

Interim Report 2003



**China Investment Fund  
Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## INTERIM RESULTS

The Board of Directors of China Investment Fund Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2003:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2003*

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th June</b>	
		<b>2003</b>	2002
		<b>HK\$</b>	<b>HK\$</b>
Turnover		—	—
Interest income		<b>90,100</b>	247,349
Unrealised loss on investments in securities		<b>(60,000)</b>	(811,876)
Other operating expenses		<b>(1,936,013)</b>	(2,317,438)
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Loss before taxation	3	<b>(1,905,913)</b>	(2,881,965)
Taxation	4	—	—
		<hr/>	<hr/>
Net loss for the period		<b><u>(1,905,913)</u></b>	<b><u>(2,881,965)</u></b>
Loss per share — basic	5	<b><u>(2.38) cents</u></b>	<b><u>(3.62) cents</u></b>

**CONDENSED CONSOLIDATED BALANCE SHEET***At 30th June, 2003*

		Unaudited 30th June, 2003 HK\$	Audited 31st December, 2002 HK\$
	<i>Notes</i>		
<b>Non-current assets</b>			
Property and equipment	6	<u>343,502</u>	<u>189,599</u>
<b>Current assets</b>			
Other receivables, prepayments and deposits		136,257	213,029
Investments in securities	7	1,220,000	1,280,000
Pledged bank deposits	8	90,000	90,000
Bank balances and cash		<u>26,469,422</u>	<u>28,429,245</u>
		<u>27,915,679</u>	<u>30,012,274</u>
<b>Current liabilities</b>			
Accrued charges		<u>112,217</u>	<u>148,996</u>
<b>Net current assets</b>		<u>27,803,462</u>	<u>29,863,278</u>
<b>Net assets</b>		<u><u>28,146,964</u></u>	<u><u>30,052,877</u></u>
<b>Capital and reserves</b>			
Share capital		800,000	800,000
Share premium		35,206,597	35,206,597
Accumulated losses		<u>(7,859,633)</u>	<u>(5,953,720)</u>
<b>Total capital and reserve</b>		<u><u>28,146,964</u></u>	<u><u>30,052,877</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Unaudited				
	Share capital HK\$	Shares to be issued HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1st January 2003	800,000	—	35,206,597	(5,953,720)	30,052,877
Net loss for the period	—	—	—	(1,905,913)	(1,905,913)
At 30th June, 2003	<u>800,000</u>	<u>—</u>	<u>35,206,597</u>	<u>(7,859,633)</u>	<u>28,146,964</u>
At 1st January, 2002	200,000	26,906,597	9,800,000	(309,426)	36,597,171
Shares issued at premium	600,000	(26,906,597)	26,306,597	—	—
Share issue expenses	—	—	(900,000)	—	(900,000)
Net loss for the period	—	—	—	(2,881,965)	(2,881,965)
At 30th June, 2002	<u>800,000</u>	<u>—</u>	<u>35,206,597</u>	<u>(3,191,391)</u>	<u>32,815,206</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th June, 2003*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(1,905,913)	(2,881,965)
Adjustments for:		
Interest income	(90,100)	(247,349)
Interest expense	—	2,219
Depreciation	50,772	19,865
Loss on disposal of property and equipment	3,359	—
Operating cash flows before movements in working capital	(1,941,882)	(3,107,230)
Decrease in other receivables, prepayments and deposits	76,772	122,277
Decrease (increase) in investments in securities	60,000	(2,350,000)
(Decrease) increase in accrued charges	(36,779)	247,913
Decrease in amount due to a director	—	(275,066)
Cash generated from operations	(1,841,889)	(5,362,106)
Interest received	90,100	247,349
Interest paid	—	(2,219)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,751,789)</b>	<b>(5,116,976)</b>
<b>CASH USED IN INVESTING ACTIVITY</b>		
Purchase of property and equipment	(208,034)	(156,357)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
Payment for share issue expenses	—	(900,000)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,959,823)</b>	<b>(6,173,333)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>28,429,245</b>	<b>36,765,481</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>26,469,422</b>	<b>30,592,148</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30th June, 2003*

### **1. Basis of preparation and principal accounting policies**

The condensed consolidated interim financial statements for the six months ended 30th June, 2003 are unaudited and have been reviewed by the audit committee of the Company.

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and 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 “Stock Exchange”) (the “Listing Rules”). Certain comparative figures have been reclassified to conform to the current period’s presentation.

During the period, the Group has adopted SSAP 12 (Revised) “Income Taxes” for the first time. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. As the Group had no material deferred tax assets or liabilities that would require recognition under this SSAP, the adoption of it has had no major impact on these interim financial statements.

Except for the adoption of SSAP 12 (Revised), the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2002.

## 2. Business and geographical segments

The Group is principally engaged in investment in listed and unlisted companies and all the activities of the Group are based in Hong Kong.

## 3. Loss before taxation

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Loss before taxation has been arrived at after charging:		
Asset management fee	<b>250,000</b>	250,000
Depreciation	<b>50,772</b>	19,865
Interest on bank overdraft	—	2,219
Loss on disposal of property and equipment	<b>3,359</b>	—
Operating lease rentals in respect of office premises	<b>175,200</b>	120,000
Staff costs (including directors):		
Salaries and other benefits	<b>890,734</b>	1,047,296
Contributions to mandatory provident fund scheme	<b>21,333</b>	31,326
	<b>912,067</b>	1,078,622

## 4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for both periods presented.

## 5. Loss per share

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$1,905,913 (period ended 30th June, 2002: HK\$2,881,965) and on the weighted average number of 80,000,000 (period ended 30th June, 2002: 79,668,508) ordinary shares during the period.

