



China Financial Industry Investment Fund Limited
中國金融產業投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

C.F.I.L.
2005 **INTERIM REPORT**

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Corporate Information

DIRECTORS

Executive Directors

Li Sze Tang (*Chairman*)
Wu Tse Wai, Frederick
Tam Wai Keung, Billy

Independent Non-executive Directors

Chow Wan Hoi, Paul
Hui Wing Sang, Wilson
Tang King Fai, Kelvin

COMPANY SECRETARY

Li Sze Tang

AUDIT COMMITTEE

Chow Wan Hoi, Paul
Hui Wing Sang, Wilson
Tang King Fai, Kelvin

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank
Wing Hang Bank Limited

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Room 3505-06
35th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited
Room 301
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

HKEX STOCK CODE

1227



Management Discussion and Analysis

The board of directors (the "Board") of China Financial Industry Investment Fund Limited (the "Company") is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 June 2005. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

BUSINESS REVIEW AND PROSPECTS

As at 30 June 2005, investment portfolio of the Company consisted of listed securities with a total market value of HK\$1,144,000 (31 December 2004: HK\$171,000) and unlisted securities amounted to HK\$3,900,000 (31 December 2004: HK\$3,900,000).

The Board considers that it is appropriate for the Company to retain financial resources at present to enable it to seize new and attractive investment opportunities as and when they arise. Therefore, the Board has resolved not to recommend a dividend.

For the six months ended 30 June 2005, the Company recorded a net loss of HK\$1,718,000 (30 June 2004: HK\$4,359,000) and this was mainly attributable to the realised loss on disposal of securities of HK\$10,000 (30 June 2004: HK\$1,068,000) and the net unrealised holding loss of the Company's investment in securities of HK\$317,000 (30 June 2004: loss of HK\$2,434,000).

The above improved result was affected by the increase trend in the Hong Kong stock market for the six months ended 30 June 2005. The Company was managing a portfolio of diversified listed company securities covering a range of industry sectors to achieve risk diversification. The portfolio consisted of Global Link Communications Holdings Limited, WLS Holdings Limited and Bolton Group (International) Limited. Apart from the above listed securities, the Company had also made an investment in unlisted companies, 哈爾濱東方(香港)食品有限公司, Netters Land Management Limited and Netx Limited. The Company did not receive any dividend income (30 June 2004: Nil) during the period ended 30 June 2005. The Board is optimistic as to future prospects of these companies in their respective lines of businesses, and expect attractive return on investments and medium-term capital appreciation.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2005 (2004: Nil).



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Company had retained cash of HK\$871,000 (31 December 2004: HK\$112,000). As all the retained cash was placed in Hong Kong Dollars short-term deposits with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current assets of HK\$1,997,000 (31 December 2004: HK\$3,715,000) and no borrowings or long term liabilities as at 30 June 2005. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2005, was 1.962 (31 December 2004: 0.436).

EMPLOYEES

As at 30 June 2005, the Company had 6 (31 December 2004: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the interim period amounted to HK\$457,000 (30 June 2004: HK\$388,000). The Company'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.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Company's assets or any significant contingent liabilities as at 30 June 2005 (2004: Nil).



Management Discussion and Analysis

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2005, the interest of the directors and chief executive in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

Name of director	Number of ordinary shares of the Company held			Total	% of issued shares
	Personal interest	Family interest	Corporate interest		
Mr Li Sze Tang	–	–	5,320,000 (Note)	5,320,000	10.64%
Mr Tam Wai Keung, Billy	8,250,000	–	–	8,250,000	16.50%

Note: These shares are held by First Asia International Holdings Limited, the entire issued share capital of which is held as to 60% by Mr Li Sze Tang and as to 40% by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

Other than as disclosed above, none of the directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed below, at no time during the period was the Company or its holding company a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. No options were granted to the directors of the Company during the six months ended 30 June 2005.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 June 2005.



Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, 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 of shareholder	Number of ordinary shares held	% of issued shares
Mr Wong Kam Fu (<i>Note 1</i>)	12,372,000	24.744%
Shanghai Sky Investments Limited (<i>Note 1</i>)	10,000,000	20%
First Asia International Holdings Limited (<i>Note 2</i>)	5,320,000	10.64%
Madam Wong Lap Woon (<i>Note 2</i>)	5,320,000	10.64%
Madam Cheung Siu Hung	3,480,000	6.96%
Digipluse Development Limited	2,828,000	5.66%

Note: (1) Mr Wong Kam Fu owns the entire interest of Shanghai Sky Investments Limited and Super Biotech Enterprises Limited. Shanghai Sky Investments Limited owns 10,000,000 shares representing 20% of the entire issued shares of the Company and Super Biotech Enterprises Limited owns 2,372,000 shares representing 4.744% of the entire issued shares of the Company. Accordingly, Mr Wong Kam Fu is deemed to be interested in the shares through his interest in Shanghai Sky Investments Limited and Super Biotech Enterprises Limited.

