



中國投資基金有限公司  
CHINA INVESTMENT FUND COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 00612

INTERIM REPORT 2016



## **INTERIM RESULTS**

The Board (the “Board”) of Directors (the “Directors”) of China Investment Fund Company Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016, together with comparative figures for the corresponding period of 2015.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		<b>Six months ended 30 June</b>	
	Notes	<b>2016 HK\$ (unaudited)</b>	2015 HK\$ (audited)
Revenue	3	<b>568,398</b>	27,485
Net realised gain on disposals of available-for-sale financial assets		<b>38,327,950</b>	3,270,656
Net realised (loss) gain on disposals of financial assets at fair value through profit or loss		<b>(16,120,450)</b>	4,337,324
Net unrealised gain arising on revaluation of financial assets at fair value through profit or loss		<b>9,699,920</b>	23,171,956
Other income	3	<b>32,475,818</b>	30,807,421
Loss on disposals of subsidiaries		—	24,342
Administrative expenses		—	(318,338)
Finance costs	5	<b>(31,380,772)</b>	(32,989,133)
		<b>(1,081,842)</b>	(259,463)
Profit (loss) before tax	6	<b>13,204</b>	(2,735,171)
Income tax expense	7	<b>(2,998,883)</b>	(4,174,253)
Loss for the period attributable to owners of the Company		<b>(2,985,679)</b>	(6,909,424)
LOSS PER SHARE	9		
— Basic (HK cents)		<b>(0.27)</b>	(0.87)
— Diluted (HK cents)		<b>(0.27)</b>	(0.87)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Loss for the period attributable to owners of the Company	<b>(2,985,679)</b>	(6,909,424)
<b>Other comprehensive (expenses) income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>20,156</b>	—
Net gain arising on revaluation of available-for-sale financial assets	<b>10,873,490</b>	80,647,400
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	<b>(33,084,800)</b>	10,268,608
Other comprehensive (expenses) income for the period, net of tax	<b>(22,191,154)</b>	90,916,008
Total comprehensive (expenses) income for the period attributable to owners of the Company	<b>(25,176,833)</b>	84,006,584

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	3,859,752	2,761,880
Other intangible asset	11	1,820,508	—
Available-for-sale financial assets	12	179,543,254	157,582,634
Rental deposit	13	1,610,071	1,610,071
		<b>186,833,585</b>	161,954,585
<b>Current assets</b>			
Prepayments, deposits and other receivables	13	25,140,033	19,071,121
Available-for-sale financial assets	12	—	24,274,600
Financial assets at fair value through profit or loss	14	32,901,080	50,968,080
Cash and cash equivalents	15	21,441,650	33,983,457
		<b>79,482,763</b>	128,297,258
<b>Current liabilities</b>			
Accruals and other payables		1,472,741	2,579,479
Tax payable		2,998,883	—
		<b>4,471,624</b>	2,579,479
<b>Net current assets</b>		<b>75,011,139</b>	125,717,779
<b>Total assets less current liabilities</b>		<b>261,844,724</b>	287,672,364

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)
<b>Non-current liability</b>			
Interest bearing loan notes	16	42,704,554	43,355,361
<b>Net assets</b>		<b>219,140,170</b>	244,317,003
<b>Capital and reserves</b>			
Share capital	17	55,351,000	55,351,000
Reserves		163,789,170	188,966,003
<b>Total equity</b>		<b>219,140,170</b>	244,317,003
<b>Net asset value per share</b>	9	<b>0.20</b>	0.22

The condensed consolidated financial statements on pages 2 to 38 were approved and authorised for issue by the Board of Directors on 26 August 2016 and are signed on its behalf by:

