

**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)*  
**(Stock Code: 1227)**

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006**

The board of directors (the “Board”) of China Financial Industry Investment Fund Limited (the “Company”) announces the audited results of the Company for the year ended 31 December 2006 with comparative figures for the year ended 31 December 2005 as follows:

**INCOME STATEMENT**

*for the year ended 31 December 2006*

	<i>Notes</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Turnover	3	<b>142</b>	4,033
Cost of sales		<b>(203)</b>	(4,904)
Gross loss		<b>(61)</b>	(871)
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss		<b>(218)</b>	195
Reversal of impairment loss on investment deposits		<b>1,300</b>	–
Impairment loss on available-for-sale financial assets		<b>(2,120)</b>	(430)
Impairment loss on investment deposits		<b>–</b>	(1,300)
Other operating expenses	5	<b>(1,641)</b>	(2,320)
Loss before income tax		<b>(2,740)</b>	(4,726)
Income tax expenses	6	<b>–</b>	–
Loss for the year		<b>(2,740)</b>	(4,726)
Attributable to:			
Equity holders of the Company		<b>(2,740)</b>	(4,726)
Loss per share	7		
Basic, in HK cents		<b>(4.57)</b>	(8.18)
Diluted		<b>N/A</b>	N/A

**BALANCE SHEET**  
at 31 December 2006

	2006 HK\$'000	2005 HK\$'000
<b>Non-current assets</b>		
Available-for-sale financial assets	1,350	2,170
<b>Current Assets</b>		
Financial assets at fair value through profit or loss	231	652
Prepayment, deposits and other receivables	–	83
Cash and bank balances	51	62
	282	797
<b>Total Assets</b>	<b>1,632</b>	<b>2,967</b>
<b>Equity:</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	600	600
Reserves	(2,508)	232
<b>Total equity</b>	<b>(1,908)</b>	<b>832</b>
<b>Current Liabilities</b>		
Accrued charges and other payable	1,083	1,004
Amount due to a related company	–	131
Amounts due to directors	2,457	1,000
	3,540	2,135
<b>Total Liabilities</b>	<b>3,540</b>	<b>2,135</b>
<b>Total Equity and Liabilities</b>	<b>1,632</b>	<b>2,967</b>
<b>Net Current Liabilities</b>	<b>(3,258)</b>	<b>(1,338)</b>
<b>Total Assets Less Current Liabilities</b>	<b>(1,908)</b>	<b>832</b>

**NOTES:**

**1. BASIS OF PREPARATION**

The financial statements of China Financial Industry Investment Fund Limited have been prepared on a going concern basis. The Company had net loss of HK\$2,740,000 (2005: HK\$4,726,000) and accumulated losses of HK\$25,342,000 (2005: HK\$22,602,000) and its continuance in business as a going concern is dependent upon the Company having future profitable operations and continuing financial support from directors of the Company. The financial statements have been prepared on a going concern basis as a director of the Company have confirmed to provide continuing financial support to the Company in the form of interest-free advances to the extent of HK\$5,000,000 to enable it to settle its liabilities as and when they fall due.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The Company has adopted the following new and revised HKFRSs that are mandatory for financial year beginning on and after 1 December 2005 or 1 January 2006. The new HKFRSs adopted by the Company in the financial statements are set out as follows:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of these new and revised standards and interpretation has no material effect on the financial statements of the Company.

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>7</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>8</sup> Effective for annual periods beginning on or after 1 January 2008

### 3. TURNOVER

Turnover represents sales of listed and unlisted financial assets during the year. The amount of each significant category of revenue recognised during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
<b>Turnover:</b>		
Sale of financial assets at fair value through profit or loss	142	129
Sale of available-for-sale financial assets	–	3,890
Dividend received	–	9
Bank interest income	–	5
	<u>142</u>	<u>4,033</u>

In the opinion of the directors, as an investment company, all income arising from financial assets including dividend and bank interest income should be classified as turnover from the principal activities of the Company.

### 4. SEGMENT INFORMATION

During the year ended 31 December 2006, the Company's entire turnover was derived from sale of financial assets at fair value through profit or loss in Hong Kong, no business and geographical segmental information on turnover are presented.

During the year ended 31 December 2005, more than 90% of the Company's turnover was derived from sale of available-for-sale financial assets in Hong Kong, no business and geographical segmental information on turnover are presented.

The Company's segment assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		The UK		The PRC		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,251	2,452	231	515	150	–	1,632	2,967
Segment liabilities	<u>3,540</u>	<u>2,135</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,540</u>	<u>2,135</u>

### 5. EXPENSES BY NATURE

Administrative expenses are analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Auditors' remuneration	180	200
Employee benefit expenses	525	523
Legal and professional fee	<u>188</u>	<u>573</u>

### 6. INCOME TAX EXPENSES

#### Current Taxation

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the year (2005: Nil).

