

INTERIM REPORT 2011



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

## 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 30 June 2011. 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 30 June 2011

|   | Notes | Unaudited six months<br>ended 30 June |              |
|---|-------|---------------------------------------|--------------|
|   |       | 2011<br>HK\$                          | 2010<br>HK\$ |
| Revenue   | 3     | <b>1,331,880</b>                      | 651,858      |
| Net realised gain (loss) on disposal<br>of financial assets designated as<br>held for trading |       | <b>1,426,028</b>                      | (60,080)     |
| Net unrealised gain on financial<br>assets designated<br>as held for trading                  |       | <b>120,332</b>                        | 208,800      |
|   |       | <b>2,878,240</b>                      | 800,578      |
| Other income  |       | <b>2,893,747</b>                      | 2,597,030    |
| Administrative expenses   |       | <b>(3,557,606)</b>                    | (4,986,754)  |
| Profit (loss) before taxation   |       | <b>2,214,381</b>                      | (1,589,146)  |
| Taxation  | 5     | –                                     | –            |
| Profit (loss) for the period  | 6     | <b>2,214,381</b>                      | (1,589,146)  |
| Profit (loss) for the period<br>attributable to shareholders                                  |       | <b>2,214,381</b>                      | (1,589,146)  |
| Dividend  | 7     | –                                     | –            |
| EARNINGS (LOSS) PER SHARE   | 8     |                                       | (restated)   |
| – Basic (HK cents)  |       | <b>0.21</b>                           | (0.39)       |
| – Diluted (HK cents)  |       | <b>N/A</b>                            | N/A          |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

|  | Unaudited six months ended 30 June |              |
|--|------------------------------------|--------------|
|  | 2011<br>HK\$                       | 2010<br>HK\$ |
| Profit (loss) for the period   | <b>2,214,381</b>                   | (1,589,146)  |
| Other comprehensive (expenses) income:   |                                    |              |
| Exchange gain on translating available-for-sale financial assets   | <b>524,111</b>                     | 35,305       |
| Reclassification adjustments relating to available-for-sale financial assets disposed of during the period | <b>(1,464,210)</b>                 | –            |
| Net gain arising on revaluation of available-for-sale financial assets during the period                   | <b>689,951</b>                     | 11,659,010   |
| Other comprehensive (expenses) income for the period   | <b>(250,148)</b>                   | 11,694,315   |
| Total comprehensive income attributable to shareholders  | <b>1,964,233</b>                   | 10,105,169   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

|  | Notes | Unaudited<br>30 June<br>2011<br>HK\$ | Audited<br>31 December<br>2010<br>HK\$ |
|--|-------|--------------------------------------|--|
| <b>Non-current assets</b>                          |       |                                      |  |
| Property, plant and equipment                      | 9     | 660,147                              | 678,744                                |
| Prepaid lease payments<br>– long-term portion      |       | 3,015,280                            | 3,058,355                              |
| Available-for-sale financial assets                | 10    | 117,695,230                          | 91,348,104                             |
|  |       | <b>121,370,657</b>                   | 95,085,203                             |
| <b>Current assets</b>                              |       |                                      |  |
| Prepaid lease payments<br>– current portion        |       | 86,151                               | 86,151                                 |
| Prepayments, deposits<br>and other receivables     |       | 312,693                              | 713,131                                |
| Financial assets designated<br>as held for trading | 11    | 745,340                              | 9,872,400                              |
| Cash and cash equivalents                          | 12    | 117,732,143                          | 41,615,347                             |
|  |       | <b>118,876,327</b>                   | 52,287,029                             |
| <b>Current liability</b>                           |       |                                      |  |
| Accruals, deposit received<br>and other payables   |       | 245,393                              | 2,512,980                              |
| <b>Net current assets</b>                          |       | <b>118,630,934</b>                   | 49,774,049                             |
| <b>Net assets</b>                                  |       | <b>240,001,591</b>                   | 144,859,252                            |
| <b>Capital and reserves</b>                        |       |                                      |  |
| Share capital                                      | 13    | 38,256,000                           | 11,152,000                             |
| Reserves   |       | 201,745,591                          | 133,707,252                            |
| <b>Total equity</b>                                |       | <b>240,001,591</b>                   | 144,859,252                            |
| <b>Net asset value per share</b>                   | 8     | <b>0.31</b>                          | 0.13                                   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