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

**Zhang Xi**  
*Director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Share option reserve HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
<b>At 1 January 2016 (audited)</b>	<b>55,351,000</b>	<b>326,543,395</b>	<b>(23,919)</b>	<b>2,300,263</b>	<b>31,654,334</b>	<b>(171,508,070)</b>	<b>244,317,003</b>
Loss for the period	-	-	-	-	-	(2,985,679)	(2,985,679)
Other comprehensive income (expenses) for the period:							
Exchange differences arising on translation of foreign operations	-	-	20,156	-	-	-	20,156
Net gain arising on revaluation of available-for-sale financial assets	-	-	-	-	10,873,490	-	10,873,490
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	-	-	-	-	(33,084,800)	-	(33,084,800)
<b>Total comprehensive income (expenses) for the period</b>	<b>-</b>	<b>-</b>	<b>20,156</b>	<b>-</b>	<b>(22,211,310)</b>	<b>(2,985,679)</b>	<b>(25,176,833)</b>
Share options lapsed	-	-	-	(645,429)	-	645,429	-
<b>At 30 June 2016 (unaudited)</b>	<b>55,351,000</b>	<b>326,543,395</b>	<b>(3,763)</b>	<b>1,654,834</b>	<b>9,443,024</b>	<b>(173,848,320)</b>	<b>219,140,170</b>
<b>At 1 January 2015 (audited)</b>	<b>38,256,000</b>	<b>197,332,138</b>	<b>-</b>	<b>-</b>	<b>(10,669,419)</b>	<b>(87,510,644)</b>	<b>137,408,075</b>
Loss for the period	-	-	-	-	-	(6,909,424)	(6,909,424)
Other comprehensive income (expenses) for the period:							
Net gain arising on revaluation of available-for-sale financial assets	-	-	-	-	80,647,400	-	80,647,400
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	-	-	-	-	10,268,608	-	10,268,608
<b>Total comprehensive income (expenses) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,916,008</b>	<b>(6,909,424)</b>	<b>84,006,584</b>
Issue of shares under placement of ordinary shares for the period	7,650,000	63,495,000	-	-	-	-	71,145,000
Share issue expenses	-	(1,067,174)	-	-	-	-	(1,067,174)
Recognition of equity-settled share-based payments	-	-	-	11,859,000	-	-	11,859,000
<b>At 30 June 2015 (audited)</b>	<b>45,906,000</b>	<b>259,759,964</b>	<b>-</b>	<b>11,859,000</b>	<b>80,246,589</b>	<b>(94,420,068)</b>	<b>303,351,485</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$ (unaudited)	2015 HK\$ (audited)
Operating cash flows before movements in working capital		<b>(30,819,815)</b>	(20,474,811)
(Increase) decrease in prepayments, deposits and other receivables		<b>(6,873,934)</b>	5,705,005
(Decrease) increase in accruals and other payables		<b>(1,106,738)</b>	3,907,406
Proceeds from redemption of available-for-sale financial assets		<b>24,274,600</b>	—
Proceeds on disposals of financial assets at fair value through profit or loss		<b>11,646,470</b>	15,423,680
Proceeds on disposals of available-for-sale financial assets		<b>73,408,150</b>	54,934,464
Purchase of financial assets at fair value through profit or loss		—	(56,230,640)
Purchase of available-for-sale financial assets		<b>(79,252,130)</b>	(30,558,200)
<b>Net cash used in operating activities</b>		<b>(8,723,397)</b>	(27,293,096)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016 (continued)

	Note	Six months ended 30 June	
		2016 HK\$ (unaudited)	2015 HK\$ (audited)
<b>Investing activities</b>			
Interest received		1,373,420	11,985
Dividend received		—	15,500
Purchase of property, plant and equipment		(1,658,829)	—
Purchase of other intangible asset		(1,820,508)	—
Net cash inflow from disposals of subsidiaries		—	2,403,686
<b>Net cash (used in) generated from investing activities</b>		<b>(2,105,917)</b>	2,431,171
<b>Financing activities</b>			
Net proceeds from issue of shares		—	70,077,826
Net proceeds from issue of interest bearing loan notes		—	29,696,370
Interest paid		(1,732,649)	(76)
<b>Net cash (used in) generated from financing activities</b>		<b>(1,732,649)</b>	99,774,120
<b>Net (decrease) increase in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		20,156	—
Cash and cash equivalents at 1 January		33,983,457	38,769,130
<b>Cash and cash equivalents at 30 June</b>		<b>21,441,650</b>	113,681,325
Represented by bank balances and cash	15		



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and 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”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2015.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of these new and revised HKFRSs has had no material impact on the condensed consolidated financial statements.



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments: Hedge Accounting and Impairment <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective date yet to be determined.

The Directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the condensed consolidated financial statements.

### 3. REVENUE AND OTHER INCOME

Revenue represents interest income and dividend income from financial assets for the periods. An analysis of the Group's revenue and other income for the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016 HK\$ (unaudited)</b>	<b>2015 HK\$ (audited)</b>
<b>Revenue</b>		
Interest income from:		
Deposits in banks and financial institutions	<b>7,804</b>	11,985
Available-for-sale ("AFS") financial assets	<b>560,594</b>	—
Dividend income from:		
Financial assets at fair value through profit or loss ("FVTPL")	—	15,500
	<b>568,398</b>	27,485
<b>Other income</b>		
Sundry income	—	24,342

#### 4. SEGMENT INFORMATION

For the six months ended 30 June 2016 and 2015 respectively, the Group's revenue was mainly interest income and dividend income from financial assets. 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 markets, are as follows:

	Hong Kong six months ended 30 June		PRC six months ended 30 June		Consolidated six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)	2016 HK\$ (unaudited)	2015 HK\$ (audited)	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Segment revenue:						
Interest income from deposits in banks and financial institutions	7,804	11,985	—	—	7,804	11,985
Interest income from AFS financial assets	—	—	560,594	—	560,594	—
Dividend income from financial assets at FVTPL	—	15,500	—	—	—	15,500
	7,804	27,485	560,594	—	568,398	27,485

#### 4. SEGMENT INFORMATION (continued)

	Hong Kong		PRC		Consolidated	
	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)
Non-current assets*	3,859,752	2,761,880	–	–	3,859,752	2,761,880
Total assets	213,727,081	208,956,140	52,589,267	81,295,703	266,316,348	290,251,843
Segment liabilities	47,176,178	45,934,840	–	–	47,176,178	45,934,840
Other segment information:						
Additions to property, plant and equipment	1,658,829	3,026,313	–	–	1,658,829	3,026,313
Additions to other intangible asset	1,820,508	–	–	–	1,820,508	–

\* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets, other intangible asset and rental deposit.

