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中 國 投 資

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)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

INTERIM RESULTS

The Board (the “Board”) of Directors (the “Directors”) of China Investment Fund Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013. The condensed consolidated financial statements have been reviewed by the Company’s auditor and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2013*

		Unaudited six months ended	
		30 June	
		2013	2012
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	3	1,286,875	371,309
Net realised loss on disposal of available-for-sale financial assets		(21,353)	(3,304,002)
Net realised gain on disposal of financial assets designated as held for trading		1,300,020	—
Net unrealised gain on financial assets designated as held for trading		7,128	—
Gain on disposal of subsidiaries	5	321,892	—
Written off of property, plant and equipment		(4,791)	—
		2,889,771	(2,932,693)
Other income	3	17,372	—
Administrative expenses		(11,137,388)	(9,250,250)
Finance costs		(57,287)	(441)
		(8,287,532)	(12,183,384)
Loss before tax		(8,287,532)	(12,183,384)
Income tax expense	6	—	—
		(8,287,532)	(12,183,384)
Loss for the period	7	(8,287,532)	(12,183,384)
		(8,287,532)	(12,183,384)
Loss for the period attributable to owners of the Company		(8,287,532)	(12,183,384)
LOSS PER SHARE	9		
— Basic (<i>HK cents</i>)		(1.08)	(1.59)
— Diluted (<i>HK cents</i>)		(1.08)	(1.59)

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

For the six months ended 30 June 2013

	Unaudited six months ended	
	30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Loss for the period	<u>(8,287,532)</u>	<u>(12,183,384)</u>
Other comprehensive expenses:		
Items that may be subsequently reclassified to profit or loss:		
Exchange gain (loss) on translating available-for-sale financial assets	4,643	(15,771)
Reclassification adjustments relating to foreign operations disposed of during the period	(15,400)	—
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	35,113	1,988,340
Net loss arising on revaluation of available-for-sale financial assets during the period	<u>(7,651,819)</u>	<u>(10,729,752)</u>
Other comprehensive expenses for the period	<u>(7,627,463)</u>	<u>(8,757,183)</u>
Total comprehensive expenses attributable to owners of the Company	<u>(15,914,995)</u>	<u>(20,940,567)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

		Unaudited 30 June 2013 <i>HK\$</i>	Audited 31 December 2012 <i>HK\$</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	5,765,807	6,512,285
Available-for-sale financial assets	11	145,225,016	117,117,922
		<u>150,990,823</u>	<u>123,630,207</u>
Current assets			
Available-for-sale financial assets	11	5,523,640	5,523,640
Prepayments, deposits and other receivables		6,582,187	7,932,496
Financial assets designated as held for trading	12	250,272	20,424,000
Cash and cash equivalents	13	9,922,451	31,152,802
		<u>22,278,550</u>	<u>65,032,938</u>
Current liability			
Accruals, deposits received and other payables		<u>1,364,768</u>	843,545
Net current assets		<u>20,913,782</u>	64,189,393
Total assets less current liability		<u>171,904,605</u>	<u>187,819,600</u>
Capital and reserves			
Share capital	14	38,256,000	38,256,000
Reserves		133,648,605	149,563,600
Total equity		<u>171,904,605</u>	<u>187,819,600</u>
Net asset value per share	9	<u>0.22</u>	<u>0.25</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
(Unaudited)						
At 1 January 2013	38,256,000	197,332,138	8,375	(15,863,773)	(31,913,140)	187,819,600
Other comprehensive expenses	—	—	(10,757)	(7,616,706)	—	(7,627,463)
Loss for the period	—	—	—	—	(8,287,532)	(8,287,532)
At 30 June 2013	<u>38,256,000</u>	<u>197,332,138</u>	<u>(2,382)</u>	<u>(23,480,479)</u>	<u>(40,200,672)</u>	<u>171,904,605</u>
(Unaudited)						
At 1 January 2012	38,256,000	197,332,138	5,565	(5,861,213)	(10,975,952)	218,756,538
Other comprehensive expenses	—	—	(15,771)	(8,741,412)	—	(8,757,183)
Loss for the period	—	—	—	—	(12,183,384)	(12,183,384)
At 30 June 2012	<u>38,256,000</u>	<u>197,332,138</u>	<u>(10,206)</u>	<u>(14,602,625)</u>	<u>(23,159,336)</u>	<u>197,815,971</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2013*

