



China Investment Fund Company Limited

中國投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

# 2009 Interim Report



## INTERIM RESULTS

The Board (the "Board") of Directors (the "Directors") of China Investment Fund Company Limited (the "Company") is pleased to present the unaudited Interim Report and unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June, 2009. The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been reviewed by the Company's auditors and the audit committee of the Company.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

	Notes	Unaudited six months ended 30th June,	
		2009 HK\$	2008 HK\$
Revenue	3	<b>861,176</b>	675,035
Net realised loss on disposal of available-for-sale financial assets		<b>(5,516,720)</b>	–
Net realised gain on disposal of financial assets at fair value through profit or loss		<b>8,497,406</b>	745,954
Net unrealised gain/(loss) on financial assets at fair value through profit or loss		<b>10,821,922</b>	(2,654,719)
		<b>14,663,784</b>	(1,233,730)
Other income		–	1,000,001
Administrative expenses		<b>(3,012,433)</b>	(3,058,031)
Finance cost	5	<b>(105,566)</b>	(42,812)
Profit/(loss) before taxation	6	<b>11,545,785</b>	(3,334,572)
Taxation	7	–	–
Profit/(loss) for the period		<b>11,545,785</b>	(3,334,572)
Dividend	8	–	–
Earnings per share			
Basic earnings/(loss) per share	9	<b>1.07 cents</b>	(0.39) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Unaudited six months ended 30th June,	
	2009 HK\$	2008 HK\$
Profit/(loss) for the period	<b>11,545,785</b>	(3,334,572)
Other comprehensive income/(loss):		
Exchange gain on translating financial assets	<b>562,506</b>	–
Deficit on revaluation of available-for-sale financial assets	<b>(1,410,520)</b>	(137,152)
Transfer to income statement for disposal of available-for-sale financial assets	<b>5,516,720</b>	–
Other comprehensive income/(loss) for the period	<b>4,668,706</b>	(137,152)
Total comprehensive income/(loss) attributable to shareholders	<b>16,214,491</b>	(3,471,724)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	Notes	Unaudited 30th June, 2009 HK\$	Audited 31st December, 2008 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	10	734,533	753,130
Prepaid lease payments – long-term portion		3,187,582	3,230,657
Available-for-sale financial assets	11	21,868,469	22,914,413
		<b>25,790,584</b>	26,898,200
<b>Current assets</b>			
Prepaid lease payments – current portion		86,151	86,151
Prepayments, deposits and other receivables		962,052	419,464
Financial assets at fair value through profit or loss	12	55,292,540	45,132,730
Cash and cash equivalents	13	25,540,400	34,121,705
		<b>81,881,143</b>	79,760,050
<b>Current liabilities</b>			
Accruals, deposit received and other payables		91,406	8,491,170
Borrowings	14	–	7,801,250
		<b>91,406</b>	16,292,420
<b>Net current assets</b>		<b>81,789,737</b>	63,467,630
<b>Net assets</b>		<b>107,580,321</b>	90,365,830
<b>Capital and reserves</b>			
Share capital	15	10,752,000	10,752,000
Reserves		96,828,321	79,613,830
<b>Total equity</b>		<b>107,580,321</b>	90,365,830
<b>Net asset value per share</b>		<b>0.10</b>	0.08