#### 5. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Interest expenses on bank and broker overdrafts	1	76
Effective interest expenses on interest bearing loan notes (Note 16)	1,081,841	259,387
	1,081,842	259,463

## 6. PROFIT (LOSS) BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(audited)
The Group's profit (loss) before tax has been arrived at after charging the following items:		
Directors' remuneration:		
Fees	<b>2,454,439</b>	171,678
Other emoluments	<b>1,281,067</b>	2,355,873
Mandatory provident fund contributions	<b>18,000</b>	18,000
Staff costs:		
Salaries	<b>1,857,873</b>	6,032,766
Mandatory provident fund contributions	<b>83,480</b>	89,002
Total staff costs (including Directors' remuneration)	<b>5,694,859</b>	8,667,319
Consultancy fee	<b>4,791,762</b>	175,000
Depreciation on property, plant and equipment	<b>524,573</b>	630,980
Investment management fee	<b>—</b>	596,667
Loss on written off of property, plant and equipment	<b>36,384</b>	—
Net foreign exchange losses	<b>621,891</b>	—
Operating lease charges in respect of office premises	<b>3,339,467</b>	1,769,500

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

	Six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Hong Kong Profits Tax — current period	2,998,883	350,880
Deferred tax — current period	—	3,823,373
	<b>2,998,883</b>	4,174,253

## 8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors of the Company have determined that no dividends will be paid in respect of the interim period (six months ended 30 June 2015: Nil).



## **9. NET ASSET VALUE PER SHARE AND 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\$219,140,170 (31 December 2015: HK\$244,317,003) by the number of shares in issue as at 30 June 2016, being 1,107,020,000 (31 December 2015: 1,107,020,000).

### **Loss per share**

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2016 of HK\$2,985,679 (six months ended 30 June 2015: HK\$6,909,424) and the weighted average number of ordinary shares of 1,107,020,000 (six months ended 30 June 2015: 793,015,028) in issue during the period.

For the six months ended 30 June 2016 and 2015, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the six months ended 30 June 2016 and 2015. Accordingly, diluted loss per share are the same as basic loss per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Carrying amounts as at 1 January	<b>2,761,880</b>	4,348,713
Additions	<b>1,658,829</b>	3,026,313
Depreciation	<b>(524,573)</b>	(921,873)
Elimination upon disposals	<b>(36,384)</b>	(641,514)
Disposals of subsidiaries	-	(3,049,759)
Carrying amounts, at end of the period/year	<b>3,859,752</b>	2,761,880

## 11. OTHER INTANGIBLE ASSET

During the six months ended 30 June 2016, the Group acquired a cross border vehicle license for HK\$1,820,508 (six months ended 30 June 2015: Nil).

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
<b>At fair value</b>		
Listed equity securities (note 1)	<b>100,532,130</b>	47,953,300
Fair value adjustments	<b>10,873,490</b>	41,491,700
	<b>111,405,620</b>	89,445,000
<b>At fair value</b>		
Unlisted equity securities (note 2)	<b>77,975,000</b>	77,975,000
Fair value adjustments	<b>(9,837,366)</b>	(9,837,366)
	<b>68,137,634</b>	68,137,634
<b>At cost</b>		
Unlisted debt instruments	<b>29,232,240</b>	53,506,840
Less: Provision for impairment loss	<b>(29,232,240)</b>	(29,232,240)
	—	24,274,600
<b>Total</b>	<b>179,543,254</b>	181,857,234
Analysed for reporting purpose as:		
Non-current assets	<b>179,543,254</b>	157,582,634
Current assets	—	24,274,600
	<b>179,543,254</b>	181,857,234

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Particulars of investments in listed equity securities, unlisted equity securities and unlisted debt instrument held by the Group as at 30 June 2016 and 31 December 2015 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Listed equity securities in Hong Kong

Name of investee companies	Place of incorporation	Percentage of effective interest held	At cost		Fair value adjustments		Carrying amounts	
			30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
			HK\$ (unaudited)	HK\$ (audited)	HK\$ (unaudited)	HK\$ (audited)	HK\$ (unaudited)	HK\$ (audited)
Zhidao International (Holdings) Limited (note a)	Bermuda	1.54%	38,323,800	—	(5,470,200)	—	32,853,600	—
Newtree Group Holdings Limited (note b)	Cayman Islands	0.57%	1,495,620	—	340,440	—	1,836,060	—
Tech Pro Technology Development Limited (note c)	Cayman Islands	0.06%	9,703,760	—	(677,800)	—	9,025,960	—
WLS Holdings Limited (note d)	Cayman Islands and continued in Bermuda	0.78%	29,728,950	—	4,921,050	—	34,650,000	—
Kingbo Strike Limited (note e)	Cayman Islands	1.47%	21,280,000	17,395,100	11,760,000	11,104,900	33,040,000	28,500,000
China Baoli Technologies Holdings Limited (previously known as REX Global Entertainment Holdings Limited)	Bermuda	—	—	30,558,200	—	30,386,800	—	60,945,000
			<b>100,532,130</b>	47,953,300	<b>10,873,490</b>	41,491,700	<b>111,405,620</b>	89,445,000