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$	HK\$
Net cash used in operating activities	<u>(8,246,216)</u>	<u>(35,277,517)</u>
Net cash (used in) generated from investing activities	<u>(12,984,135)</u>	<u>11,599,929</u>
Net decrease in cash and cash equivalents	(21,230,351)	(23,677,588)
Cash and cash equivalents at 1 January	<u>31,152,802</u>	<u>114,518,958</u>
Cash and cash equivalents at 30 June	<u><u>9,922,451</u></u>	<u><u>90,841,370</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>9,922,451</u></u>	<u><u>90,841,370</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

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

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 and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments — Classification of Financial Assets and Financial Liabilities ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets ¹
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC) — Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments may have impact on amounts reported in the condensed consolidated financial statements.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition,

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. REVENUE AND OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$	HK\$
The analysis of revenue for the period is as follows:		
Interest income from:		
— Deposits in financial institutions	4,726	371,309
— Available-for-sale financial assets	743,835	—
Dividend income from:		
— Financial assets designated as held for trading	538,314	—
	<u>1,286,875</u>	<u>371,309</u>
Other income:		
Net foreign exchange gain	5,201	—
Sundry income	12,171	—
	<u>17,372</u>	<u>—</u>

4. SEGMENT INFORMATION

During the six months ended 30 June 2013 and 2012 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investments. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the period, analysed by geographical market, are as follows:

	Hong Kong		Others		Consolidated	
	Unaudited six months ended 30 June 2013 HK\$	Unaudited six months ended 30 June 2012 HK\$	Unaudited six months ended 30 June 2013 HK\$	Unaudited six months ended 30 June 2012 HK\$	Unaudited six months ended 30 June 2013 HK\$	Unaudited six months ended 30 June 2012 HK\$
Segment revenue:						
Interest income from deposits in financial institutions	4,726	371,309	—	—	4,726	371,309
Interest income from available-for-sale financial assets	—	—	743,835	—	743,835	—
Dividend received	538,314	—	—	—	538,314	—
	543,040	371,309	743,835	—	1,286,875	371,309
	Hong Kong		Others		Consolidated	
	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$
Segment assets	164,508,793	178,907,553	8,760,580	9,755,592	173,269,373	188,663,145
Unallocated assets					—	—
Total assets					173,269,373	188,663,145
Total liabilities					1,364,768	843,545
Other information						
Additions to non-current assets					11,376	7,481,432

5. GAIN ON DISPOSAL OF SUBSIDIARIES

During the current interim period, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Conqueringly Victory Investments Limited, which holds directly 100% equity interest in Prospect King Investment Development Limited and indirectly 100% equity interest in 中投基(深圳)投資諮詢有限公司. The disposal was completed on 28 March 2013, on which date the Group lost control of above three subsidiaries.

The net assets of the subsidiaries at the date of disposal are as follow:

	Unaudited Six months ended 30 June 2013			
	Conqueringly Victory Investments Limited HK\$	Prospect King Investment Development Limited HK\$	中投基(深圳) 投資諮詢 有限公司 HK\$	HK\$
Net assets disposal of:				
Property, plant and equipment	—	—	2,442	2,442
Prepayments, deposits and other receivables	—	—	259,333	259,333
Cash and cash equivalents	—	246,850	49,984	296,834
Accruals, deposits received and other payables	—	—	(465,687)	(465,687)
Net assets	—	246,850	(153,928)	92,922
Exchange reserve	—	—	(14,814)	(14,814)
Total consideration (<i>Note</i>)				78,108 <u>(400,000)</u>
Gain on disposal				<u><u>(321,892)</u></u>
Net cash outflow arising on disposal:				
Total cash consideration received (<i>Note</i>)				—
Cash and cash equivalents disposed of				<u>(296,834)</u>
				<u><u>(296,834)</u></u>

Note: The consideration was settled in cash by the buyer on 19 August 2013. The Directors considered that the carrying amount of the consideration receivable approximates its fair value.

During the six months ended 30 June 2012, the Group disposed of its entire interest in On Kong Group Limited and its net assets at the date of disposal are as follow:

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

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

7. LOSS FOR THE PERIOD

Unaudited
Six months ended 30 June
2013 **2012**
HK\$ **HK\$**

The Group's loss for the period has been arrived at after charging:

Directors' remuneration:

Fees	150,012	169,176
Other emoluments	756,580	481,250
Provident fund contributions	14,000	15,500

Staff costs:

Salaries	2,845,205	1,559,009
Provident fund contributions	62,786	46,635

Total staff costs (including directors' remuneration) **3,828,583** 2,271,570

Investment management fee	400,000	900,000
Depreciation on property, plant and equipment	750,630	242,801
Consultancy fee	—	110,000
Financial advisory fee	—	1,000,000
Net foreign exchange losses	—	42,620
Operating lease rentals of land and buildings	1,566,352	1,948,828

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors of the Company have determined that no dividends would be paid for the interim period (six months ended 30 June 2012: 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\$171,904,605 (31 December 2012: HK\$187,819,600) by the number of shares in issue as at 30 June 2013, being 765,120,000 (31 December 2012: 765,120,000).

