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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** about any aspect of this circular or as to the action to be taken, you should consult appropriate independent advisers to obtain independent professional advice.

**If you have sold or transferred** all your shares in China Investment Fund Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

### CONNECTED TRANSACTIONS CONTINUING CONNECTED TRANSACTIONS PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL AND RE-ELECTION OF RETIRING DIRECTOR

**Independent Financial Adviser  
to the Independent Board Committee and Independent Shareholders**

**VEDA | CAPITAL**  
智略資本

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The IBC Letter (as hereinafter defined) containing the recommendation of the Independent Board Committee to the Independent Shareholders (as hereinafter defined) in relation to the Connected Transactions and the Continuing Connected Transactions is set out on pages 56 to 57 of this circular. A letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Connected Transactions and the Continuing Connected Transactions is set out on pages 58 to 85 of this circular.

A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at 4/F., Aon China Building, 29 Queen’s Road Central, Hong Kong, on 30 April 2010 at 9:30 a.m. or any adjournment thereof is set out on pages 179 to 181 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

14 April 2010

\* For identification purpose only

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*The following is the text of a letter, a summary of valuation prepared for the purpose of incorporation in this circular received from Savills, an independent valuer, in connection with its valuation as at 31 October 2009 of 17.5% equity interest in Shiyan Hao Shun Mineral Company Limited.*



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14 April 2010

Dear Sirs,

**VALUATION OF 17.5% EQUITY INTEREST IN SHIYAN HAO SHUN MINERAL COMPANY LIMITED (十堰浩舜礦業有限責任公司)**

In accordance with your instructions, we have undertaken a valuation on behalf of China Investment Fund Company Limited (the "Company") to determine the Market Value (as defined below) of 17.5% equity interest in Shiyan Hao Shun Mineral Company Limited (十堰浩舜礦業有限責任公司) (hereinafter referred to as "Shiyan Hao Shun") as at 31 October 2009 (the "Valuation Date").

Shiyan Hao Shun is incorporated in the PRC on 12 January 2007 with a registered capital of RMB5,000,000. Shiyan Hao Shun is principally engaged in the business of talc mining. The principal asset of Shiyan Hao Shun is its mining right of the Talc Mine. As informed by Shiyan Hao Shun, the mining right of the Talc Mine was expired in November 2009 and it has already made an application for the renewal thereof to the relevant PRC governmental authorities. The term for the mining right will be 5 years and the production capacity will increase from 20,000 tonnes per annum to 80,000 tonnes per annum.

The purpose of this valuation is to express an independent opinion of the Market Value of Shiyao Hao Shun as at the Valuation Date for internal reference purpose.

Our valuation is our opinion of the Market Value which is defined as “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

### **VALUATION METHODOLOGY AND BASIS**

The approach of the valuation follows CIMVAL standard.

The valuation procedures employed include the review of physical and economic conditions of the subject asset and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we consider essential to the proper understanding of the valuation are disclosed in our valuation report.

In arriving at our assessed value, we have considered three accepted approaches. They are market approach, cost approach and income approach. In this valuation, the market approach is not appropriate as there are insufficient comparable transactions to form reliable basis for our opinion of value. The cost approach is not appropriate as it ignores the economic benefits of ownership of the business. We have therefore relied solely on the income approach in determining our opinion of value.

It is generally acceptable to use mineral resources in the income approach if mineral reserves are also present and if, in general, mined ahead of the mineral resources in the same income approach model, provided that the mineral resources as depicted in the income approach model are likely to be economically viable. Based on the consultant report prepared by Beijing ZUOSI Information Consulting Co. Ltd. provided by the Company and technical report prepared by Mine Mappers L.L.C., such mineral resources and reserves are both economically viable.

We have taken reference to Beijing ZUOSI’s forecast on talc selling price in forming the opinion. As Beijing ZUOSI is only the market analyst to provide future trends, it does not qualify as an expert under Listing Rules Chapter 1, which includes engineer, valuer, accountant and any other person whose profession gives authority to a statement made by him. We have taken into consideration of current technical report to form the opinion.

We have adopted the income approach technique known as discounted cash flow method to assess the Market Value of Shiyao Hao Shun. Under the said method, we have discounted the projected cash flow of Shiyao Hao Shun to present worth based on profit and cash flows forecast prepared by Mine Mappers, L.L.C., other relevant documents and financial information provided by Shiyao Hao Shun and the Company.