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th June, 2009

	Share capital	Share premium	Other reserve	Exchange reserve	Investment revaluation reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>(Unaudited)</b>							
<b>At 1st January, 2009</b>	<b>10,752,000</b>	<b>127,451,525</b>	<b>2,451,200</b>	<b>-</b>	<b>(3,711,302)</b>	<b>(46,577,593)</b>	<b>90,365,830</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>562,506</b>	<b>4,106,200</b>	<b>-</b>	<b>4,668,706</b>
<b>Equity-settled arrangements</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,545,785</b>	<b>11,545,785</b>
<b>At 30th June, 2009</b>	<b>10,752,000</b>	<b>127,451,525</b>	<b>3,451,200</b>	<b>562,506</b>	<b>394,898</b>	<b>(35,031,808)</b>	<b>107,580,321</b>
<b>(Unaudited)</b>							
<b>At 1st January, 2008</b>	<b>8,000,000</b>	<b>109,497,764</b>	<b>1,000,001</b>	<b>-</b>	<b>-</b>	<b>(3,117,351)</b>	<b>115,380,414</b>
<b>Cancellation of equity-settled arrangements</b>	<b>-</b>	<b>-</b>	<b>(1,000,001)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,001)</b>
<b>Issue of shares for cash by placing</b>	<b>960,000</b>	<b>9,531,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,491,361</b>
<b>Equity-settled arrangements</b>	<b>-</b>	<b>-</b>	<b>2,451,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,451,200</b>
<b>Other comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(137,152)</b>	<b>-</b>	<b>(137,152)</b>
<b>Net loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,334,572)</b>	<b>(3,334,572)</b>
<b>At 30th June, 2008</b>	<b>8,960,000</b>	<b>119,029,125</b>	<b>2,451,200</b>	<b>-</b>	<b>(137,152)</b>	<b>(6,451,923)</b>	<b>123,851,250</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Unaudited six months ended 30th June,	
	2009 HK\$	2008 HK\$
Net cash used in operating activities	<b>(1,780,055)</b>	(25,986,293)
Net cash used in investing activities	–	(4,172,115)
Net cash (used in)/generated from financing activities	<b>(6,801,250)</b>	19,743,810
Net decrease in cash and cash equivalents	<b>(8,581,305)</b>	(10,414,598)
Cash and cash equivalents at 1st January	<b>34,121,705</b>	58,753,942
Cash and cash equivalents at 30th June	<b>25,540,400</b>	48,339,344
Analysis of the balances of cash and cash equivalents Cash and cash equivalents, being Bank balances and cash	<b>25,540,400</b>	48,339,344



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

### 1. BASIS OF PREPARATION

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

The accounting policies and basis of preparation used in the preparation of unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2008.

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

The condensed consolidated interim financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s auditors and the audit committee.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies and method of computation used in preparing the unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31st December, 2008 except as described below.

For the current interim period, the Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by HKICPA, which are or have become effective. The adoption of the new HKFRSs has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation

HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)- Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)- Int 16	Hedges of a Net Investment in a Foreign Operation

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

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>1</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>2</sup>
HK(IFRIC)- Int 17	Distributions of Non-cash Assets to Owners <sup>2</sup>
HK(IFRIC)- Int 18	Transfers of Assets from Customers <sup>3</sup>

Apart from the above, the HKICPA has also issued Improvements to HKFRSs\* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

- <sup>1</sup> Effective for annual periods beginning on or after 1st January, 2010  
<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009  
<sup>3</sup> Effective for transfers on or after 1st July, 2009

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or financial position of the Group.

The directors of the Group anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group in the period of initial application.



## 3. REVENUE

	Unaudited six months ended 30th June,	
	2009 HK\$	2008 HK\$
The analysis of revenue for the period is as follows:		
Interest income from		
– Deposits in financial institutions	13,788	376,128
– Available-for-sale financial assets	352,219	52,894
Dividend income from		
– Available-for-sale financial assets	410,872	–
– Financial assets at fair value through profit or loss	84,297	246,013
	861,176	675,035

## 4. SEGMENT INFORMATION

During the period ended 30th June, 2009 and the year ended 31st December, 2008, more than 90% of the Group's revenue was derived from investments holding in Hong Kong, no business and geographical segmental information on revenue are presented. The Group's segment assets and liabilities for the period, analysed by geographical market, are as follows:

	Hong Kong		Canada		Consolidated	
	30th June, 2009 HK\$	31st December, 2008 HK\$	30th June, 2009 HK\$	31st December, 2008 HK\$	30th June, 2009 HK\$	31st December, 2008 HK\$
Segment assets	98,181,631	97,730,666	9,490,096	8,927,584	107,671,727	106,658,250
Total liabilities					91,406	16,292,420