Notes:

- (a) As at 30 June 2016, the Group held listed equity securities, being 30,420,000 shares or 1.54% equity interest in the Zhidao International (Holdings) Limited ("Zhidao"), for a consideration of HK\$38,323,800 and which is principally engaged in trading of aluminium products, supply of aluminium products in the construction projects and the operation of money lending business.

For the year ended 31 March 2016, the audited consolidated loss from ordinary activities attributable to owners of Zhidao was approximately HK\$73,673,000 and the basic loss per share was HK3.98 cents. At 31 March 2016, its audited consolidated net assets value attributable to owners of Zhidao was approximately HK\$459,515,000. No dividend was received during the period.



## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes: (continued)

- (b) As at 30 June 2016, the Group held listed equity securities, being 5,172,000 shares or 0.57% equity interest in the Newtree Group Holdings Limited (“Newtree”), for a consideration of HK\$1,495,620 and which is principally engaged in manufacturing and trading of the clinical and household hygienic disposables and trading of related raw materials, trading of coal products, wholesale and retail of household consumables, sales and distribution of jewelries and watches, design and development of three-dimensional animations, augmented reality technology application and e-learning web application and provision of educational technology solutions through online education programs and provision of English language proficiency tests.

For the year ended 31 March 2016 the audited consolidated loss from ordinary activities attributable to owners of Newtree was approximately HK\$300,941,000 and the basic loss per share was HK31.5 cents. At 31 March 2016, its audited consolidated net assets value attributable to owners of Newtree was approximately HK\$315,574,000. No dividend was received during the period.

- (c) As at 30 June 2016, the Group held listed equity securities, being 3,596,000 shares or 0.06% equity interest in the Tech Pro Technology Development Limited (“Tech Pro”), for a consideration of HK\$9,703,760 and which is principally engaged in the manufacturing and sales of LED lighting products and LED lighting parts.

For the year ended 31 December 2015, the audited consolidated loss from ordinary activities attributable to owners of Tech Pro was approximately RMB192,208,000 (equivalent to approximately HK\$229,861,000) and the basic loss per share was RMB2.99 cents (equivalent to approximately HK3.58 cents). At 31 March 2016, its audited consolidated net assets value attributable to owners of Tech Pro was approximately RMB906,168,000 (equivalent to approximately HK\$1,083,686,000). No dividend was received during the period.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes: (continued)

- (d) As at 30 June 2016, the Group held listed equity securities, being 99,000,000 shares or 0.78% equity interest in the WLS Holdings Limited (“WLS”), for a consideration of HK\$29,728,950 and which is principally engaged in provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business and securities investment business.

For the year ended 30 April 2016, the audited consolidated loss from ordinary activities attributable to owners of WLS was approximately HK\$18,197,000 and the basic loss per share was HK0.23 cents. At 30 April 2016, its audited consolidated net assets value attributable to owners of Tech Pro was approximately HK\$801,365,000. No dividend was received during the period.

- (e) As at 30 June 2016, the Group held listed equity securities, being 11,200,000 shares or 1.47% equity interest in the Kingbo Strike Limited (“Kingbo Strike”), for a consideration of HK\$21,280,000 and which is principally engaged in provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business and securities investment business.

For the year ended 30 June 2015, the audited consolidated profit from ordinary activities attributable to owners of Kingbo Strike was approximately S\$3,887,000 (equivalent to approximately HK\$22,373,000) and the basic earnings per share was S0.61 cents (equivalent to approximately HK3.51 cents). At 30 June 2015, its audited consolidated net assets value attributable to owners of Kingbo Strike was approximately S\$23,088,000 (equivalent to approximately HK\$132,875,000). No dividend was received during the period.

The Directors conducted a review of the Group’s available-for-sale financial assets during the period and determined that the fair value adjustments are based on quoted market closing price of available-for-sale financial assets in an active market.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note 2: Unlisted equity securities in Hong Kong and PRC

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Galaxy Automotive MS Inc. ("Galaxy AMS") (note a)		
At fair value		
At 1 January	<b>15,923,000</b>	—
Additions	—	27,975,000
Decrease in fair value	—	(12,052,000)
	<b>15,923,000</b>	15,923,000
Mountain Gold Holdings Inc. ("Mountain Gold") (note b)		
At fair value		
At 1 January	<b>52,214,634</b>	—
Additions	—	50,000,000
Increase in fair value	—	2,214,634
	<b>52,214,634</b>	52,214,634
Total	<b>68,137,634</b>	68,137,634

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes:

- (a) On 14 August 2015, the Group acquired 29% equity interest of Galaxy AMS which is incorporated in Republic of Vanuatu at a consideration of HK\$27,975,000 and which the vendor has irrevocably and unconditionally guaranteed to the Company that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall in aggregate be no less than HK\$6,500,000 ("Guaranteed Profit").