No diluted loss per share is presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

## 6. Property and equipment

	Leasehold improvements HK\$	Computer equipment HK\$	Furniture, fixtures and office equipment HK\$	Motor vehicles HK\$	Total HK\$
COST					
At 1st January, 2003	87,012	58,476	71,825	—	217,313
Additions	2,700	1,400	2,978	200,956	208,034
Disposals	—	—	(3,732)	—	(3,732)
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At 30th June, 2003	89,712	59,876	71,071	200,956	421,615
DEPRECIATION					
At 1st January, 2003	7,251	11,518	8,945	—	27,714
Charge for the year	22,053	5,988	7,357	15,374	50,772
Eliminated on disposals	—	—	(373)	—	(373)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	29,304	17,506	15,929	15,374	78,113
NET BOOK VALUE					
At 30th June, 2003	60,408	42,370	55,142	185,582	343,502
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At 31st December, 2002	79,761	46,958	62,880	—	189,599
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## 7. Investments in securities

	<b>Unaudited</b> <b>30th June,</b> <b>2003</b> <b>HK\$</b>	Audited 31st December, 2002 HK\$
Listed equity securities in Hong Kong, at fair value	<u><b>1,220,000</b></u>	<u>1,280,000</u>

## 8. Pledged bank deposits

At the balance sheet date, bank deposits amounting to HK\$90,000 (31st December, 2002: HK\$90,000) have been pledged to secure outstanding corporate credit card balances of HK\$2,730 (31st December, 2003: HK\$19,326).

## INTERIM DIVIDEND

The Board of Directors resolved not to pay an interim dividend for the period (six months ended 30th June, 2002: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the six months ended 30th June, 2003, the Group reported a loss of approximately HK\$1.9 million (six months ended 30th June, 2002: approximately HK\$2.9 million). The loss was mainly attributable to the Group's operating expenses in Hong Kong.

In view of the volatility in the stock markets during the period and the uncertainty over the impact of the outbreak of the Severe Acute Respiratory Syndrome on earnings of companies listed in Hong Kong and mainland China, the Group has taken a cautious approach in developing its investment strategy and has not undertaken any major transaction. As at 30th June, 2003, bank deposits represented approximately 94% (31st December, 2002: 94%) of the Group's total assets.

### Prospect

During the period under review, China's economy has continued to report strong growth. In view of that, the Group has continued to hold shares in a Hong Kong listed company which is principally engaged in the real estate industry in mainland China. The Directors will regularly review the investment portfolio of the Group in order to achieve the Group's investment objective.

With the robust Chinese economy and the recent improvement in market sentiment in worldwide financial markets, the Directors believe that ample investment opportunities will emerge. The Directors will continue to seek investment targets that will increase return for our shareholders.

### **Liquidity and financial position**

As at 30th June, 2003, the Group had bank balances and cash of approximately HK\$26 million (31st December, 2002: HK\$28 million) and there were no long-term borrowings. There were no capital commitments which would require a substantial use of the Group's cash resources or external funding.

The gearing ratio (total non-current liabilities/total shareholders' funds) as at 30th June, 2003 was nil (31st December, 2002: nil).

The Group's exposure to fluctuations in exchange rates is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong Dollar.

## Employees and remuneration policies

As at 30th June, 2003, there were nine employees in the Group (including Directors). Total staff costs for the six months ended 30th June, 2003 amounted to approximately HK\$912,000 (six months ended 30th June, 2002: HK\$1,079,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Employee benefits provided by the Group include mandatory provident fund scheme, medical scheme, discretionary performance-related bonus and share option scheme.

## OTHER INFORMATION

### Directors' interests in shares

As at 30th June, 2003, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Directors	Number of ordinary shares personally held	% of issued shares
Mr. Yu Yi Ping, Wallace	2,560,000	3.200%
Mr. Wang Qiang	2,000,000	2.500%
Mr. Liu Min	2,000,000	2.500%

Other than as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

### Substantial shareholders

As at 30th June, 2003, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to section 336 of the SFO were as follows:

Name	Number of ordinary shares	% of issued shares
Mr. Hung Fung, Terry	16,000,000	20.000%
Mr. Zhou Wen Qiong	7,240,000	9.050%
Mr. Liu Dong	5,780,000	7.225%

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the Company's issued share capital as at 30th June, 2003.

### Purchase, sale or redemption of the Company's listed securities

During the six months ended 30th June, 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **Audit committee**

The audit committee of the Company currently comprises two Independent Non-executive Directors. The principal duties of the audit committee are the review and supervision of the financial reporting process and internal controls of the Group. The audit committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2003 have been reviewed by the audit committee.

## **Code of best practice**

On 30th June, 2003, Dr. Koo Ming Yan, Charles resigned as an Independent Non-executive Director and a member of the audit committee of the Company. As a result, the number of members in the audit committee has fallen below the minimum requirement as set out in paragraph 14 of Appendix 14 to the Listing Rules. The Company has subsequently appointed Mr. Yan Mou Keung as an Independent Non-executive Director and a member of the audit committee on 26th August, 2003, restoring the number of members in the audit committee into compliance with the above requirement.

Other than as disclosed in the previous paragraph, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30th June, 2003, in compliance with the Code of best practice as set out in Appendix 14 to the Listing Rules.

By Order of the Board

**Yu Yi Ping, Wallace**

*Managing Director*

Hong Kong, 4th September, 2003