## 5. FINANCE COST

	Unaudited six months ended 30th June,	
	2009 HK\$	2008 HK\$
Interest on borrowings wholly repayable within one year	105,566	42,812

## 6. PROFIT/(LOSS) BEFORE TAXATION

	Unaudited six months ended 30th June,	
	2009 HK\$	2008 HK\$
Profit/(loss) before taxation has been arrived at after charging:		
Investment management fee	390,000	390,000
Depreciation on property, plant and equipment	61,672	29,399
Operating lease rentals in respect of rented premises	480,000	480,000
Directors' remuneration	1,170,000	837,500
Contributions to mandatory provident fund scheme for Director(s)	12,000	6,000

## 7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group had tax losses brought forward to set off the estimated assessable profit for the period (2008: Nil).

## 8. DIVIDEND

The Board of Directors resolved not to pay an interim dividend for the period (six months ended 30th June, 2008: nil).

## 9. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the period is based on the net profit for the period of HK\$11,545,785 (net loss for the six months period ended 30th June, 2008: HK\$3,334,572) and on the weighted average number of 1,075,200,000 (six months ended 30th June, 2008: 865,767,956) ordinary shares during the period. No diluted loss per share is presented since the Company has no dilutive potential ordinary shares in both periods presented.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the period ended 30th June, 2009, there is no addition to the property, plant and equipment.

**11. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>Unaudited 30th June, 2009 HK\$</b>	Audited 31st December, 2008 HK\$
Overseas convertible debentures, at cost	<b>8,927,590</b>	8,927,590
Fair value changes	<b>562,506</b>	–
	<b>9,490,096</b>	8,927,590
Unlisted equity securities, at cost	<b>9,890,839</b>	9,888,710
Fair value changes	<b>(1,366,661)</b>	(948,466)
	<b>8,524,178</b>	8,940,244
Unlisted bonds, at cost	<b>2,092,635</b>	7,809,415
Fair value changes	<b>1,761,560</b>	(2,762,836)
	<b>3,854,195</b>	5,046,579
<b>Total</b>	<b>21,868,469</b>	22,914,413

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited 30th June, 2009 HK\$</b>	Audited 31st December, 2008 HK\$
Held for trading: Equity securities listed in Hong Kong, at market value	<b>55,292,540</b>	45,132,730

### 13. CASH AND CASH EQUIVALENTS

	<b>Unaudited 30th June, 2009 HK\$</b>	Audited 31st December, 2008 HK\$
Deposits in financial institutions	<b>10,089,694</b>	32,090,013
Cash at bank and in hand	<b>15,450,706</b>	2,031,692
	<b>25,540,400</b>	34,121,705

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

	<b>Unaudited 30th June, 2009</b>	Audited 31st December, 2008
CAD Dollars	<b>CAD 41,049</b>	–
EUR Dollars	<b>EUR 944</b>	EUR 941
US Dollars	<b>USD 267,665</b>	USD 267,047

The effective interest rates of the deposits range from 0.01% to 0.05% (2008: 0.01% to 6.1%) per annum and all of them have a maturity within three months from initial inception.

### 14. BORROWINGS

	<b>Unaudited 30th June, 2009 HK\$</b>	Audited 31st December, 2008 HK\$
Other loans – unsecured and wholly repayable within one year	–	7,801,250

## 15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$
Authorised:		
At 31st December, 2008 and 30th June, 2009	1,500,000,000	15,000,000
Issued and fully paid:		
At 31st December, 2008 and 30th June, 2009	1,075,200,000	10,752,000

## 16. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the net assets of HK\$107,580,321 (31st December, 2008: HK\$90,365,830) and the number of issued and fully paid up shares 1,075,200,000 (31st December, 2008: 1,075,200,000) as at 30th June, 2009.