Galaxy AMS is principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau.

- (b) On 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold which is incorporated in Republic of Vanuatu at a consideration of HK\$50,000,000 which is principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, PRC. Mountain Gold indirectly holds a mining license called Jinping Country Jinchangxi-Bize Gold Mine ("Mining License") and an exploration license called Jinping Country Shierpan Gold Detailed Exploration Property ("Exploration License"), both located in Guizhou Province, the People's Republic of China (the "PRC"), which are the sole and only assets of the Mountain Gold and which are the only subjects being valued in the valuation of Mountain Gold. However, the Mining License had expired in July 2015 and Exploration License had expired in May 2016. The operations of the Mountain Gold were currently suspended and the management of Mountain Gold is negotiating with the relevant government authorities of the PRC in relation to the mine merger and consolidation plans in respect of the gold mine held by Mountain Gold in Guizhou Province. However, up to the date of this report, the negotiations with the relevant government authorities of the PRC in relation to the process of finalising and completing the mines merger and consolidation have not been concluded, and Mountain Gold has not obtained the Mining License and Exploration License granted by the relevant government authorities. It is uncertain that the mining operation will be continued in near future.



### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Prepayments for office rental	<b>82,791</b>	579,612
Other prepayments	<b>1,756</b>	—
Rental and utility deposits	<b>1,994,185</b>	2,099,371
Investment deposit	<b>6,900,000</b>	—
Other deposits	<b>2,648,351</b>	—
Due from brokers	<b>5,101,110</b>	7,183,191
Interest receivables	—	805,022
Deposit paid for acquisition of an investment	<b>10,000,000</b>	10,000,000
Other receivables	<b>21,911</b>	13,996
	<b>26,750,104</b>	20,681,192
Portion classified as non-current assets	<b>(1,610,071)</b>	(1,610,071)
	<b>25,140,033</b>	19,071,121

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Financial assets at held for trading — Equity securities listed in Hong Kong, at market value	<b>32,901,080</b>	50,968,080

The fair values of listed securities are based on their quoted market closing prices in an active market.

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Particulars of investments of listed equity securities held by the Group as at 30 June 2016 and 31 December 2015 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Percentage of effective interest held	Carrying amounts HK\$	Market value HK\$	Accumulated unrealised gain (loss) arising on revaluation HK\$
<b>At 30 June 2016 (unaudited)</b>						
<b>Tech Pro Technology Development Limited (note)</b>	<b>Cayman Islands</b>	<b>13,108,000</b>	<b>0.20%</b>	<b>23,201,160</b>	<b>32,901,080</b>	<b>9,699,920</b>
<b>At 31 December 2015 (audited)</b>						
Newtree Group Holdings Limited	Cayman Islands	8,200,000	0.91%	29,340,340	21,402,000	(7,938,340)
Tech Pro Technology Development Limited	Cayman Islands	16,704,000	0.26%	24,835,544	29,566,080	4,730,536
				54,175,884	50,968,080	(3,207,804)

Note: As at 30 June 2016, the Group held listed equity securities, being 13,108,000 shares or 0.20% equity interest in the Tech Pro, for a consideration of HK\$23,201,160 and which is principally engaged in the manufacturing and sales of LED lighting products and LED lighting parts.

For the year ended 31 December 2015, the audited consolidated loss from ordinary activities attributable to owners of Tech Pro was approximately RMB192,208,000 (equivalent to approximately HK\$229,861,000) and the basic loss per share was RMB2.99 cents (equivalent to approximately HK3.58 cents). At 31 March 2016, its audited consolidated net assets value attributable to owners of Tech Pro was approximately RMB906,168,000 (equivalent to approximately HK\$1,083,686,000). No dividend was received during the period.



## 15. CASH AND CASH EQUIVALENTS

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Bank balances and cash	<b>21,441,650</b>	33,983,457

At the end of the reporting period, cash and cash equivalents comprised of cash at banks and in hand. Bank balances carry interest at market rates of 0.01% to 1% (31 December 2015: ranging from 0.01% to 1%) per annum.