|                                 | Share<br>capital<br>HK\$ | Share<br>premium<br>HK\$ | Exchange<br>reserve<br>HK\$ | Investment<br>revaluation<br>reserve<br>HK\$ | Retained<br>earnings<br>(Accumulated<br>losses)<br>HK\$ | Total<br>HK\$      |
|---------------------------------|--------------------------|--------------------------|-----------------------------|--|---|--------------------|
| <b>(Unaudited)</b>              |                          |                          |                             |  |   |                    |
| At 1 January 2011               | 11,152,000               | 131,291,525              | 1,466,515                   | (145,346)                                    | 1,094,558   | 144,859,252        |
| Issue of shares<br>for cash     |                          |                          |                             |  |   |                    |
| by subscription                 | 1,600,000                | 17,260,000               | -                           | -  | -   | 18,860,000         |
| Issue of shares<br>for cash     |                          |                          |                             |  |   |                    |
| by open offer                   | 25,504,000               | 48,814,106               | -                           | -  | -   | 74,318,106         |
| Other comprehensive<br>expenses | -                        | -                        | (940,099)                   | 689,951                                      | -   | (250,148)          |
| Profit for the period           | -                        | -                        | -                           | -  | 2,214,381   | 2,214,381          |
| <b>At 30 June 2011</b>          | <b>38,256,000</b>        | <b>197,365,631</b>       | <b>526,416</b>              | <b>544,605</b>                               | <b>3,308,939</b>  | <b>240,001,591</b> |
| <b>(Unaudited)</b>              |                          |                          |                             |  |   |                    |
| At 1 January 2010               | 10,952,000               | 129,371,525              | 1,053,783                   | 12,008,584                                   | (28,633,989)  | 124,751,903        |
| Other comprehensive<br>income   | -                        | -                        | 35,305                      | 11,659,010                                   | -   | 11,694,315         |
| Loss for the period             | -                        | -                        | -                           | -  | (1,589,146)   | (1,589,146)        |
| <b>At 30 June 2010</b>          | <b>10,952,000</b>        | <b>129,371,525</b>       | <b>1,089,088</b>            | <b>23,667,594</b>                            | <b>(30,223,135)</b>                                     | <b>134,857,072</b> |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

|  | Unaudited six months<br>ended 30 June |              |
|--|---------------------------------------|--------------|
|  | 2011<br>HK\$                          | 2010<br>HK\$ |
| Net cash used in operating activities  | <b>(2,742,982)</b>                    | (4,374,804)  |
| Net cash used in investing activities  | <b>(14,321,443)</b>                   | (8,582,080)  |
| Net cash generated from financing activities   | <b>93,178,106</b>                     | –            |
| Net increase (decrease) in cash<br>and cash equivalents                                  | <b>76,113,681</b>                     | (12,956,884) |
| Cash and cash equivalents at 1 January   | <b>41,615,347</b>                     | 44,602,638   |
| Effects of exchange rate changes on<br>the balance of cash held<br>in foreign currencies | <b>3,115</b>                          | –            |
| Cash and cash equivalents at 30 June   | <b>117,732,143</b>                    | 31,645,754   |
| Analysis of the balances of cash<br>and cash equivalents                                 |                                       |              |
| Bank balances and cash   | <b>117,732,143</b>                    | 31,645,754   |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 1. BASIS OF PREPARATION

The 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 34 (“HKAS 34”), Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the Interim Financial Statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

The Interim Financial Statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s auditors and the audit committee.

### Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

|                                  |  |
|----------------------------------|--|
| HKFRSs (Amendments)              | Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 |
| HKAS 24 (Revised)                | Related Party Disclosures  |
| HKAS 32 (Amendments)             | Classification of Rights Issues  |
| HKFRS 1 (Amendments)             | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters   |
| HK (IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement   |
| HK (IFRIC) – Int 19              | Extinguishing Financial Liabilities with Equity Instruments  |

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

The amendments to HK(IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK (IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transaction in the future, HK (IFRIC) – Int 19 will affect the required accounting. In particular, under HK (IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

### New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied new or revised standard and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

|                              |   |
|------------------------------|---|
| HKFRS 1 (Amendments)         | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup> |
| HKFRS 7 (Amendments)         | Disclosures – Transfers of Financial Assets <sup>1</sup>                              |
| HKFRS 9                      | Financial Instruments <sup>4</sup>  |
| HKFRS 10                     | Consolidated Financial Statements <sup>4</sup>  |
| HKFRS 11                     | Joint Arrangements <sup>4</sup>   |
| HKFRS 12                     | Disclosures of Interests in Other Entities <sup>4</sup>                               |
| HKFRS 13                     | Fair Value Measurement <sup>4</sup>   |
| HKAS 1                       | Presentation of Items of Other Comprehensive Income <sup>3</sup>                      |
| HKAS 12 (Amendments)         | Deferred Tax : Recovery of Underlying Assets <sup>2</sup>                             |
| HKAS 19 (as revised in 2011) | Employee Benefits <sup>4</sup>  |
| HKAS 27 (as revised in 2011) | Separate Financial Statements <sup>4</sup>  |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures <sup>4</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### **New and revised Standards and Interpretations issued but not yet effective** (continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in December 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as a fair value through profit and loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability's credit risk in the comprehensive income to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### New and revised Standards and Interpretations issued but not yet effective (continued)

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgments. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The Directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

## 3. REVENUE

|  | Unaudited six months<br>ended 30 June |                |
|--|---------------------------------------|----------------|
|  | 2011<br>HK\$                          | 2010<br>HK\$   |
| The analysis of revenue for the period is as follow: |                                       |                |
| Interest income from:                                |                                       |                |
| – Deposits in financial institutions                 | 157,360                               | 2,298          |
| – Available-for-sale financial assets                | 169,274                               | 261,913        |
| Dividend income from:                                |                                       |                |
| – Financial assets designated as held for trading    | –                                     | 84,686         |
| – Available-for-sale financial assets                | 1,005,246                             | 302,961        |
|  | <b>1,331,880</b>                      | <b>651,858</b> |

#### 4. SEGMENT INFORMATION

During the six months ended 30 June 2011 and 2010 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investments. 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 period, analysed by geographical market, are as follows:

|  | Hong Kong   |   | Others  |   | Consolidated  |   |
|--|---|---|---|---|---|---|
|  | Unaudited<br>six months<br>ended<br>30 June<br>2011<br>HK\$ | Unaudited<br>six months<br>ended<br>30 June<br>2010<br>HK\$ | Unaudited<br>six months<br>ended<br>30 June<br>2011<br>HK\$ | Unaudited<br>six months<br>ended<br>30 June<br>2010<br>HK\$ | Unaudited<br>six months<br>ended<br>30 June<br>2011<br>HK\$ | Unaudited<br>six months<br>ended<br>30 June<br>2010<br>HK\$ |
| Segment revenue:   |   |   |   |   |   |   |
| Interest income from bank deposits                       | 157,360   | 2,298   | -   | -   | 157,360   | 2,298   |
| Interest income from available-for-sale financial assets | -   | -   | 169,274   | 261,913   | 169,274   | 261,913   |
| Dividend received  | -   | 387,647   | 1,005,246   | -   | 1,005,246   | 387,647   |
|  | 157,360   | 389,945   | 1,174,520   | 261,913   | 1,331,880   | 651,858   |