(2) The entire issued share capital of First Asia International Holdings Limited is held as to 60% by Mr Li Sze Tang and as to 40% by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

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 issued share capital of the Company as at 30 June 2005.

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

During the six months ended 30 June 2005, the Company has not purchased, sold nor redeemed any of its listed securities.



Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange throughout the six months ended 30 June 2005, with deviations from code provisions A.1.9, A.2.1, A.4.1, B.1.1 and B.1.3 of the Code in respect of the service term and rotation of directors. The Company is still contemplating what is the appropriate level of insurance cover in respect of legal action against its directors and accordingly has not arranged insurance cover for its directors as required by the code provision numbered A.1.9.

In relation to the code provision numbered A.2.1, given the size of the operations of the Company, the Company is still considering the practicality in dividing the responsibility at the board level to separate the roles of the chairman and the chief executive officer and accordingly has not complied with the provisions A.2.1 of Appendix 14 of the Listing Rules.

The Company has appointed its remuneration committee on 27 September 2005 in accordance with Code Provision B.1.1 and has adopted the terms of reference of the remuneration committee in compliance with Code Provision B.1.3. In compliance with Code Provision A.4.1, the independent non executive directors of the Company have also entered into agreements with the Company on 27 September 2005 to confirm the term of their appointments both to be for one year commencing on 27 September 2005.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), as set out in Appendix 10 of the Listing Rules, throughout the six months ended 30 June 2005. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financing reporting matters including a review of the Company’s unaudited interim financial statements for the six months ended 30 June 2005.

On behalf of the Board

China Financial Industry Investment Fund Limited

Tam Wai Keung, Billy

Executive Director

Hong Kong, 29 September 2005



Condensed Income Statement

for the six months ended 30 June 2005

	Note	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	2	3,890	792
Cost of Sales		(3,900)	(1,860)
Gross Loss		(10)	(1,068)
Other Revenue	2	1	-
Unrealised Loss on Available-On-Sale Financial Assets		(317)	(2,434)
Other Operating Expenses		(1,392)	(857)
Loss on Ordinary Activities before Taxation	4	(1,718)	(4,359)
Taxation	5	-	-
Net Loss Attributable to Shareholders		(1,718)	(4,359)
Interim Dividend	6	-	-
Loss per share	7		
Basic		HK(3.44 cents)	HK(8.72 cents)
Diluted		N/A	N/A



Condensed Balance Sheet

at 30 June 2005

	Note	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Current Assets			
Trading securities	8	–	171
Investment securities	9	–	3,900
Available-for-sale financial assets	10	1,144	–
Financial assets at fair value through profit or loss	11	3,900	–
Prepayments, deposits and other receivables		–	1,150
Cash and bank balances		871	112
		5,915	5,333
Less: Current Liabilities			
Accrued charges and other accounts payable		3,918	1,313
Amounts due to directors		–	305
		3,918	1,618
Net Assets		1,997	3,715
Capital and Reserves			
Share capital	12	500	500
Reserves		1,497	3,215
Shareholders' Funds		1,997	3,715



Condensed Statement of Changes in Equity

for the six months ended 30 June 2005

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2004	500	21,091	(10,434)	11,157
Loss for the period	–	–	(4,359)	(4,359)
At 30 June 2004	500	21,091	(14,793)	6,798
At 1 January 2005	500	21,091	(17,876)	3,715
Loss for the period	–	–	(1,718)	(1,718)
At 30 June 2005	500	21,091	(19,594)	1,997



Condensed Cash Flow Statement

for the six months ended 30 June 2005

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net Cash Inflow/(Outflow) from Operating Activities	758	(191)
Net Cash Inflow from Financing Activities	1	200
Net Increase in Cash and Cash Equivalents	759	9
Cash and Cash Equivalents at Beginning of the Period	112	54
Cash and Cash Equivalents at End of the Period	871	63
Analysis of the Balances of Cash and Cash Equivalents		
Cash and bank balances	871	63



Notes to Condensed Interim Financial Statements

for the six months ended 30 June 2005

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The unaudited condensed interim financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed interim financial statements are the same as those used in the preparation of the audited annual financial statements of the Company for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”, which also include HKAS and interpretations) that affect the Company and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 26	Accounting and Reporting by Retirement Benefit Plans
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of the above HKFRSs has no material impact in the accounting policies and the results and financial position of the Company. The impact of adopting other HKFRSs is detailed as follows:



Notes to Condensed Interim Financial Statements

for the six months ended 30 June 2005

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial Instruments

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition, disclosure and presentation of financial instruments. Until 31 December 2004, investments of the Group were classified into investment securities and trading securities, and were stated in the balance sheet at cost less any provision for impairment losses and fair value respectively. In accordance with the provision of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity securities and loans and receivables. The classification depends on the purpose for which the investments were held.