Loss per share

The calculation of the basic and diluted loss per share is based on the net loss for the six months ended 30 June 2013 of HK\$8,287,532 (net loss for the six months ended 30 June 2012: HK\$12,183,384) and 765,120,000 (six months ended 30 June 2012: 765,120,000) ordinary shares in issue during the period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, additions to property, plant and equipment amounted to HK\$11,376 (six months ended 30 June 2012: HK\$7,336,621).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$
Overseas convertible notes, at cost	6,000,000	6,000,000
Less: Fair value adjustment	<u>(476,360)</u>	<u>(476,360)</u>
	<u>5,523,640</u>	<u>5,523,640</u>
Equity securities listed in overseas, at cost	19,080,813	19,080,813
Less: Fair value adjustment	<u>(16,838,393)</u>	<u>(15,159,433)</u>
	<u>2,242,420</u>	<u>3,921,380</u>
Equity securities listed in Hong Kong, at cost	149,150,704	113,431,547
Less: Fair value adjustment	<u>(6,168,108)</u>	<u>(235,005)</u>
	<u>142,982,596</u>	<u>113,196,542</u>
Total	<u><u>150,748,656</u></u>	<u><u>122,641,562</u></u>
Analysed for reporting purpose as:		
Current assets	5,523,640	5,523,640
Non-current assets	<u>145,225,016</u>	<u>117,117,922</u>
Total	<u><u>150,748,656</u></u>	<u><u>122,641,562</u></u>

12. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$
Held for trading assets:		
— Equity securities listed in Hong Kong, at market value	<u><u>250,272</u></u>	<u><u>20,424,000</u></u>

Fair values were determined by the Directors' review with reference to the quoted market closing prices.

As at 30 June 2013, financial assets designated as held for trading included the following investment:

Name of investee company	Place of incorporation/ establishment	Number of shares held	Proportion of investee's company capital owned	Carrying value HK\$	Market value HK\$	Unrealised gain arising on revaluation HK\$	Dividend received/ receivable during the period HK\$
The Hong Kong and China Gas Company Limited	Hong Kong	13,200	Less than 0.01%	243,144	250,272	7,128	273,504

As at 31 December 2012, financial assets designated as held for trading included the following investment:

Name of investee company	Place of incorporation/ establishment	Number of shares held	Proportion of investee's company capital owned	Carrying value <i>HK\$</i>	Market value <i>HK\$</i>	Unrealised gain arising on revaluation <i>HK\$</i>	Dividend received/ receivable during the year <i>HK\$</i>
Credit China Holdings Limited	Cayman Islands	27,600,000	1.30%	17,062,369	20,424,000	3,361,631	—

13. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2013 <i>HK\$</i>	Audited 31 December 2012 <i>HK\$</i>
Cash at bank and in hand	<u>9,922,451</u>	<u>31,152,802</u>

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

	Unaudited 30 June 2013	Audited 31 December 2012
EUR Dollars	EUR952	EUR952
US Dollars	USD39,306	USD3,367,956
RMB	<u>RMB22,023</u>	<u>RMB40,090</u>

14. SHARE CAPITAL

	Number of ordinary share of HK\$0.05 each	Nominal value <i>HK\$</i>
Authorised: At 1 January 2012, 31 December 2012 and 30 June 2013	<u>4,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid: At 1 January 2012, 31 December 2012 and 30 June 2013	<u>765,120,000</u>	<u>38,256,000</u>

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

15. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2013	2012
		HK\$	HK\$
Investment management fee paid to Asia Investment Management Limited	(i)	400,000	—
Investment management fee paid to Baron Asset Management Limited	(ii)	—	900,000
Sharing of administrative office fee paid to Baron Asia Limited	(iii)	—	1,200,000
Brokerage fee paid to Ping An Securities Limited	(iv)	—	25,697
Financial advisory fee paid to Baron Capital Limited	(v)	—	1,000,000

Notes:

- (i) The investment management fee was paid under the investment management agreement entered into between the Company and Asia Investment Management Limited who acted as the Investment Manager of the Company since 1 February 2013. Under the relevant investment management agreement, the investment management fee payable to the Investment Manager was HK\$80,000 per month.

