



# INTERIM REPORT 2012



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 condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012. The condensed consolidated 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 2012

		Unaudited six months ended 30 June	
		2012 HK\$	2011 HK\$
	Notes		
Revenue	3	<b>371,309</b>	1,331,880
Net realised loss on disposal of available-for-sale financial assets		<b>(3,304,002)</b>	—
Net realised gain on disposal of financial assets designated as held for trading		—	1,426,028
Net unrealised gain on financial assets designated as held for trading		—	120,332
		<b>(2,932,693)</b>	2,878,240
Other income		—	2,893,747
Administrative expenses		<b>(9,250,250)</b>	(3,557,606)
Finance costs		<b>(441)</b>	—
(Loss) profit before taxation		<b>(12,183,384)</b>	2,214,381
Taxation	6	—	—
(Loss) profit for the period	7	<b>(12,183,384)</b>	2,214,381
(Loss) profit for the period attributable to shareholders		<b>(12,183,384)</b>	2,214,381
(LOSS) EARNINGS PER SHARE	9		(restated)
— Basic (HK cents)		<b>(1.59)</b>	0.34
— Diluted (HK cents)		<b>(1.59)</b>	0.34



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited six months ended 30 June	
	2012 HK\$	2011 HK\$
(Loss) profit for the period	<b>(12,183,384)</b>	2,214,381
Other comprehensive income (expenses):		
Exchange (loss) gain on translating available-for-sale financial assets	<b>(15,771)</b>	524,111
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	<b>1,988,340</b>	(1,464,210)
Net (loss) gain arising on revaluation of available-for-sale financial assets during the period	<b>(10,729,752)</b>	689,951
Other comprehensive expenses for the period	<b>(8,757,183)</b>	(250,148)
Total comprehensive (expenses) income attributable to shareholders	<b>(20,940,567)</b>	1,964,233

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	10	7,116,157	22,337
Available-for-sale financial assets	11	85,807,939	116,805,674
		<b>92,924,096</b>	116,828,011
<b>Current assets</b>			
Prepayments, deposits and other receivables		15,295,907	502,451
Cash and cash equivalents	12	90,841,370	114,518,958
		<b>106,137,277</b>	115,021,409
<b>Current liabilities</b>			
Accruals, deposits received and other payables		1,245,402	13,092,882
<b>Net current assets</b>		<b>104,891,875</b>	101,928,527
<b>Net assets</b>		<b>197,815,971</b>	218,756,538
<b>Capital and reserves</b>			
Share capital	13	38,256,000	38,256,000
Reserves		159,559,971	180,500,538
<b>Total equity</b>		<b>197,815,971</b>	218,756,538
<b>Net asset value per share</b>	9	<b>0.26</b>	0.29

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	(Accumulated losses) Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>(Unaudited)</b>						
<b>At 1 January 2012</b>	<b>38,256,000</b>	<b>197,332,138</b>	<b>5,565</b>	<b>(5,861,213)</b>	<b>(10,975,952)</b>	<b>218,756,538</b>
<b>Total comprehensive expenses</b>	<b>—</b>	<b>—</b>	<b>(15,771)</b>	<b>(8,741,412)</b>	<b>(12,183,384)</b>	<b>(20,940,567)</b>
<b>At 30 June 2012</b>	<b>38,256,000</b>	<b>197,332,138</b>	<b>(10,206)</b>	<b>(14,602,625)</b>	<b>(23,159,336)</b>	<b>197,815,971</b>
<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 for cash by subscription	1,600,000	17,260,000	—	—	—	18,860,000
Issue of shares for cash by open offer	25,504,000	48,814,106	—	—	—	74,318,106
Total comprehensive income	—	—	(940,099)	689,951	2,214,381	1,964,233
At 30 June 2011	38,256,000	197,365,631	526,416	544,605	3,308,939	240,001,591