|                                 | Hong Kong                            |  | Others                               |  | Consolidated                         |  |
|---------------------------------|--------------------------------------|--|--------------------------------------|--|--------------------------------------|--|
|                                 | Unaudited<br>30 June<br>2011<br>HK\$ | Audited<br>31 December<br>2010<br>HK\$ | Unaudited<br>30 June<br>2011<br>HK\$ | Audited<br>31 December<br>2010<br>HK\$ | Unaudited<br>30 June<br>2011<br>HK\$ | Audited<br>31 December<br>2010<br>HK\$ |
| Segment assets                  | 160,482,252                          | 92,835,727                             | 79,764,732                           | 54,536,505                             | 240,246,984                          | 147,372,232                            |
| Unallocated assets              |                                      |  |                                      |  | -                                    | -                                      |
| Total assets                    |                                      |  |                                      |  | 240,246,984                          | 147,372,232                            |
| Total liabilities               |                                      |  |                                      |  | 245,393                              | 2,512,980                              |
| Other information               |                                      |  |                                      |  |                                      |  |
| Additions to non-current assets |                                      |  |                                      |  | -                                    | -                                      |

## 5. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

## 6. PROFIT (LOSS) FOR THE PERIOD

|  | Unaudited six months<br>ended 30 June |              |
|--|---------------------------------------|--------------|
|  | 2011<br>HK\$                          | 2010<br>HK\$ |
| The Group's profit (loss) for the period has been arrived at after charging: |                                       |              |
| Directors' remuneration  | 435,000                               | 772,250      |
| Contributions to mandatory provident fund scheme for Directors               | 6,000                                 | 9,000        |
| Investment management fee  | 900,000                               | 900,000      |
| Depreciation on property, plant and equipment                                | 18,597                                | 18,598       |
| Consultancy fee  | 173,000                               | 240,000      |
| Amortisation of lease premium  | 43,075                                | 43,075       |
| Operating lease rentals of land and buildings                                | 1,200,000                             | 1,080,000    |

## 7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

## 8. NET ASSET VALUE PER SHARE AND EARNINGS (LOSS) PER SHARE

### Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the condensed consolidated statement of financial position of HK\$240,001,591 (2010: HK\$144,859,252) by the number of shares in issue as at 30 June 2011, being 765,120,000 (2010: 1,115,200,000).

## 8. NET ASSET VALUE PER SHARE AND EARNINGS (LOSS) PER SHARE

(continued)

### Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the net profit for the six months ended 30 June 2011 of HK\$2,214,381 (net loss for the six months ended 30 June 2010: HK\$1,589,146) and the weighted average number of 1,075,503,545 (six months ended 30 June 2010 (restated): 409,150,189) ordinary shares in issue during the period. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the consolidation of shares and the open offer on 15 February 2011 and 14 March 2011 respectively. The diluted earnings per share is not presented because there were no potential dilutive shares during both six months ended 30 June 2011 and 2010.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the both six months ended 30 June 2011 and 2010, there is no addition and disposal to the property, plant and equipment.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | <b>Unaudited<br/>30 June<br/>2011<br/>HK\$</b> | Audited<br>31 December<br>2010<br>HK\$ |
|--|--|--|
| Overseas convertible debentures, at cost       | –  | 5,574,018                              |
| Add: fair value adjustment                     | –  | –                                      |
|  | –  | 5,574,018                              |
| Unlisted equity securities, at cost            | <b>53,467,979</b>                              | 53,232,858                             |
| Add (less): fair value adjustment              | <b>16,120</b>                                  | (310,222)                              |
|  | <b>53,484,099</b>                              | 52,922,636                             |
| Equity securities listed in Overseas, at cost  | <b>57,871,046</b>                              | 26,874,974                             |
| (Less) add: fair value adjustment              | <b>(590,415)</b>                               | 164,876                                |
|  | <b>57,280,631</b>                              | 27,039,850                             |
| Equity securities listed in Hong Kong, at cost | <b>5,811,600</b>                               | 5,811,600                              |
| Add: fair value adjustment                     | <b>1,118,900</b>                               | –                                      |
|  | <b>6,930,500</b>                               | 5,811,600                              |
| Total  | <b>117,695,230</b>                             | 91,348,104                             |