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 Group entities:

	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
USD	<b>USD9,078</b>	USD9,078
RMB	<b>RMB43,343</b>	RMB34,213

## 16. INTEREST BEARING LOAN NOTES

The Company issued several unsecured interest bearing loan notes (the “Notes”) to independent private investors through the placing agent in a total principal amount of HK\$30,000,000 with effective date from 29 April 2015 and 30 April 2015 which are repayable on the date falling 8 years from the date of issue of the Notes, which is 28 April 2023 and 29 April 2023, and a principal amount of HK\$12,500,000 with effective date from 9 September 2015 which is repayable on the date falling 8 years from the date of issue of the Notes (the “Maturity Date”). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the “Redemption Rights”). But the noteholders have no right to require the Company to redeem the Notes before the respective Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year (“Interest Payment Date”), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

On initial recognition, the Directors consider that the principal amount of the Notes approximates to its fair value.

The Redemption Rights are regarded as embedded derivatives in the host contract. The Redemption Rights are not recognised in the condensed consolidated financial statements since the Directors consider that the probability of exercise of the Redemption Rights is remote. The Directors had assessed the fair values of the Redemption Rights at initial recognition and at the end of the reporting period and considered that the fair values were insignificant. Accordingly, fair value of the Redemption Rights were not accounted for in the condensed consolidated financial statements as at 30 June 2016.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes are ranging from 5.08% to 5.15%.

## 16. INTEREST BEARING LOAN NOTES (continued)

The Notes recognised in the condensed consolidated statement of financial position of the Group is calculated as follows:

	HK\$
Principal value of the Notes on initial recognition	42,500,000
Direct transaction costs	(366,130)
	<hr/> 42,133,870
Effective interest expenses	1,221,491
	<hr/> 43,355,361
At 31 December 2015 and 1 January 2016 (audited)	
Effective interest expenses (Note 5)	1,081,841
Interest paid	(1,732,648)
	<hr/> 42,704,554
At 30 June 2016 (unaudited)	

## 17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Authorised:		
<b>At 31 December 2015 and 30 June 2016</b>	<b>4,000,000,000</b>	<b>200,000,000</b>
Issued and fully paid:		
<b>At 31 December 2015 and 30 June 2016</b>	<b>1,107,020,000</b>	<b>55,351,000</b>

## 18. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 332,106,000, representing 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

## 18. SHARE OPTION SCHEME (continued)

The following table disclosed details of the Company's options under the Scheme held by directors, employees and other participants and the movements during the period ended 30 June 2016:

Grantee	Date of Grant	Exercise price HK\$	Exercisable period	At 1 January 2016	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period	Outstanding at 30 June 2016
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.74	16/6/2025	765,120	-	-	-	-	765,120
Zhang Xi	17/6/2015	0.74	16/6/2025	765,120	-	-	-	-	765,120
Ye Yinggang (resigned on 2 June 2016)	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
<i>Independent Non-executive Directors</i>									
Wong Chung Kin, Quentin (resigned on 17 May 2016)	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
Leung Po Hon (resigned on 9 May 2016)	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
Sub-total				3,825,600	-	-	-	(2,295,360)	1,530,240
Employees and other participants	17/6/2015	0.74	16/6/2025	8,416,320	-	-	-	-	8,416,320
Total				12,241,920	-	-	-	(2,295,360)	9,946,560

For the six months ended 30 June 2016, 2,295,360 share options had been lapsed and no options had been granted, exercised and expired under the Scheme.

## 19. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	Six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Investment management fee paid to Asia Investment Management Limited (note)	—	596,667

Note: The investment manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules.

### Compensation of key management personnel

The remuneration of Directors during the period was as follows:

	Six months ended 30 June	
	2016 HK\$ (unaudited)	2015 HK\$ (audited)
Directors' fee	2,454,439	171,678
Salaries, allowances and benefits in kind	1,281,067	2,355,873
Mandatory provident fund contributions	18,000	18,000
	<b>3,753,506</b>	2,545,551

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 20. COMMITMENTS

### (a) Operating lease commitments

At the end of the current interim period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	<b>30 June 2016 HK\$ (unaudited)</b>	31 December 2015 HK\$ (audited)
Within one year	<b>5,788,984</b>	5,883,984
In the second to fifth year inclusive	<b>5,703,984</b>	8,555,976

Operating lease payments represent rental payables by the Group for its office premises. Leases are negotiated and fixed respectively for an average term of two to three years.

### (b) Capital commitments

As at 30 June 2016, the Group had outstanding purchase agreement which entailed capital commitments to complete the acquisition of a vehicle license for HK\$151,163 (31 December 2015: Nil).

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>At 30 June 2016 (unaudited)</b>				
<b>AFS financial assets</b>				
– Listed equity securities (note a)	111,405,620	–	–	111,405,620
– Unlisted equity securities (note b)	–	–	68,137,634	68,137,634
	111,405,620	–	68,137,634	179,543,254
<b>Financial assets at FVTPL</b>				
– Listed equity securities (note a)	32,901,080	–	–	32,901,080
<b>Total</b>	<b>144,306,700</b>	<b>–</b>	<b>68,137,634</b>	<b>212,444,334</b>

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2015 (audited)				
AFS financial assets				
– Listed equity securities (note a)	89,445,000	–	–	89,445,000
– Unlisted equity securities (note b)	–	–	68,137,634	68,137,634
	89,445,000	–	68,137,634	157,582,634
Financial assets at FVTPL				
– Listed equity securities (note a)	50,968,080	–	–	50,968,080
Total	140,413,080	–	68,137,634	208,550,714

Note:

- (a) The fair value of equity securities classified as Level 1 was determined by the quoted market closing prices in an active market.
- (b) The fair value of unlisted equity securities classified as Level 3 was determined by management's valuation assessment. The Directors of the Company consider the carrying amounts of the unlisted equity securities as at 30 June 2016 approximate their fair values.