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited six months ended 30 June	
	2012 HK\$	2011 HK\$
Net cash used in operating activities	<b>(35,277,517)</b>	(2,742,982)
Net cash generated from (used in) investing activities	<b>11,599,929</b>	(14,321,443)
Net cash generated from financing activities	—	93,178,106
Net (decrease) increase in cash and cash equivalents	<b>(23,677,588)</b>	76,113,681
Cash and cash equivalents at 1 January	<b>114,518,958</b>	41,615,347
Effects of exchange rate changes on the balance of cash held in foreign currencies	—	3,115
Cash and cash equivalents at 30 June	<b>90,841,370</b>	117,732,143
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>90,841,370</b>	117,732,143



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

The condensed consolidated 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.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets





## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Government Loan <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

- 1 Effective for annual periods beginning on or after 1 July 2012.
- 2 Effective for annual periods beginning on or after 1 January 2013.
- 3 Effective for annual periods beginning on or after 1 January 2014.
- 4 Effective for annual periods beginning on or after 1 January 2015.

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

Key requirements of HKFRS 9 are described as follows:

- 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. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the 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 is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable 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 presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. 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) the ability to use its power over investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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 ended 30 June

	2012 HK\$	2011 HK\$
The analysis of revenue for the period is as follow:		
Interest income from:		
— Deposits in financial institutions	371,309	157,360
— Available-for-sale financial assets	—	169,274
Dividend income from:		
— Available-for-sale financial assets	—	1,005,246
	<b>371,309</b>	<b>1,331,880</b>

#### 4. SEGMENT INFORMATION

During the six months ended 30 June 2012 and 2011 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 six months ended 30 June 2012 HK\$	Unaudited six months ended 30 June 2011 HK\$	Unaudited six months ended 30 June 2012 HK\$	Unaudited six months ended 30 June 2011 HK\$	Unaudited six months ended 30 June 2012 HK\$	Unaudited six months ended 30 June 2011 HK\$
Segment revenue:						
Interest income from financial institutions	371,309	157,360	–	–	371,309	157,360
Interest income from available-for-sale financial assets	–	–	–	169,274	–	169,274
Dividend received	–	–	–	1,005,246	–	1,005,246
	<b>371,309</b>	157,360	–	1,174,520	<b>371,309</b>	1,331,880

	Hong Kong		Others		Consolidated	
	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
Segment assets	188,782,902	169,297,446	10,278,471	62,551,974	199,061,373	231,849,420
Unallocated assets					–	–
Total assets					199,061,373	231,849,420
Total liabilities					1,245,402	13,092,882
Other information						
Additions to non-current assets					7,336,621	24,430



## 5. LOSS ON DISPOSAL OF SUBSIDIARY

During the period, the Group disposed of its entire interest in On Kong Group Limited.

The net asset of the subsidiary at the date of disposal are as follow:

	<b>Unaudited six months ended 30 June 2012 Total HK\$</b>
Net asset disposal of: Available-for-sale financial asset	<b>31,000,000</b>
Net asset Total consideration	<b>31,000,000 (31,000,000)</b>
Loss on disposal	<b>—</b>
Net cash inflow arising on disposal Cash consideration	<b>31,000,000</b>

## 6. 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 2012 (six months ended 30 June 2011: nil).



## 7. (LOSS) PROFIT FOR THE PERIOD

	Unaudited six months ended 30 June	
	2012 HK\$	2011 HK\$
The Group's (loss) profit for the period has been arrived at after charging:		
Directors' remuneration	<b>650,426</b>	435,000
Contributions to mandatory provident fund scheme for Directors	<b>15,500</b>	6,000
Investment management fee	<b>900,000</b>	900,000
Depreciation on property, plant and equipment	<b>242,801</b>	18,597
Consultancy fee	<b>110,000</b>	173,000
Financial advisory fee	<b>1,000,000</b>	—
Amortisation of lease premium	—	43,075
Operating lease rentals of land and buildings	<b>1,948,828</b>	1,200,000

## 8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

## 9. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS 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\$197,815,971 (2011: HK\$218,756,538) by the number of shares in issue as at 30 June 2012, being 765,120,000 (2011: 765,120,000).