## 17. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	Notes	Unaudited six months ended 30th June,	
		2009 HK\$	2008 HK\$
Investment management fees paid to			
Baron Asset Management Limited	(i)	390,000	–
Ping An Securities Limited		–	390,000
Rental expenses paid to			
Baron Asia Limited	(ii)	80,000	–
Baron International Consulting Services Limited	(ii)	400,000	480,000
Placing commission fee paid to			
Baron Capital Limited		–	164,640

*Notes:*

- (i) Pursuant to the investment management agreement entered into between Baron Asset Management Limited (the "Baron Asset Management") and the Company dated 1st January, 2009. Baron Asset Management was appointed as the investment manager of the Company with the management fee of HK\$65,000 per month commencing from 1st January, 2009 to 31st December, 2009.
- (ii) Pursuant to a tenancy agreement signed on 1st April, 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting has leased office premises to the Company commencing on 1st April, 2007 for a monthly rental of HK\$80,000. The tenancy agreement is renewed on 1st April, 2008 for one more year with same monthly payment. A new tenancy agreement is signed on 1st June, 2009 between the Company and Baron Asia Limited (the "Baron Asia"). Baron Asia has leased office premises to the Company commencing on 1st June, 2009 for a monthly rental of HK\$80,000, and the term is lasted for one year. In the period from April 2009 to May 2009, the Company still paid the rent to the pervious landlord – Baron International Consulting. Both Baron International Consulting and Baron Asia are fellow subsidiaries of the investment manager. Ms. Wan Ho Yan, Letty, the executive director of the Company, is the ultimate beneficial owner of Baron Asset Management, Baron International Consulting and Baron Asia, and therefore is a connected person of the Company.

**18. LEASE COMMITMENTS**

As at 30th June, 2009, the Group had total future aggregate minimum lease payments under non- cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited 30th June, 2009 HK\$</b>	Audited 31st December, 2008 HK\$
Within one year	<b>880,000</b>	240,000

**19. CONTINGENT LIABILITIES**

At 30th June, 2009, the Group had no significant contingent liabilities.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATION REVIEW**

The principal activity of the Group is investing in both listed and unlisted securities. During the six months ended 30th June, 2009, the Group has deployed approximately HK\$55 million in listed securities.

#### **Operating Results**

During the six months ended 30th June, 2009, the Group reported a profit of approximately HK\$11.5 million (six months ended 30th June, 2008: a loss of approximately HK\$3.3 million). The profit was mainly attributable to the unrealised gain on financial assets.

#### **Liquidity and Financial Resources**

As at 30th June, 2009, the Group had cash and cash equivalents of approximately HK\$25.5 million (31st December, 2008: HK\$34.1 million). The gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity as at 30th June, 2009, was nil (31st December, 2008: 8.63%). The decrease in cash and cash equivalents was mainly due to the repayment of bank borrowing. Cash and cash equivalents represented approximately 23% of the Group's total asset as at 30th June, 2009. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

#### **Prospect**

Following the financial turmoil in the United States, the growth pace of global economy has been slow down. However, at the beginning of this year, the U.S. and Chinese government introduce a series of revival plans, which has led to a rebound in the growth of the global economy, especially the stock market. Given the recent fluctuation in the worldwide financial markets, the Directors continue to adopt cautious and prudent approach in managing the portfolio of investments of the Group and developing the investment strategies. The Group is continually looking for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

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

As at 30th June, 2009, Ms. Wan Ho Yan, Letty is interested in 230,280,511 shares of the Company, held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by her, within the meaning of Part XV of the SFO. Save as disclosed above, none of the Directors, chief executive of the Company or their associated had any interests and short positions in the Shares, debentures or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required, pursuant of the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, the following person or corporations interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interest in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Name	Notes	Number of Shares	Type of interest	Approximately percentage of issued share capital of the Company
Wan Ho Yan, Letty	1	230,280,511	Interest of controlled corporation	21.42%
Cosmopolitan International Holdings Limited	2	179,200,000	Interest of controlled corporation	16.67%
Lam Kwing Wai, Alvin Leslie	3	80,000,000	Interest of controlled corporation	7.44%
Hung Chen Richael	4	64,000,000	Interest of controlled corporation	5.95%
Cheng, Rebecca Hew Hong	5	100,000,000	Interest of controlled corporation	9.30%