## 11. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

|   | <b>Unaudited<br/>30 June<br/>2011<br/>HK\$</b> | Audited<br>31 December<br>2010<br>HK\$ |
|---|--|--|
| Non-pledged financial assets at fair value through profit or loss |  |  |
| Held for trading assets:  |  |  |
| – Equity securities listed in Hong Kong, at market value          | <b>745,340</b>                                 | 9,872,400                              |

## 12. CASH AND CASH EQUIVALENTS

|  | <b>Unaudited<br/>30 June<br/>2011<br/>HK\$</b> | Audited<br>31 December<br>2010<br>HK\$ |
|--|--|--|
| Deposits with banks and other financial institutions | <b>51,807,680</b>                              | 20,000,307                             |
| Cash at bank and in hand                             | <b>65,924,463</b>                              | 21,615,040                             |
|  | <b>117,732,143</b>                             | 41,615,347                             |

Included in cash and cash equivalents in the condensed consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

|             | <b>Unaudited<br/>30 June<br/>2011</b> | Audited<br>31 December<br>2010 |
|-------------|---------------------------------------|--------------------------------|
| EUR Dollars | <b>EUR948</b>                         | EUR947                         |
| US Dollars  | <b>USD4,156,042</b>                   | USD146,856                     |
| CAD Dollars | <b>CAD4,822</b>                       | –                              |
| RMB         | <b>RMB57</b>                          | RMB57                          |

### 13. SHARE CAPITAL

|   | Notes | Number of<br>ordinary share of<br>HK\$0.01 each | Number of<br>ordinary share of<br>HK\$0.05 each | Nominal value<br>HK\$ |
|---|-------|---|---|-----------------------|
| Authorised:   |       |   |   |                       |
| At 1 January 2010                                   |       | 1,500,000,000                                   | –   | 15,000,000            |
| Increase in authorised share capital                |       | 1,500,000,000                                   | –   | 15,000,000            |
| At 31 December 2010<br>and 1 January 2011           |       | 3,000,000,000                                   | –   | 30,000,000            |
| <b>Share consolidation (5 in 1)</b>                 | b     | <b>(3,000,000,000)</b>                          | <b>600,000,000</b>                              | <b>–</b>              |
| <b>Increase in authorised share capital</b>         |       | <b>–</b>  | <b>3,400,000,000</b>                            | <b>170,000,000</b>    |
| <b>At 30 June 2011</b>                              |       | <b>–</b>  | <b>4,000,000,000</b>                            | <b>200,000,000</b>    |
| Issued and fully paid:                              |       |   |   |                       |
| At 1 January 2010                                   |       | 1,095,200,000                                   | –   | 10,952,000            |
| Issue of shares for cash<br>by subscription         |       | 20,000,000                                      | –   | 200,000               |
| At 31 December 2010<br>and 1 January 2011           |       | 1,115,200,000                                   | –   | 11,152,000            |
| <b>Issue of shares for cash<br/>by subscription</b> | a     | <b>160,000,000</b>                              | <b>–</b>  | <b>1,600,000</b>      |
| <b>Share consolidation (5 in 1)</b>                 | b     | <b>(1,275,200,000)</b>                          | <b>255,040,000</b>                              | <b>–</b>              |
| <b>Issue of shares for cash<br/>by open offer</b>   | c     | <b>–</b>  | <b>510,080,000</b>                              | <b>25,504,000</b>     |
| <b>At 30 June 2011</b>                              |       | <b>–</b>  | <b>765,120,000</b>                              | <b>38,256,000</b>     |

