by Core Success Limited (“Core Success”), a company wholly owned by Cosmopolitan International Holdings Limited (“Cosmopolitan International”), whose shares are listed on main board of the Stock Exchange. Cosmopolitan International is owned as to approximately 53.76% by Giant Sino Group Limited, which is wholly owned by Space Capital Investments Limited (“Space Capital”). Therefore, Cosmopolitan International, Giant Sino Group Limited and Space Capital are deemed to be interested in these Shares.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is direct or is 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”)).

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

During the six months ended 30th June, 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2007.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Board opined that the Company has complied with the code provision set out in the Code of Corporate Governance Practice (the “CG Code”) as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the reporting period except on the following deviation.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company’s Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than in the Code.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three 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, 2007 have been reviewed by the audit committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in 28th July, 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising three independent non-executive Directors, namely, Mr. Lo Wah Wai, Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond, which meets at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the Senior Management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the remuneration committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the remuneration committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board

Wan Ho Yan, Letty

Director

Hong Kong, 19 September, 2007

As at the date of this report, the executive Directors are Mr. William Robert Majcher and Ms. Wan Ho Yan, Letty and the independent non-executive Directors are Mr. Yan Mou Keung, Ronald, Mr. Cheng Wing Keung, Raymond and Mr. Lo Wah Wai.