## **9. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS PER SHARE** (continued)

### **(Loss) earnings per share**

The calculation of the basic (loss) earnings per share is based on the net loss for the six months ended 30 June 2012 of HK\$12,183,384 (net profit for the six months ended 30 June 2011: HK\$2,214,381) and the number of 765,120,000 (six months ended 30 June 2011: (restated) weighted average number of 642,602,338) ordinary shares in issue during the period. During the prior 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 (loss) earnings per share is the same because there were no potential dilutive shares during both six months ended 30 June 2012 and 2011.

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2012, additions to property, plant and equipment amounted to HK\$7,336,621 (six months ended 30 June 2011: nil).





## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Unaudited 30 June 2012 HK\$</b>	Audited 31 December 2011 HK\$
Unlisted equity securities, at cost	—	50,200,000
Add: Fair value adjustment	—	—
	—	50,200,000
Equity securities listed in overseas, at cost	<b>12,351,974</b>	19,080,813
Less: Fair value adjustment	<b>(2,073,503)</b>	(6,728,839)
	<b>10,278,471</b>	12,351,974
Equity securities listed in Hong Kong, at cost	<b>84,201,488</b>	53,380,509
(Less) add: Fair value adjustment	<b>(8,672,020)</b>	873,191
	<b>75,529,468</b>	54,253,700
Total	<b>85,807,939</b>	116,805,674



## 12. CASH AND CASH EQUIVALENTS

	<b>Unaudited 30 June 2012 HK\$</b>	Audited 31 December 2011 HK\$
Deposits with banks and other financial institutions	<b>58,282,103</b>	90,744,723
Cash at bank and in hand	<b>32,559,267</b>	23,774,235
	<b>90,841,370</b>	114,518,958

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 30 June 2012</b>	Audited 31 December 2011
EUR Dollars	<b>EUR952</b>	EUR950
US Dollars	<b>USD4,038,428</b>	USD4,079,360
CAD Dollars	<b>—</b>	CAD9,589
RMB	<b>RMB57</b>	RMB57



### 13. SHARE CAPITAL

	Notes	Number of ordinary share of HK\$0.01 each	Number of ordinary share of HK\$0.05 each	Nominal value HK\$
Authorised:				
At 1 January 2011		3,000,000,000	—	30,000,000
Share consolidation (5 in 1)	b	(3,000,000,000)	600,000,000	—
Increase in authorised share capital		—	3,400,000,000	170,000,000
<b>At 31 December 2011, 1 January 2012 and 30 June 2012</b>		<b>—</b>	<b>4,000,000,000</b>	<b>200,000,000</b>
Issued and fully paid:				
At 1 January 2011		1,115,200,000	—	11,152,000
Issue of shares for cash by subscription	a	160,000,000	—	1,600,000
Share consolidation (5 in 1)	b	(1,275,200,000)	255,040,000	—
Issue of shares for cash by open offer	c	—	510,080,000	25,504,000
<b>At 31 December 2011, 1 January 2012 and 30 June 2012</b>		<b>—</b>	<b>765,120,000</b>	<b>38,256,000</b>

There was no change in the share capital during the reporting period.

During the year ended 31 December 2011, the movements in the Company's share capital were 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\$0.125, HK\$0.106 and HK\$0.125 by subscription respectively.
- (b) On 15 February 2011, the Company implemented the Capital Reorganisation Scheme comprising the Share Consolidation pursuant to which every five existing shares of HK\$0.01 each were consolidated into one share of HK\$0.05 each.
- (c) On 14 March 2011, an Open Offer of 510,080,000 shares at a price of HK\$0.15 per share on the basis of two shares for every share held by members on the Share Register.