### 13. SHARE CAPITAL (continued)

During the period, the movements in the Company's share capital are as follows:

- (a) On 26, 28 and 31 January 2011, the Company had issued and allotted 50,000,000, 60,000,000 and 50,000,000 new shares at HK\$0.126, HK\$0.106 and HK\$0.125 by subscription respectively.
- (b) On 15 February 2011, the Company implemented the Capital Reorganisation comprising the Share Consolidation pursuant to which every five Existing Share of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05. Further details of the Share Consolidation are set out in a circular dated 19 January 2011.
- (c) On 14 March 2011, an Open Offer of 510,080,000 offer shares at a price of HK\$0.15 per offer share on the basis of two offer shares for every consolidated shares held by members on the register. Further details of the Open Offer are set out in the prospectus of the Company dated 15 February 2011.

### 14. RELATED PARTY AND CONNECTED TRANSACTIONS

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

|   |       | Unaudited six months<br>ended 30 June |              |
|---|-------|---------------------------------------|--------------|
| Notes   |       | 2011<br>HK\$                          | 2010<br>HK\$ |
| Investment management fee paid to Baron Asset Management Limited                                    | (i)   | 900,000                               | 900,000      |
| Rental expenses paid to Baron Asia Limited  | (ii)  | 1,200,000                             | 1,080,000    |
| Consultancy fee paid to Ms. Wan Ho Yan, Letty   | (iii) | 173,000                               | 240,000      |
| Option fee income received from Baron Capital Limited   | (iv)  | 155,134                               | –            |
| Acquisition for Available-for-sale financial asset paid to Baron Natural Resources Holdings Limited | (v)   | –                                     | 19,200,000   |



#### 14. RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

Notes:

- (i) Pursuant to the investment management agreement entered into between Baron Asset Management Limited and the Company dated 21 December 2009, Baron Asset Management Limited was appointed as the investment manager of the Company with the management fee of HK\$150,000 per month from 1 January 2010 to 30 June 2011.
- (ii) A sharing of administrative office agreement between the Company and Baron Asia Limited was signed on 21 December 2009, the rental expense was increased to HK\$200,000 per month commencing on 1 February 2010. The term is from 1 February 2010 to 30 June 2011. Ms. Wan Ho Yan, Letty, the former executive director of the Company, is the ultimate beneficial owner of Baron Asia Limited, and therefore is a connected person of the Company.
- (iii) Ms. Wan Ho Yan, Letty was appointed as a consultant from 21 December 2009. Her duties shall faithfully and diligently perform such duties and exercise such powers consistent with the office and shall follow the reasonable and lawful directions of and comply with all resolutions from time to time of the Board. The remuneration shall not exceed HK\$1,000,000 for each of the financial years and the service period will be expired on 30 Jun 2011. Ms. Wan Ho Yan, Letty, is a former Director and substantial shareholder of the Company.
- (iv) Pursuant to the agreement dated 2 June 2011 between the Company and Baron Capital Limited (the "Placing Agent"), the Company granted an option to the Placing Agent pursuant to which the Placing Agent will procure Placee on a best efforts basis, subscribes the Placing shares for the consideration of SGD24,500 (HK\$155,134).
- (v) Pursuant to the agreement dated 21 December 2009 between the Company and Baron Natural Resources Holdings Limited, the Company will purchase 12.5% equity interest in Fame Oriented Holdings Limited from Baron Natural Resources Holdings Limited ("Baron Natural Resources") for a total consideration HK\$19,200,000. Baron Natural Resources is a company indirectly wholly-owned by Ms. Wan Ho Yan, Letty.

## 15. LEASE COMMITMENTS

### The Group as lessee

As at 30 June 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

|                 | <b>Unaudited<br/>30 June<br/>2011<br/>HK\$</b> | Audited<br>31 December<br>2010<br>HK\$ |
|-----------------|--|--|
| Within one year | <b>2,400,000</b>                               | 1,200,000                              |

Operating lease payments represent rentals payable by the Group for certain of its office properties.