#### Deferred Taxation

No provision for deferred taxation has been made as the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

## **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\$2,740,000 (2005: HK\$4,726,000) and the 60,000,000 (2005: 57,808,000) weighted average ordinary shares in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2005 and 2006, therefore, no diluted loss per share has been presented.

## **8. DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005: Nil).

## **EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT**

The financial statements for the year ended 31 December 2006 have been audited by the auditors. The auditors' report of the financial statements for the year ended 31 December 2006 contained a modified opinion. The following are extracted from the auditors' report:

"Without qualifying our opinion, we draw attention to Note 2(b) to the financial statements which indicates that the Company incurred a net loss of approximately HK\$2,740,000 during the year ended 31 December 2006 and, as of that date, the Company's current liabilities exceeded its total assets by approximately HK\$1,908,000. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern."

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

During the year ended 31 December 2006, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has during the year ended 31 December 2006 complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"), except the following aspects:

1. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.
2. Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Company is an investment company and principally engaged in investments in a diversified portfolio of listed and unlisted companies mainly in the United Kingdom (the "UK"), Hong Kong and the People's Republic of China (the "PRC"). There was no change in the nature of the Company's principal activity during the year.

As at 31 December 2006, investment portfolio of the Company consisted of listed security with total market value of HK\$231,000 (2005: HK\$652,000) and unlisted securities amounted to HK\$1,350,000 (2005: HK\$2,170,000).

The Board has resolved not to recommend a dividend.

For the year ended 31 December 2006, the Company recorded a net loss of HK\$2,740,000 (2005: HK\$4,726,000) and this was mainly attributable to the impairment loss on available-for-sale financial assets of HK\$2,120,000 (2005: HK\$430,000) and directors' remuneration of HK\$525,000 (2005: HK\$523,000).

The Company was holding a listed company security, Bolton Group (International) Limited. Apart from the above listed security, the Company had also made investments in unlisted companies, Harbin Dongfang (Hong Kong) Food Co. Ltd., Netters Land Management Limited and Netx Limited. The Company did not receive any dividend income (2005: HK\$9,000) during the year ended 31 December 2006. The Board is optimistic to the future prospects of these companies in their respective lines of businesses and expects attractive return on investments and medium-term capital appreciation.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2006, the Company had retained cash of HK\$51,000 (2005: HK\$62,000). As all the retained cash was placed in Hong Kong Dollars account with the bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current liabilities of HK\$3,258,000 (2005: HK\$1,338,000) and no borrowings or long term liabilities as at 31 December 2006. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2006, was undefined (2005: 2.567) due to that the Company had a net liabilities value of HK\$1,908,000 as at 31 December 2006.

## **EMPLOYEES**

As at 31 December 2006, the Company had 6 (2005: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the year under review amounted to HK\$525,000 (2005: HK\$523,000). 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.

During the year under review, no option has been granted or agreed to be granted under the share option scheme.

## **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 31 December 2006 (2005: Nil).

## **PROSPECTS**

In 2007, the Company will continue to identify and pursue investment opportunities in Hong Kong, the PRC and other areas in accordance with the Company's investment objectives and policies.

In view of the remarkable economic growth in the PRC and Hong Kong in the coming years, it is expected that direct foreign investments in the PRC and Hong Kong will also be strong and positive. The Board believes that Hong Kong can take advantage of the blooming economy of the PRC to give strong support to its domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities arisen in Hong Kong and/or the PRC. The Company will also work closely with its investment manager to identify suitable investment targets and to continue to make investments with potentials in short to medium term in order to maximize returns to shareholders. We are of the opinion that any short-term turbulence in the capital markets may actually represent opportunities to acquire profitable investment.

## **ADOPTION OF THE MODEL CODE**

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2006. The Model Code also applies.

## **AUDIT COMMITTEE**

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters for the year ended 31 December 2006.

## **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All the financial and other related information of the Company required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be dispatched to the shareholders of the company and published on the Stock Exchange's website in due course.

On behalf of the Board  
**China Financial Industry Investment Fund Limited**  
**Tam Wai Keung, Billy**  
*Chairman*

Hong Kong, 13 April 2007

*As of this date of announcement, Mr Tam Wai Keung, Billy, Mr Wu Tse Wai, Frederick and Mr Fong Chi Wah are the executive directors of the Company; and Mr Tang King Fai, Kelvin, Mr Wong Che Man, Eddy and Mr Lam Yuk Lau are the independent non-executive directors of the Company.*