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets at level 3	30 June 2016 HK\$ (unaudited)	31 December 2015 HK\$ (audited)	Fair value hierarchy	Valuation technique(s)	Significant unobservable input	Relationship of unobservable inputs to fair value
AFS financial Assets						
Unlisted equity securities in Galaxy Automotive MS Inc.	15,923,000	15,923,000	Level 3	Discount cash flow	Free cash flow  Discounted rate	The higher the free cash flow, the higher the fair value  The higher the discount rate, the lower the fair value
					Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Unlisted equity securities in Mountain Gold Holdings Inc.	52,214,634	52,214,634	Level 3	Market Approach	Spot gold price	The higher the gold price, the higher the fair value



## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	AFS financial assets: unlisted equity securities HK\$
At 31 December 2015 and 1 January 2016 (audited)	68,137,634
Change in fair values	—
At 30 June 2016 (unaudited)	68,137,634

During the period ended 30 June 2016 and 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

### (ii) Fair value of financial instruments carried at cost or amortised cost

The carrying amounts of the Group's current financial assets including deposits and other receivables and cash and cash equivalents approximate their fair values due to their short-term maturities.

## 22. CONTINGENT LIABILITIES

As at 30 June 2016 and 2015, the Group had no material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2016, the Group reported a loss of approximately HK\$3.0 million (six months ended 30 June 2015: loss of approximately HK\$6.9 million). The decrease in loss was mainly attributed to the increase in the net realised gain on disposals of available-for-sale financial assets.

#### Securities investments

For the period ended 30 June 2016, the Group recorded a revenue of approximately HK\$568,000 (2015: approximately HK\$27,000), increased by approximately HK\$541,000 over the previous year. The Group made a net realised gain on disposals of available-for-sale financial assets of approximately HK\$38,328,000 (2015: approximately HK\$3,271,000). The Group recorded a net realised loss on disposals of financial assets at fair value through profit or loss of approximately HK\$16,120,000 (2015: net realised gain of approximately HK\$4,337,000). The Group made a net unrealised gain arising on revaluation of financial assets at fair value through profit or loss of approximately HK\$9,700,000 (2015: approximately HK\$23,172,000).

#### Investment in listed securities

As at 30 June 2016, listed securities included in the Group's available-for-sale financial assets, amounted to approximately HK\$111,406,000 (31 December 2015: approximately HK\$89,445,000) and the financial assets at fair value through profit or loss amounted to approximately HK\$32,901,000 (31 December 2015: approximately HK\$50,968,000).



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Investment in unlisted securities

As at 30 June 2016, the Group's investment portfolio in unlisted securities consisted of Mountain Gold Holdings Inc. ("Mountain Gold") of approximately HK\$52,215,000 (31 December 2015: approximately HK\$52,215,000) and Galaxy Automotive MS Inc. ("Galaxy AMS") of approximately HK\$15,923,000 (31 December 2015: approximately HK\$15,923,000).

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km<sup>2</sup> and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km<sup>2</sup>. The total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. While the necessary mining license had expired in July 2015 and the necessary exploration license had expired in May 2016, according to a valuation report prepared by an independent valuer using the market approach and on the assumption that the relevant mining licences would be in force, the valuation was higher than the cost of investment. The investment was made taking the above into account, as well as factors including the trend of gold prices, the amount of time available for renewing the licences before the stipulated deadline on 30 August 2016, and the absence of material non-compliance with the applicable regulations which enhanced the prospects of renewal of licences and the performance guarantee given by the vendor. Mountain Gold has no mining operation, as such operation is pending approval for renewal of the necessary mining and exploration licences. The Company is considering alternatives including selling the equity interest in Mountain Gold at the appropriate price although no agreement has been reached in this regard.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### Investment in unlisted securities (continued)

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past three years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market. The investment was made on the basis of among other things a profit forecast provided by the management of Galaxy AMS, which was based on assumptions considered to be reasonable in view of the management accounts available and the due diligence on the prospects of the motor vehicle segment.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group had cash and cash equivalents and listed equity securities of approximately HK\$21.4 million and HK\$144.3 million respectively (31 December 2015: approximately HK\$34.0 million and HK\$140.4 million respectively). As at 30 June 2016, the Group had interest bearing loan notes in an aggregate amount of approximately HK\$42.7 million (31 December 2015: approximately HK\$43.4 million) which repayable in Year 2023. Cash and cash equivalents represented approximately 8.1% of the Group's total assets as at 30 June 2016.