## 16. FINANCIAL RISKS MANAGEMENT

### Fair value estimation

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

|   | <b>Unaudited 30 June 2011</b> |                         |                         | <b>Total<br/>HK\$</b> |
|---|-------------------------------|-------------------------|-------------------------|-----------------------|
|   | <b>Level 1<br/>HK\$</b>       | <b>Level 2<br/>HK\$</b> | <b>Level 3<br/>HK\$</b> |                       |
| Available-for-sale financial assets             |                               |                         |                         |                       |
| Equity securities                               | <b>64,211,131</b>             | <b>3,284,099</b>        | <b>50,200,000</b>       | <b>117,695,230</b>    |
| Debt securities                                 | -                             | -                       | -                       | -                     |
|   | <b>64,211,131</b>             | <b>3,284,099</b>        | <b>50,200,000</b>       | <b>117,695,230</b>    |
| Financial assets designated as held for trading |                               |                         |                         |                       |
| Equity securities                               | <b>745,340</b>                | -                       | -                       | <b>745,340</b>        |
| Debt securities                                 | -                             | -                       | -                       | -                     |
|   | <b>745,340</b>                | -                       | -                       | <b>745,340</b>        |
|   | <b>64,956,471</b>             | <b>3,284,099</b>        | <b>50,200,000</b>       | <b>118,440,570</b>    |

## 16. FINANCIAL RISKS MANAGEMENT (continued)

### Fair value estimation (continued)

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

There were no reclassifications of financial assets.

| Level 3 movement tables<br>Financial assets  | Available-for-sale<br>financial assets   |                         |
|--|--|-------------------------|
|  | Unquoted<br>equity<br>securities<br>HK\$ | Debt securities<br>HK\$ |
| At 1 January 2011  | 50,200,000                               | 5,574,018               |
| Disposals  | –  | (5,574,018)             |
| At 30 June 2011  | 50,200,000                               | –                       |
| Total gain recognised in the consolidated<br>income statement relating to assets<br>held at 30 June 2011 | –  | 1,464,210               |

|   | Audited 31 December 2010 |                 |                 |               |
|---|--------------------------|-----------------|-----------------|---------------|
|   | Level 1<br>HK\$          | Level 2<br>HK\$ | Level 3<br>HK\$ | Total<br>HK\$ |
| Available-for-sale<br>financial assets                |                          |                 |                 |               |
| Equity securities                                     | 32,851,450               | 2,722,636       | 50,200,000      | 85,774,086    |
| Debt securities                                       | –                        | –               | 5,574,018       | 5,574,018     |
|   | 32,851,450               | 2,722,636       | 55,774,018      | 91,348,104    |
| Financial assets<br>designated as<br>held for trading |                          |                 |                 |               |
| Equity securities                                     | 9,872,400                | –               | –               | 9,872,400     |
| Debt securities                                       | –                        | –               | –               | –             |
|   | 9,872,400                | –               | –               | 9,872,400     |
|   | 42,723,850               | 2,722,636       | 55,774,018      | 101,220,504   |

## 16. FINANCIAL RISKS MANAGEMENT (continued)

### Fair value estimation (continued)

Equity securities amounting to HK\$7,845,123 were transferred from level 2 to level 1 in the reporting period upon having established that these equity securities are listed in New York Stock Exchange.

| Level 3 movement tables<br>Financial assets  | Available-for-sale<br>financial assets |                         |
|--|--|-------------------------|
|  | Unquoted<br>equity securities<br>HK\$  | Debt securities<br>HK\$ |
| At 1 January 2010  | –                                      | 7,384,240               |
| Disposals  | –                                      | (2,221,812)             |
| Additions  | 50,200,000                             | –                       |
| Gain on exchange   | –                                      | 411,590                 |
|  | <hr/>                                  | <hr/>                   |
| At 31 December 2010  | 50,200,000                             | 5,574,018               |
|  | <hr/>                                  | <hr/>                   |
| Total gain recognised in the consolidated<br>income statement relating to assets<br>held at 31 December 2010 | –                                      | –                       |
|  | <hr/>                                  | <hr/>                   |

