

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 31st December, 2002.

INITIAL PUBLIC OFFERING

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 18th September, 2001. It was successfully listed on the Stock Exchange on 2nd January, 2002 following an issue of 60,000,000 new shares at an issue price of HK\$0.5 per share. The net proceeds arising from the initial public offering, after deduction of related expenses, amounted to approximately HK\$26,007,000. The listing exercise not only increased the Company's shareholder bases, but also significantly strengthened its capital to capture any investment opportunities which may arise in the forthcoming years.

BUSINESS AND INVESTMENT REVIEW AND PROSPECT

For the year ended 31st December, 2002, no turnover was recorded by the Group (period ended 31st December, 2001: nil). Net loss amounted to approximately HK\$5,644,000 (period ended 31st December, 2001: HK\$309,000).

Political environment in the People's Republic of China (the "PRC") remains stable, and economy grows healthily. Research and statistic figures from economists show optimistic scenario in the PRC property market. It is anticipated that PRC's recent entry into the World Trade Organisation (the "WTO") may further boost the property market for commercial and residential premises.

During the year under review, the Group made a prudent investment of approximately HK\$3,162,000 in the PRC real estate industry through investment in a Hong Kong listed company, which is principally engaged in property development and investment in the PRC. 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\$1,882,000 (period ended 31st December, 2001: nil). Despite the prevailing poor investment sentiment, Directors believe that investment in the PRC real estate industry 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\$450,000 (period ended 31st December, 2001: HK\$18,000) during the year.

In addition to making investment in the PRC real estate industry, the Group is actively seeking for other investment opportunities that will bring a steady long-term growth in the Group's performance. China's accession to the WTO and preferential policies for foreign investment in Western China leave huge and far-reaching influences on all industries in the PRC and Hong Kong. In the long run, economic activities will be boosted up and attractive investment opportunities will be brought about.

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 31st December, 2002, the Group was cash-rich and had no long-term borrowing. Bank balances and cash amounted to approximately HK\$28,429,000 (at 31st December, 2001: HK\$36,765,000) and accounted for 94.7% (at 31st December, 2001: 99.6%) of total current assets.

The gearing ratio (total non-current liabilities/total shareholders' funds) as at 31st December, 2002 was nil (at 31st December, 2001: nil).

There were no capital commitments as at 31st December, 2002 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 31st December, 2002, the Group had 11 employees (including Directors of the Company). Total staff costs amounted to approximately HK\$2,087,000 (period ended 31st December, 2001: HK\$296,000). 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 31st December, 2002.

Yu Yi Ping, Wallace
Managing Director

Hong Kong, 2nd April, 2003