

Management Statement

I am pleased to present to the shareholders the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2003.

BUSINESS AND INVESTMENT REVIEW AND PROSPECT

For the year ended 31 December 2003, HK\$500,000 turnover was recorded by the Group (year ended 31 December 2002: nil). Net loss amounted to approximately HK\$4,562,000 (year ended 31 December 2002: HK\$5,644,000).

During the year under review, the Group made a prudent investment of approximately HK\$2,821,000 in Hong Kong listed companies, which are principally engaged in business of exhibition and direct investment in Hong Kong respectively. However, the business of the Group has been adversely affected by the unfavourable investment climate in the Hong Kong stock market. As a result, the Group recorded an unrealised loss on revaluation of investments in securities of approximately HK\$324,000 (year ended 31 December 2002: HK\$1,882,000). Despite the prevailing poor investment sentiment, Directors believe that investment in the Hong Kong listed companies will bring profits to the Group in the long run.

The net proceeds from the share offer not deployed for daily operation and investments were placed on deposits with financial institutions in Hong Kong. The Group recorded interest income of approximately HK\$135,000 (year ended 31 December 2002: HK\$450,000) during the year.

The Group is open-minded on all investment opportunities. The Directors of the Company will always take a cautious and prudent approach in formulating the Group's overall investment strategies and making investment decisions. With the extensive investment experience of the Directors, the Group has confidence and determination to meet challenges in the new era, with a view to maximising returns for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a highly liquid balance sheet. As at 31 December 2003, the Group was cash-rich and had no long-term borrowing. Bank balances and cash amounted to approximately HK\$14,505,000 (at 31 December 2002: HK\$28,429,000) and accounted for 56.8% (at 31 December 2002: 94.7%) of total current assets.

The gearing ratio (total non-current liabilities/total shareholders' funds) as at 31 December 2003 was nil (at 31 December 2002: nil).

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There were no capital commitments as at 31 December 2003 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong currency.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the Group had 5 employees (including Directors of the Company). Total staff costs amounted to approximately HK\$1,438,000 (year ended 31 December, 2002: HK\$2,109,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Employee benefits provided by the Group include mandatory provident fund scheme, medical scheme, discretionary performance -related bonus and share option scheme.

AUDIT COMMITTEE

The Audit Committee, comprising two independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. They have also reviewed the Company's audited financial statements for the year ended 31 December 2003.

Wan Chuen Hing, Alexander

Director

Hong Kong, 29 April 2004