

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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006 together with the comparative figures as follows:

CONDENSED INCOME STATEMENT

for the six months ended 30 June 2006

		30 June 2006 (Unaudited)	30 June 2005 (Unaudited) (Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	142	3,891
Cost of sales		(203)	(3,900)
Gross loss		(61)	(9)
Reversal of provision for impairment loss of investment deposits		1,300	–
Unrealised holding profit/(loss) on available-for-sale financial assets		63	(317)
Other operating expenses	5	(998)	(1,392)
Profit/(loss) before income tax		304	(1,718)
Income tax expense	6	–	–
Profit/(loss) for the period		304	(1,718)
Attributable to:			
Equity holders of the Company		304	(1,718)
Interim dividend	7	–	–
Earnings/(loss) per share	8		
Basic, in HK cents		0.51	(3.44)
Diluted		N/A	N/A

CONDENSED BALANCE SHEET
at 30 June 2006

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Non-current assets		
Available-for-sale financial assets	2,170	2,170
Current assets		
Financial assets at fair value through profit or loss	512	652
Prepayments, deposits and other receivables	1,328	83
Cash and bank balances	31	62
	1,871	797
Total assets	4,041	2,967
Equity:		
Capital and reserves attributable to the Company's equity holders		
Share capital	600	600
Reserves	536	232
Total equity	1,136	832
Current liabilities		
Accrued charges and other accounts payable	1,325	1,004
Amount due to a related company	–	131
Amounts due to a director	1,580	1,000
	2,905	2,135
Total liabilities	2,905	2,135
Total equity and liabilities	4,041	2,967
Net current liabilities	1,034	1,338
Total assets less current liabilities	1,136	832

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong, UK and PRC. The shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICY

The condensed financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and available-for-sale financial assets which are measured at fair value.

The accounting policies used in the condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2005, except as described below:

In the current interim period, the Company has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or 1 January 2006 respectively. The application of these new HKFRSs has no material effect on how the results of operations and financial position of the Company are prepared and presented.

The Company has not early applied the following new HKFRSs that have been issued but are not yet effective. The Company has commenced considering the potential impact of these new HKFRSs. The management anticipates the application of these new HKFRSs will have no material impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION

During the six months ended 30 June 2006, all of the Company's turnover was derived from sales 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 six months ended 30 June 2005, more than 90% of the Company's turnover was derived from sale of available-for-sale financial assets in the British Virgin Islands, 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 UK		PRC		Total	
	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Segment assets	2,229	2,452	512	515	1,300	–	4,041	2,967
Segment liabilities	2,905	2,135	–	–	–	–	2,905	2,135

4. TURNOVER

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

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) (Restated) HK\$'000
Turnover:		
Sale of financial assets at fair value through profit or loss	142	–
Sale of available-for-sale financial assets	–	3,890
Dividend received	–	–
Bank interest income	–	1
	142	3,891

5. EXPENSES BY NATURE

Administrative expenses are analysed as follows:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) (Restated) HK\$'000
Employee benefits expenses	263	261
Legal and professional fees	187	248

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax is required as the Company has available tax relief for losses brought forward from previous years, which exceeds the estimated assessable profit for the period (30 June 2005: Nil).

7. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Company's net profit attributable to the shareholders of HK\$304,000 (30 June 2005: net loss of HK\$1,718,000) divided by the number of shares outstanding during the period, being 60,000,000 (30 June 2005: 50,000,000).

There were no dilutive potential shares during the periods ended 30 June 2005 and 30 June 2006, therefore, no diluted earnings/(loss) per share have been presented.

9. COMPARATIVE FIGURES

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

10. SUBSEQUENT EVENTS

Prepayments, deposits and other receivable included an investment deposit of HK\$1,300,000 in respect of the Company's acquisition of 6% in Harbin Dongfang (Hong Kong) Food Company Limited. The ownership of 6% interests has been ascertained on 24 July 2006. Therefore, such deposit will be reclassified as available-for-sales financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

As at 30 June 2006, investment portfolio of the Company consisted of listed security with market value of HK\$512,000 (31 December 2005: HK\$652,000) and unlisted securities amounted to HK\$2,170,000 (31 December 2005: HK\$2,170,000).

For the six months ended 30 June 2006, the Company recorded a net profit of HK\$304,000 (30 June 2005: net loss of HK\$1,718,000) and this was mainly attributable to the reversal of provision for impairment loss of investment deposits of HK\$1,300,000 (30 June 2005: Nil) and unrealised holding profit on available-for-sale financial assets of HK\$63,000 (30 June 2005: loss of HK\$317,000).

The Company was managing a portfolio of diversified securities covering a range of industry sectors to achieve risk diversification. The Company had made an investment in listed company, Bolton Group (International) Limited, and also made investment in unlisted companies. The Company did not receive any dividend income during the period ended 30 June 2006 (30 June 2005: Nil). The Board is optimistic to the future prospects of these companies in their respective lines of businesses, and is expecting attractive returns 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 2006 (30 June 2005: Nil).

Liquidity and Financial Resources

As at 30 June 2006, the Company had retained cash of HK\$31,000 (31 December 2005: HK\$62,000). As most of the retained cash was placed in Hong Kong Dollars with the bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current liabilities of HK\$1,034,000 (31 December 2005: HK\$1,338,000) and no borrowings or long-term liabilities as at 30 June 2006. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2006, was 2.56 (31 December 2005: 2.57).

Employees

As at 30 June 2006, the Company had 6 (31 December 2005: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the interim period amounted to HK\$263,000 (30 June 2005: HK\$261,000). 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 employee.

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 2006 (31 December 2005: Nil).

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

During the six months ended 30 June 2006, the Company has not purchased, sold nor redeemed any of its listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICE

The Company was committed to maintain high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises three executive directors and three independent non-executive directors. The Company has complied with the Code of Corporate Governance Practices ("Code Provisions") set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange during the six months ended 30 June 2006, with derivation from code provision A1.9 and A4.4.

Code Provision A1.9

The Company is still contemplating the appropriate level of insurance cover in respect of legal action against its directors and accordingly it has not arranged insurance cover for its directors as required by the code provision numbered A1.9.

Code Provision A4.4

The Board is responsible for considering the suitability of an individual to act as a director and approving and terminating the appointment of directors. Considering the small size of the Board, the Company has not established and currently does not have any plan to set up Nomination Committee as required by the code provision numbered A4.4.

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 2006. 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 2006.

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 financial reporting matters including a review of the Company's unaudited interim financial statements for the six months ended 30 June 2006.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 June 2006 containing relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange in due course.

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

Hong Kong, 26 September 2006

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 Lam Yuk Lau, Mr Tang King Fai, Kelvin and Mr Wong Che Man, Eddy are the independent non-executive directors of the Company.