#### 14. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	Notes	Unaudited six months ended 30 June	
		2012 HK\$	2011 HK\$
Investment management fee paid to Baron Asset Management Limited	(i)	<b>900,000</b>	900,000
Sharing of administrative office fee paid to Baron Asia Limited	(ii)	<b>1,200,000</b>	1,200,000
Consultancy fee paid to Ms. Wan Ho Yan, Letty	(iii)	—	173,000
Brokerage fee paid to Ping An Securities Limited	(iv)	<b>25,697</b>	—
Financial advisory fee paid to Baron Capital Limited	(v)	<b>1,000,000</b>	—
Option fee income received from Baron Capital Limited	(vi)	—	155,134

Notes:

- (i) The investment management fee was paid under the investment management agreements entered into between the Company and Baron Asset Management Limited who acted as the Investment Manager of the Company. Under the relevant investment management agreement and supplemental agreement, the investment management fee payable to the Investment Manager was HK\$150,000 per month.

The Investment Manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules.



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

- (ii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the “Sharing of Administrative Office Agreement”) and a supplemental agreement entered into between the Company and Barron Asia Limited (the “Baron Asia”), the Company is entitled to share the use of the office premises and facilities with Baron Asia. Under the relevant agreements, the fee payable to Baron Asia was HK\$200,000 per month.

Baron Asia is indirectly wholly-owned by Ms. Wan Ho Yan, Letty (“Ms. Wan”) who is the niece of Mr. Wan Chuen Hing, Alexander, who was an Executive Director of the Company during the period and resigned on 1 June 2012, and therefore Baron Asia is the connected person of the Company.

- (iii) Pursuant to the consultancy agreement dated 21 December 2009 (the “Consultancy Agreement”) entered into between the Company and Ms. Wan, the Company appointed Ms. Wan as a consultant to the Company to provide consultancy services in relation to the business and operation of the Company commencing from 21 December 2009 to 30 June 2011. This agreement had terminated in 2011 and there was no such fee paid to Ms. Wan for the current reporting period.

- (iv) Pursuant to the brokerage agreement dated 5 July 2011 (the “Brokerage Agreement”) entered into between the Company and Ping An Securities Limited (the “Ping An Securities”), Ping An Securities provided the Company with brokerage service for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Under the Brokerage Agreement, the aggregate fee payable to Ping An Securities shall not exceed HK\$200,000 per annum.

Ping An Securities is indirectly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, who was an Executive Director of the Company during the period and resigned on 1 June 2012, and therefore Ping An Securities is the connected person of the Company.



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

- (v) Pursuant to the financial advisory agreement dated 8 July 2011 (the “Financial Advisory Agreement”) entered into between the Company and Baron Capital Limited (“Baron Capital”). Baron Capital provided corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Under the Financial Advisory Agreement, the aggregate fee payable to Baron Capital shall not exceed HK\$2,000,000 per annum.

Baron Capital is wholly owned by Mr. Wan Chuen Chung who is the brother of Mr. Wan Chuen Hing, Alexander, who was an Executive Director of the Company during the period and resigned on 1 June 2012, and therefore Baron Capital is the connected person of the Company.

- (vi) Pursuant to the agreement dated 2 June 2011 between the Company and Baron Capital (the “Placing Agent”), the Company granted an option to the Placing Agent pursuant to which the Placing Agent would procure Placees on a best efforts basis to subscribe the Placing shares for the consideration of SGD24,500 (HK\$155,134). The agreement was completed in prior year.

## 15. LEASE COMMITMENTS

### The Group as lessee

As at 30 June 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited 30 June 2012 HK\$</b>	Audited 31 December 2011 HK\$
Within one year	<b>2,405,012</b>	2,364,960
In the second to fifth year inclusive	<b>291,240</b>	873,720
	<b>2,696,252</b>	3,238,680

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 2012</b>			<b>Total HK\$</b>
	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Level 3 HK\$</b>	
Available-for-sale financial assets Equity securities	<b>85,807,939</b>	—	—	<b>85,807,939</b>

There were no transfers among all levels for the six months ended 30 June 2012.