As at 30 June 2016, the Group's gearing ratio was approximately 19.5% (31 December 2015: approximately 18%), which was defined as the ratio of total borrowings to owners' equity.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits and available-for-sale financial assets denominated in Hong Kong dollars. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.



## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **COMMITMENTS**

Details of the commitments of the Group are set out in note 20 to the condensed consolidated financial statements.

### **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group had no material contingent liabilities.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2016, the Company had 21 employees. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

### **ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES**

Total 13 subsidiaries were established or acquired and no subsidiary was disposed during the period.

### **PROSPECT**

Exacerbated by the rising geo-political conflict in the Middle East, Brexit, and slowing global economy, the volatility in the Hong Kong stock market has been increasing in the past few months, especially in the small cap market. Under the extremely uncertain economic environment, the Directors will take prudent strategies, such as investing in the stocks that will benefit from the upcoming Shenzhen-Hong Kong Stock Connect, to manage our portfolio.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

At 30 June 2016, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (i) Long positions in shares at 30 June 2016

<b>Name of Director</b>	<b>Capacity</b>	<b>Notes</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Yao Yuan	Beneficial owner	(1)	4,000	0%
HK DYF Int'l Holding Group Limited	Beneficial owner	(2)	179,264,000	16.19%
Shenzhen Ding Yi Feng Assets Management Co., Ltd.	Interest of controlled corporation	(2)	179,264,000	16.19%
Mr. Sui Guangyi	Interest of controlled corporation	(3)	179,264,000	16.19%

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS (continued)

### (ii) Long positions in underlying shares at 30 June 2016

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(4)	765,120	0.08%
Zhang Xi	Beneficial owner	(4)	765,120	0.08%

Notes:

- (1) The personal interests of Mr. Yao Yuan comprise 4,000 ordinary shares.
- (2) Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 179,264,000 shares through its controlling interest (100%) in HK DYF Int'l Holding Group Limited.
- (3) Mr. Sui Guangyi ("Mr. Sui") is deemed to be interested in 179,264,000 shares held by Shenzhen Ding Yi Feng Assets Management Co., Ltd. which is 28.79% owned by Mr. Sui.
- (4) These share options were granted on 17 June 2015 at an exercise price of HK\$0.74 per share of the Company with exercise period from 17 June 2015 to 16 June 2025.

Save as disclosed above, at 30 June 2016, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDER

As at 30 June 2016, the following person's interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company or 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:

<b>Name</b>	<b>Number of Shares</b>	<b>Type of interest</b>	<b>Approximately percentage of total issued share capital of the Company</b>
HK DYF Int'l Holding Group Limited	179,264,000	Beneficial owner	16.19%
Shenzhen Ding Yi Feng Assets Management Co., Ltd. (Note 1)	179,264,000	Interest of controlled corporation	16.19%
Mr. Sui Guangyi (Note 2)	179,264,000	Interest of controlled corporation	16.19%

Note 1: Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 179,264,000 shares through her controlling interest (100%) in HK DYF Int'l Holding Group Limited.

Note 2: Mr. Sui Guangyi ("Mr. Sui") is deemed to be interested in 179,264,000 shares held by Shenzhen Ding Yi Feng Assets Management Co., Ltd. is 28.79% owned by Mr. Sui.



## SUBSTANTIAL SHAREHOLDER (continued)

Based on disclosure of interests forms filed with the Stock Exchange, the following persons had interests or short positions in the shares and underlying shares of the Company which is discloseable under Divisions 2 and 3 of Part XV of the SFO as at 30 June 2016.

<b>Name</b>	<b>Number of Shares</b>	<b>Type of interest</b>	<b>Approximately percentage of total issued share capital of the Company</b>
Mr. Li Xiaohua	70,000,000	Beneficial owner	6.32%
Mr. Fan Weiyong	88,424,000	Beneficial owner	7.98%

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 directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the 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 2016, 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 of those who served as Director during the six months ended 30 June 2016, all, except Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang, have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2016, the Company had complied with all the applicable provisions of the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Listing Rules, save for the deviation from Code Provision A.2.1 as set out as below:

### **Code Provision A.2.1**

In accordance with Code Provision A.2.1, it stipulates that the roles of the chairman and the chief executive 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.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant until 22 April 2016 when it was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from that date.



## AUDIT COMMITTEE

The Audit Committee currently comprised solely of independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin. Since 20 July 2016, the minimum number of members of the Audit Committee has not complied with the requirements under Rule 3.21 of the Listing Rules. We are actively identifying the suitable candidates in order to fulfil this requirement. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

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

Hong Kong, 26 August 2016

*As at the date of this report, the executive Directors are Mr. Luk Hong Man, Hammond and Mr. Zhang Xi; the non-executive Director is Mr. Sui Guangyi; and the independent non-executive Directors are Ms. Jing Siyuan, Ms. Li Jiangtao and Mr. Zhang Aimin.*