## 17. CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no significant contingent liabilities.

## 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2011, the Group reported a profit of approximately HK\$2.2 million (six months ended 30 June 2010: a loss of approximately HK\$1.6 million). The increase in profit was mainly attributed to the realized gain on disposal of financial assets designated as held for trading and the receipt of dividend income from the investment in available-for-sale financial assets.

### Liquidity and Financial Resources

As at 30 June 2011, the Group had cash and cash equivalents of approximately HK\$117.7 million (31 December 2010: HK\$41.6 million). The increase in cash and cash equivalents was mainly due to the capital exercises made during the period, which raised the net cash proceeds of approximately HK\$93 millions. Cash and cash equivalents represented approximately 49% of the Group's total assets as at 30 June 2011.

The Group's gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity was not applicable as the Group did not have any bank loans or borrowing as at 30 June 2011 and 31 December 2010 respectively.

It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

### Prospect

The global investment market continues to concern over the serious European debt crisis and weakened economies. The future market development will likely depend on upcoming stimulants and interventions by the European Central Banks. Further hammering the global market was the abrupt downgrade on US government credit rating from AAA to AA+ that alerted worries over the US economy. Market risk aversion is likely to grow fueling bigger market uncertainty and volatility. Due to the uncertainties in the developed markets, Chinese Government may be less hawkish to further tighten the current macro policy in the near term. The Directors have been in favor of cautiously defensive measure and prudent analysis to approach and manage the portfolio of investments of the Group.

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

As at 30 June 2011, 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 Securities and Futures Ordinance (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 30 June 2011, 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                        | Notes | Number of Shares | Type of interest                   | Approximately percentage of issued share capital of the Company |
|-----------------------------|-------|------------------|------------------------------------|---|
| Hung Chao Hong              | 1     | 229,468,305      | Interest of controlled corporation | 29.99%  |
| Lam Kwing Wai, Alvin Leslie | 2     | 77,436,800       | Interest of controlled corporation | 10.12%  |

Notes:

1. Mr. Hung Chao Hong ("Mr. Hung") is deemed to be interested in 229,468,305 shares held by Hyatt Servicing Limited which is wholly owned by Mr. Hung.
2. Mr. Lam Kwing Wai, Alvin Leslie ("Mr. Lam") is deemed to be interested in 77,436,800 shares held by Joint Talent Investments Limited which is wholly owned by Mr. Lam.

## **SUBSTANTIAL SHAREHOLDERS** (continued)

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 30 June 2011, 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 the 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 30 June 2011.

## **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 OF CORPORATE GOVERNANCE PRACTICES**

(continued)

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.

Code Provision E.1.2 stipulates that the Chairman of the Board and the Chairman of the Audit Committee should attend the annual general meeting. The Chairman of the Board had not attended the annual general meeting of the Company held on 27 June 2011. The Chairman of the Board will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

### **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 30 June 2011 have been reviewed by the audit committee.



## REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in 28 July 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising three independent non-executive Directors, which meets at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommendation to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors 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  
**China Investment Fund Company Limited**  
**Wan Chuen Hing, Alexander**  
*Executive Director*

Hong Kong, 22 August 2011

*As at the date of this report, the executive Directors of the Company are Mr. William Robert Majcher, Mr. Wan Chuen Hing, Alexander and Mr. Luk Hong Man, Hammond and the independent non-executive Directors of the Company are Mr. Cheng Wing Keung, Raymond, Mr. Yeung Chun Yue, David and Mr. Siu Hi Lam, Alick.*