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

- (ii) The investment management fee was paid under the investment management agreements entered into between the Company and Baron Asset Management Limited who acted as the Investment Manager of the Company. Under the relevant investment management agreement and supplemental agreement, the investment management fee payable to the Investment Manager was HK\$150,000 per month. This agreement had been terminated in 2012 and there was no such fee paid to Baron Asset Management Limited for the current period.
- (iii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the “Sharing of Administrative Office Agreement”) and a supplemental agreement entered into between the Company and Baron Asia Limited (the “Baron Asia”), the Company is entitled to share the use of the office premises and facilities with Baron Asia. Under the relevant agreements, the fee payable to Baron Asia was HK\$200,000 per month. This agreement had been terminated in 2012 and there was no such fee paid to Baron Asia for the current period.

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

- (iv) Pursuant to the brokerage agreement dated 5 July 2011 (the “Brokerage Agreement”) entered into between the Company and Ping An Securities Limited (the “Ping An Securities”), Ping An Securities provided the Company with brokerage service for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Under the Brokerage Agreement, the aggregate fee payable to Ping An Securities shall not exceed HK\$200,000 per annum. This agreement had been terminated in 2012 and there was no such fee paid to Ping An Securities for the current period.

Ping An Securities is indirectly wholly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company in previous year and resigned on 1 June 2012, and therefore Ping An Securities ceased to be the connected person of the Company.

- (v) Pursuant to the financial advisory agreement dated 8 July 2011 (the “Old Financial Advisory Agreement”) entered into between the Company and Baron Capital Limited (the “Baron Capital”). Baron Capital provided corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. On 3 October 2012, the Company entered into the new financial advisory agreement (the “New Financial Advisory Agreement”) with Baron Capital for the provision of corporate financial advisory services to the Company for a period of one year commencing from 4 October 2012 and expiring on 3 October 2013. Under the Old Financial Advisory Agreement and the New Financial Advisory Agreement, the aggregate fee payable to Baron Capital shall not exceed HK\$2,000,000 per annum and HK\$4,000,000 per annum respectively. There was no such fee paid to Baron Capital for the current period.

Baron Capital is indirectly wholly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company in previous year and resigned on 1 June 2012, and therefore Baron Capital ceased to be the connected person of the Company.

16. OPERATING LEASES

The Group as lessee

As at 30 June 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 June 2013 HK\$	Audited 31 December 2012 HK\$
Within one year	4,839,000	2,386,892
In the second to fifth year inclusive	1,821,150	3,332,394
	<u>6,660,150</u>	<u>5,719,286</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties.

17. FINANCIAL RISK MANAGEMENT

Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group’s financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), 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).

	Unaudited 30 June 2013			Total <i>HK\$</i>
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	
Available-for-sale financial assets				
Equity securities (<i>note a</i>)	145,225,016	—	—	145,225,016
Debt securities (<i>note b</i>)	—	—	5,523,640	5,523,640
	<u>145,225,016</u>	<u>—</u>	<u>5,523,640</u>	<u>150,748,656</u>

Notes:

- (a) The fair value of equity securities was determined by the closing price quoted on the Hong Kong Stock Exchange or the London Stock Exchange as at 30 June 2013 and were classified as Level 1 of the fair value hierarchy.
- (b) The fair value of debt securities was determined by the discounted cash flow analysis using the applicable yield curve and were classified as Level 3 of the fair value hierarchy.

	Unaudited 30 June 2013			Total <i>HK\$</i>
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	
Financial assets designated as held for trading				
Equity securities (<i>note a</i>)	<u>250,272</u>	<u>—</u>	<u>—</u>	<u>250,272</u>

Note:

- (a) The fair value of equity securities was determined by the closing price quoted on the Hong Kong Stock Exchange as at 30 June 2013 and were classified as Level 1 of the fair value hierarchy.

Level 3 movement tables

	Available-for-sale financial assets Unquoted debt securities <i>HK\$</i>
Financial assets At 1 January and 30 June 2013	<u>5,523,640</u>
Total gain recognised in the condensed consolidated statement of profit or loss relating to assets held at 30 June 2013	<u>—</u>

There were no transfers among all levels for the six months ended 30 June 2013.