All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives other than:

HKAS 39:

Redesignate all investments into available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investment and loans and receivables on 1 January 2005; and

Remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost and adjust the balance to retained earning at 1 January 2005; and

Prospective application for the derecognition of financial assets.

The adoption of HKAS 39 resulted in:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Increase in available-for-sale financial assets	171	–
Decrease in trading securities	(171)	–
Increase in financial assets at fair value through profit or loss	3,900	–
Decrease in investment securities	(3,900)	–

Notes to Condensed Interim Financial Statements

for the six months ended 30 June 2005

2. TURNOVER AND OTHER REVENUE

The Company is principally engaged in investment in listed and unlisted companies in Hong Kong, the People's Republic of China (the "PRC") and the United Kingdom (the "UK"). Turnover represents proceed from sale of investments.

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proceed of sale of investments	3,890	792

The amount of each significant category of other revenue recognised during the period are as follows:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other Revenue:		
Other interest income	1	-

3. SEGMENT INFORMATION

During the periods ended 30 June 2004 and 2005 respectively, all of the Company's turnover was derived from investment securities in Hong Kong, no business and geographical segmental information on turnover are presented. The Company's segment assets and liabilities for the period, analysed by geographical market, are as follows:

	Hong Kong		The PRC		The UK		Total	
	30 June 2005	31 December 2004						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,775	5,333	1,300	-	840	-	5,915	5,333
Segment liabilities	3,118	1,618	-	-	800	-	3,918	1,618

Notes to Condensed Interim Financial Statements
for the six months ended 30 June 2005

4. OPERATING LOSS

Operating loss has been arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total staff costs, including directors' emoluments	457	388
Net unrealised loss on securities	317	2,434
Net realised loss on securities	10	1,068

5. TAXATION

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the period (2004: Nil).

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the Company's net loss attributable to the shareholders of HK\$1,718,000 (30 June 2004: HK\$4,359,000) divided by the number of shares outstanding during the period, being 50,000,000.

There were no dilutive potential shares during the periods ended 30 June 2004 and 30 June 2005, therefore, no diluted loss per share have been presented.



Notes to Condensed Interim Financial Statements

for the six months ended 30 June 2005

8. TRADING SECURITIES

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	–	171

In accordance with HKAS 39, all trading securities were redesignated as available-for-sale financial assets on 1 January 2005.

9. INVESTMENT SECURITIES

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Unlisted, at fair value	–	3,900

In accordance with HKAS 39, all investment securities were redesignated as financial assets at fair value through profit or loss on 1 January 2005.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Redesignated as available-for-sale financial assets	171	–
Additions during the period	1,290	–
	1,461	–
Less: Unrealised loss on Available-On-Sale Financial Assets	(317)	–
	1,144	–
Analysis of available-for-sale financial assets		
Listed, at market value	1,144	–

Notes to Condensed Interim Financial Statements
for the six months ended 30 June 2005

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as financial assets through profit or loss on 1 January 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
<hr/>		
Analysis of financial assets at fair value through profit or loss		
Unlisted	3,900	–

Following the adoption of HKAS 39 in 2005, all financial assets were redesignated as financial assets through profit or loss on 1 January 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

12. SHARE CAPITAL

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
<hr/>		
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.01 each	2,000	2,000
<hr/>		
<i>Issued and fully paid:</i>		
50,000,000 ordinary shares of HK\$0.01 each	500	500



Notes to Condensed Interim Financial Statements

for the six months ended 30 June 2005

13. DEFERRED TAXATION

There were no deferred tax assets/liabilities during the period ended 30 June 2005 and year ended 31 December 2004.

14. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2005, the Company paid administration fee of HK\$87,000 (30 June 2004: Nil) to First Asia Finance Group Limited in which a director of the Company, Mr Li Sze Tang, has beneficial interests.

15. COMPARATIVE FIGURES

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

16. SUBSEQUENT EVENTS

On 21 March 2005, the Company entered into a subscription agreement with Mr. Yim Sang in which Mr. Yim Sang has conditionally agreed to subscribe for and the Company agreed to issue and allot 10,000,000 shares of HK\$0.01 each in the capital of the Company at HK\$0.188 per share in cash (the "Subscription Agreement"). In August 2005, the Subscription Agreement has been completed. For further details, please refer to the Company's announcement dated 5 August 2005.

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 29 September 2005.