Notes:

1. Ms. Wan Ho Yan, Letty (“Ms. Wan”) is deemed to be interested in 230,280,511 shares held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which are wholly owned by Ms. Wan.
2. Cosmopolitan International Holdings Limited (“Cosmo”) is deemed to be interest in 179,200,000 shares held by Joint Talent Investments Limited which is ultimately wholly owned by Cosmo. Cosmo is a company which issued shares are listed on the main board of the Stock Exchange.
3. Mr. Lam Kwing Wai, Alvin Leslie (“Mr. Lam”) is deemed to be interested in 80,000,000 shares held by Ever Honest Investments Limited which is approximately 52.23% owned by Mr. Lam ultimately.
4. Mr. Hung Chen Richael (“Mr. Hung”) is deemed to be interested in 64,000,000 shares through the option held by Yue King Investment Limited which is wholly owned by Mr. Hung.
5. Ms. Cheng, Rebecca Hew Hong (“Ms. Cheng”) is deemed to be interested in 100,000,000 shares through the option held by Mega Regent Holdings Limited which is wholly owned by Ms. Cheng.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is direct or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30th June, 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities, except for 100,000,000 options granted on 13th May, 2009 in consideration for cash proceed.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2009.

## CODE OF CORPORATE GOVERNANCE PRACTICES

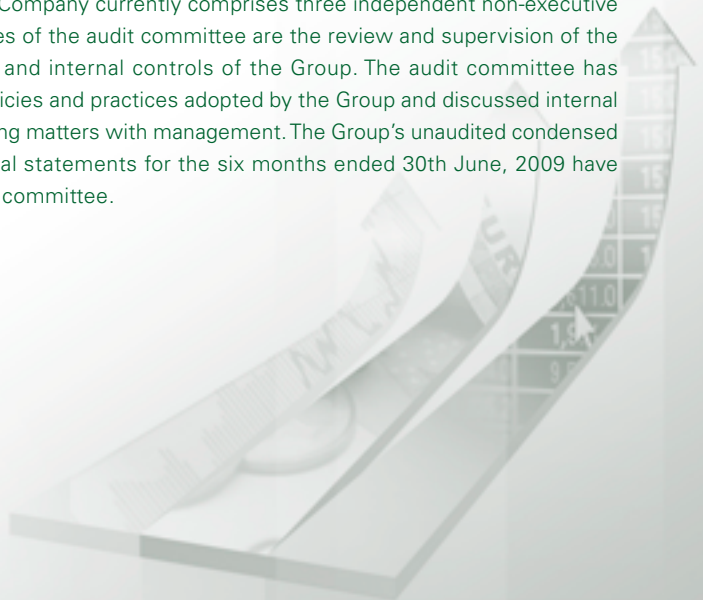
The Board opined that the Company has complied with the code provision set out in the Code of Corporate Governance Practice (the “CG Code”) as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the reporting period except on the following deviation.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company’s Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than in the Code.

Code Provision E.1.2 stipulates that the Chairman of the Board and the Chairman of the Audit Committee should attend the annual general meeting. The Chairman of the Board had not attended the annual general meeting of the Company held on 24th April, 2009. The Chairman of the Board will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

## AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors. The principal duties of the audit committee are the review and supervision of the financial reporting process and internal controls of the Group. The audit committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management. The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2009 have been reviewed by the audit committee.



## **REMUNERATION COMMITTEE**

A Remuneration Committee was established by the Company in 28th July, 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising three independent non-executive Directors, which meets at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the Senior Management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the remuneration committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the remuneration committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board  
**China Investment Fund Company Limited**  
**Wan Ho Yan, Letty**  
*Executive Director*

Hong Kong, 11th September, 2009

*As at the date of this report, the Executive Directors are Mr. William Robert Majcher, Ms. Wan Ho Yan, Letty and Mr. Chan Wai Lam, and the Independent Non-executive Directors are Mr. Yan Mou Keung, Mr. Cheng Wing Keung, Raymond and Mr. Kwong Kwan Tong.*