For the purpose of our valuation, we have derived the future cash flows of Shiyao Hao Shun based on the available information and presently prevailing operating conditions of the business and by taking into consideration of other pertinent factors which basically include the followings:

- the market and the business risks of Shiyao Hao Shun;
- the general economic outlook as well as specific investment environment for the business;
- the nature and current financial status of Shiyao Hao Shun;
- the historical performance of Shiyao Hao Shun;
- the market expectation and required rate of return for similar business; and
- the assumptions as stated in the Specific and General Assumptions of this report.

When evaluating the appropriate rate for Shiyao Hao Shun, we have used the Capital Assets Pricing Model (the “CAPM”). Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of Shiyao Hao Shun is expected to be affected by other firm specific risk factors that are independent of the general market. The discount rate of approximately 17% per annum was determined by risk free rate of approximately 3.54%, market return(included risk free rate) of approximately 10%, size discount factor of 5% and firm specific factors of 2%. The estimated unlevered beta of Shiyao Hao Shun was estimated by the companies (Guangdong Highsun Yongye (Grp) Co., Ltd. (000861.SZ), Whitemud Resource (TSXV: WMK), Black Bull Resources (TSXV: BBS-V) and Infrastructure Materials Corp. (OCTBB: IFAM)).

When evaluating the appropriate rate for Shiyao Hao Shun, we have used the CAPM. Under CAPM, comparable companies are used and selected from following criteria: (1) same/similar industry and product to subject company (2) actively trade in market (3) public information are available. The appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of Shiyao Hao Shun is expected to be affected by other firm specific risk factors that are independent of the general market.

Under the CAPM, four companies that engaged in kaolin and limestone business, which are with the most similar business and product to the subject company and with public information available are selected as comparable companies. Among these comparable companies, one is listed on the PRC stock exchange, two are listed on the Canadian stock exchange and one is listed on the US stock exchange. As the PRC company has a higher discount rate as compare to the other three companies, we have imposed a high size discount rate, 5%, in order to mitigate any effect from high standard deviation of parameters extracted from those 4 companies.

The US Risk Free Rate is 3.50% based on the US Government long term bond rate as of October 30th, 2009. The US Market ROR (US Market Expected Return) used is 10.27%. (Data is provided by Bloomberg – October 30th, 2009)

The US Market Premium was calculated by:

US Market Premium = US Market ROR – US Risk Free Rate

6.77% = 10.27% – 3.5%

The Canadian Risk Free Rate is 3.48% based on the Canadian Government long term bond rate as of October 30th, 2009. The Market ROR (Canadian Market Expected Return) used is 11.16%. (Data is provided by Bloomberg – October 30th, 2009)

The Canadian Market Premium was calculated by:

Canadian Market Premium = Canadian Market ROR – Canadian Risk Free Rate

$$7.68\% = 11.16\% - 3.48\%$$

The China Risk Free Rate is 3.73% based on the Chinese Government long term bond rate as of October 30th, 2009. The Market ROR (China Market Expected Return) used is 15.73%. (Data is provided by Bloomberg – October 30th, 2009)

The China Market Premium was calculated by:

China Market Premium = China Market ROR – China Risk Free Rate

$$12.0\% = 15.73\% - 3.73\%$$

The estimated beta for the Talc Project was calculated by using avg. comparable 3-years beta (provided by Bloomberg) of similar Industrial Minerals Mining Companies that are listed in US, Canada and China:

Guangdong Highsun Yongye (Grp) Co., Ltd (000861.sz) = 1.143 beta

Cost of Capital = China Risk Free Rate + (000861.sz beta \* China Market Premium)

$$17.45\% = 3.73\% + (1.143 * 12\%)$$

Whitemud Resource (TSXV: WMK) = 0.746 beta

Cost of Capital = Canada Risk Free Rate + (WMK beta \* Canada Market Premium)

$$9.21\% = 3.48\% + (0.746 * 7.68\%)$$

Black Bull Resources (TSXV: BBS-V) = 0.819 beta

Cost of Capital = Canada Risk Free Rate + (WMK beta \* Canada Market Premium)

$$9.77\% = 3.48\% + (0.819 * 7.68\%)$$

Infrastructure Materials Corp. (OTCBB: IFAM) = 0.198 beta

Cost of Capital = US Risk Free Rate + (IFAM beta \* US Market Premium)

$$4.84\% = 3.50\% + (0.198 * 6.77\%)$$

The average Cost of Capital of the comparable companies is calculated to be approximately 10.32% which is used as the unadjusted Cost of Capital of the Talc Project.

$$10.32\% = (17.45\% + 9.21\% + 9.77\% + 4.84\%)/4$$

Due to the various stages and scales of projects from comparable Industrial Minerals Mining Companies, a Size Discount and Specific Risk factors are needed to more accurately reflect the risk of the Talc project. The Size Discount in accordance to professional valuation industry practices is by using ranges of (-0.37% to 6.36%) to account for the Market Cap differences. Talc project selected to use a Size Discount of 5%\* (high range) to account for the scale difference. The specific risk is 2% to account for the Talc Project has not started production.