	Audited 31 December 2012			Total <i>HK\$</i>
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	
Available-for-sale financial assets				
Equity securities (<i>note a</i>)	117,117,922	—	—	117,117,922
Debt securities (<i>note b</i>)	—	—	5,523,640	5,523,640
	<u>117,117,922</u>	<u>—</u>	<u>5,523,640</u>	<u>122,641,562</u>

Notes:

- (a) The fair value of equity securities was determined by the closing price quoted on the Hong Kong Stock Exchange or the London Stock Exchange as at 31 December 2012 and were classified as Level 1 of the fair value hierarchy.
- (b) The fair value of debt securities was determined by the discounted cash flow analysis using the applicable yield curve and were classified as Level 3 of the fair value hierarchy.

	Audited 31 December 2012			Total HK\$
	Level 1	Level 2	Level 3	
	HK\$	HK\$	HK\$	
Financial assets designated as held for trading				
Equity securities (<i>note a</i>)	20,424,000	—	—	20,424,000

Note:

- (a) The fair value of equity securities was determined by the closing price quoted on the Hong Kong Stock Exchange as at 31 December 2012 and were classified as Level 1 of the fair value hierarchy.

Level 3 movement tables

	Available-for-sale financial assets	
	Unquoted equity securities HK\$	Unquoted debt securities HK\$
Financial assets		
At 1 January 2012	50,200,000	—
Additions	—	5,523,640
Disposals	(50,200,000)	—
At 31 December 2012	—	5,523,640
Total gain recognised in the consolidated statement of profit or loss relating to assets held at 31 December 2012	—	—

There were no transfers among all levels for the year ended 31 December 2012.

18. CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2013, the Group reported a loss of approximately HK\$8.3 million (six months ended 30 June 2012: loss of approximately HK\$12.2 million). The decrease in loss was mainly attributed to the decrease in realised loss on disposal of available-for-sale financial assets.

Liquidity and Financial Resources

As at 30 June 2013, the Group had cash and cash equivalents of approximately HK\$9.9 million (31 December 2012: approximately HK\$31.2 million). The decrease in cash and cash equivalents was mainly due to the increase of investment on equity securities during the period. Cash and cash equivalents represented approximately 5.7% of the Group's total assets as at 30 June 2013.

The Group's gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity was not applicable as the Group did not have any bank loans or borrowing as at 30 June 2013 and 31 December 2012 respectively.

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

Prospect

Whether the Federal Reserve System will taper its Quantitative Easing programs in the next few months could cause great uncertainty and volatility in the global financial market. Rising interest rates and crude oil price will further exacerbate global economic slowdown. Within such a precarious and challenging environment, the Directors are in favor of defensive measure and prudent investment strategy. We will look for "value" stocks with solid fundamentals.

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

As at 30 June 2013, none of the Directors, chief executive of the Company or their associated had any interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required, pursuant of the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following person or corporations interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interest in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Name	Note	Number of Shares	Type of interest	Approximately percentage of issued share capital of the Company
Hung Chao Hong	1	229,468,305	Interest of controlled corporation	29.99%

Note:

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

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

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2013, the Company had complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save for the deviation from code provision A.2.1 and E.1.2 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 not appointed individuals to the posts of chairman and chief executive. The board is in the process of identifying suitable candidates to fill in the vacancies for chairman and chief executive in compliance with the requirement of the Code Provision A.2.1. Further announcement will be made by the Company with regard to the new appointment of chairman and chief executive of the Company in due course.

Code Provision E.1.2

In accordance with Code Provision E.1.2, it stipulates that the chairman of the board should attend the annual general meeting (“AGM”). No chairman of the board had attended the AGM of the Company held on 27 June 2013 as the board is in the process of identifying suitable candidate to fill in the vacancies for chairman. The said AGM was chaired by an executive Director.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chung Kin, Quentin (as chairman), Mr. Ng Man Fai, Matthew and Mr. Tsang Kwok Wa, Edward. 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 2013 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the website of the Company at www.cifund.com.hk. The Company’s interim report for the six months ended 30 June 2013 will be published at the same websites and will be despatched to the Company’s shareholders in due course.

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

Hong Kong, 28 August 2013

As at the date of this announcement, the executive Directors are Mr. Luk Hong Man, Hammond, Mr. Ye Yinggang and Mr. Zhang Xi; and the independent non-executive Directors are Mr. Wong Chung Kin, Quentin, Mr. Tsang Kwok Wa, Edward and Mr. Ng Man Fai, Matthew.

* *For identification purpose only*