

Management Discussion and Analysis

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company" and its subsidiaries (collectively, the "Group")) for the year ended 31 December 2005.

OPERATING REVIEW

The Group was principally engaged in investment in both listed and unlisted securities. The Group held listed equity investments in Hong Kong. During the year, the Group has continued to diversify its investment portfolio in both unlisted and debt securities.

OPERATING RESULTS

The Group reported an audited turnover of approximately HK\$28,208,000 for the year ended 31 December 2005 (year ended 31 December 2004: approximately HK\$10,675,000). Net loss amounted to approximately HK\$17,838,000 for the year ended 31 December 2005 (year ended 2004: net loss of approximately HK\$2,105,000).

The business of the Group has not been benefited by the favourable investment climate in the Hong Kong stock market. As a result, the Group recorded a loss on investments in securities of approximately HK\$3,484,000 as at 31 December 2005 (at 31 December 2004: gain of approximately HK\$709,000). Directors believe that investment in the Hong Kong listed companies will bring profits to the Group in long run.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK\$10,924,000 as at 31 December 2005 (at 31 December 2004: approximately HK\$38,259,000). The Group had no borrowing and had not obtained any credit facilities from financial institutions during the year.

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group did not have any bank loans or borrowings as at 31 December 2005 and 2004.

There were no capital commitments as at 31 December 2005 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.

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MATERIAL ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY

There were no material acquisition of subsidiaries and disposal of a subsidiary during the year ended 31 December 2005.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited and there has been no change in the capital structure of the Company for the year under review.

EMPLOYEE INFORMATION

As at 31 December 2005, the Company had 2 executive Directors and 3 independent non-executive Directors and no employee. The Group provides its employees in remuneration packages based on their performance, experience and the prevailing industry practice.

PROSPECTS

The Directors will take a cautious and prudent approach in managing the Group's investment portfolio and develop the investment strategies. The Group is open-minded and will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Monday, 12 June 2006 to Friday, 16 June 2006, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting to be held in Monday, 19 June 2006, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 15 June 2006.

By order of the board of
China Investment Fund Company Limited

Ng Hon Cheung, Sannio
Director

Hong Kong, 20 April 2006