Adjusted Cost of Capital = Cost of Capital + Size Discount + Specific Risk)

$$(17.32\% = 10.32\% + 5\% + 2\%)$$

A sensitivity analysis was prepared based on discount rates ranging from 16% to 18%. The sensitivity result of 17.5% equity interest in the Company falls in the range of RMB16.9 million to RMB18.2 million.

#### Discount Rates

	<b>Results</b> <i>(RMB million)</i>
16%	18.2
17%	17.5
18%	16.9

We have been provided with extracts of copies of relevant documents and financial information relating to Shiyan Hao Shun. We have relied upon the aforesaid information in forming our opinion of the Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Company and Shiyan Hao Shun that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

On-site inspections were taken, and the properties and works were found to be in a condition that can perform the required purpose. We did not carry out any structural survey or on-site measurements. We are not able to report that the relevant properties are free from rot, infestation or any other structural defect.

**SPECIFIC ASSUMPTIONS**

In the course of valuation, the following specific assumptions and caveats have been made. We have based on the followings to conclude the Market Value of Shiyan Hao Shun.

- The mining right of Shiyan Hao Shun will expire in November 2009. We have assumed that Shiyan Hao Shun can renew the mining right continuously in the future;
- Based on the planning of Shiyan Hao Shun, the production will be 35,000 tonnes in 2010 and 80,000 tonnes in 2011 and afterwards. We have assumed that related formal government approval for expansion can be obtained;
- We have assumed that Shiyan Hao Shun has exercised due diligence on profit and cash flow forecast provided by the Company which is fair and appropriate;
- Based on the instruction from the Company, the capital expenditure of plant and machineries will be borne by one of the existing shareholders of Shiyan Hao Shun, which is considered in our valuation;
- We have assumed that the projected business can be achieved with the effect of the management of Shiyan Hao Shun;
- We have assumed that the accuracy of financial and operational information provided to us by Shiyan Hao Shun and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

**GENERAL ASSUMPTIONS**

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in the preparation of the reported assessed figures. The assumptions are:

- All required licences, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed or replaced on which the valuation contained in our report are based;



- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which Shiyao Hao Shun carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;
- Shiyao Hao Shun has obtained all necessary permits and approvals to carry out mining and business operations in the talc mines;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- Shiyao Hao Shun will retain its key management and technical personnel to maintain its ongoing operations.
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- Shiyao Hao Shun will remain free from claims and litigation against the business or its customers that will have a material impact on value;
- Shiyao Hao Shun is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;
- The business is not subject to any unusual or onerous restrictions or encumbrances; and
- The potential bad debt of Shiyao Hao Shun will not materially affect its business operations.

### **LIMITING CONDITIONS**

We have to a considerable extent relied on the financial data and other related information provided by Shiyao Hao Shun and the Company. We are not in a position to comment on the lawfulness of the business.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

**MANAGEMENT CONFIRMATION OF FACTS**

A draft of this report and our calculation has been sent to management of Shiyao Hao Shun and the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

**REMARKS**

Unless otherwise stated, all money amounts are stated in Renminbi.

We hereby confirm that we have neither present nor prospective interests in Shiyao Hao Shun and their respective holding companies, subsidiaries and associated companies, Shiyao Hao Shun and its subsidiaries, or the value reported herein.

The conclusion of value is based on accepted valuation procedures and practices that rely on substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Shiyao Hao Shun and us.

**OPINION OF THE VALUE**

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that the Market Value of 17.5% equity interest in Shiyao Hao Shun as at 31 October 2009 was reasonably stated by the amount of RMB17,500,000 (RENMINBI SEVENTEEN MILLION AND FIVE HUNDRED THOUSAND).

Yours faithfully  
For and on behalf of  
**Savills Valuation and Professional Services Limited**

**Charles C K Chan**  
*MSc FRICS FHKIS MCI Arb RPS(GP)*  
*Managing Director*

**Paul Hung**  
*CBA ASA Bsc*  
*Business Valuer*

*Note:* Mr. Charles C K Chan is a Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer and has about 25 years' experience in the valuation of properties in Hong Kong and has extensive experience in company valuation in Hong Kong and the PRC.

Mr. Paul Hung is a Certified Business Appraiser, ASA, BSc who has over 10 years experience in valuation of mineral resources projects in Hong Kong and the PRC.