## 16. FINANCIAL RISKS MANAGEMENT (continued)

### Fair value estimation (continued)

Level 3 movement tables Financial assets	<b>Available-for-sale financial assets Unquoted equity securities HK\$</b>
At 1 January 2012	<b>50,200,000</b>
Disposals	<b>(50,200,000)</b>
At 30 June 2012	—
Total gain recognised in the consolidated income statement relating to assets held at 30 June 2012	—

	Audited 31 December 2011			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Available-for-sale financial assets				
Equity securities	66,605,674	—	50,200,000	116,805,674

There were no transfers among all levels in 2011.

Level 3 movement tables Financial assets	Available-for-sale financial assets Unquoted equity	
	securities HK\$	Debt securities HK\$
At 1 January 2011	50,200,000	5,574,018
Disposals	—	(5,574,018)
At 31 December 2011	50,200,000	—
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2011	—	—





## **17. CONTINGENT LIABILITIES**

At as 30 June 2012, the Group had no significant contingent liabilities.

## **18. EVENT AFTER THE REPORTING PERIOD**

On 6 July 2012, the Company entered into the placing agreement with the placing agent whereby the Company has conditionally agreed to place, through the placing agent, a maximum of 153,000,000 placing shares on a best effort basis to not less than six placees at a price of HK\$0.178 per placing share. The placing has not been yet completed.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2012, the Group reported a loss of approximately HK\$12.2 million (six months ended 30 June 2011: profit of approximately HK\$2.2 million). The loss was mainly attributed to the realised loss on disposal of available-for-sale financial assets and the increase of administrative expenses.

### Liquidity and Financial Resources

As at 30 June 2012, the Group had cash and cash equivalents of approximately HK\$90.8 million (31 December 2011: HK\$114.5 million). The decrease in cash and cash equivalents was mainly due to the increase of investment on equity securities during the period. Cash and cash equivalents represented approximately 46% of the Group's total assets as at 30 June 2012.

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 2012 and 31 December 2011 respectively.

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

### Prospect

Uncertainty over the Eurozone crisis, the stalling US economic recovery and a slowdown in China's growth dampened market sentiments. Market risk aversion is likely to grow fueling bigger market uncertainty and volatility. The Directors have been in favor of cautiously defensive measure and prudent analysis to approach and manage the portfolio of investments of the Group with the intention to invest into quality companies with reasonable valuation and solid financial figures. The Company would consider investing in certain unlisted securities and listed securities with potential in order to diversify further market risk.



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

As at 30 June 2012, 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 2012, 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	Note	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%

Note:

1. Mr. Hung Chao Hong ("Mr. Hung") is deemed to be interested in 229,468,305 shares held by Hyatt Servicing Limited which is 99.99% owned by Mr. Hung.



## **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 2012, 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 2012.



## **CODE OF CORPORATE GOVERNANCE PRACTICES**

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. On 1 April 2012, the Code on Corporate Governance Practices (“Former CG Code”) as set out in Appendix 14 of the Listing Rules was amended and renamed as Corporate Governance Code and Corporate Governance Report (“New CG Code”). The Company has adopted the code provisions and certain recommended best practices as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 1 April 2012. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2012, the Company has complied with the code provisions (the “Code Provisions”) set out in both Former CG Code and New CG Code, except for the deviation set out as below:

### **CODE PROVISION A2.1**

The Code Provision A2.1 provides that the roles of Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.



## **CODE PROVISION A2.1** (continued)

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Mr. Wan Chuen Hing, Alexander resigned from the position of Managing Director with effect from 30 March 2012. The Company will identify a suitable candidate to fill the vacancy as soon as practicable.

Code Provision E1.2 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 condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by the audit committee.



## REMUNERATION COMMITTEE

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**  
**Luk Hong Man, Hammond**  
*Executive Director*

Hong Kong, 28 August 2012

*As at the date of this report, the executive Directors of the Company are Mr. William Robert Majcher, Mr. Luk Hong Man, Hammond and Mr. Ye Yinggang; and the independent non-executive Directors are Mr. Wong Chung Kin, Quentin, Mr. Tsang Kwok Wa, Edward and Mr. Ng Man Fai, Matthew.*