

The directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 45.

The Directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 17 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 21. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2006 and 2005.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

REPORT OF THE DIRECTORS

DIRECTORS

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. Ng Hon Cheung, Sannio
Ms. Wan Ho Yan, Letty

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald
Mr. Cheng Wing Keung, Raymond
Mr. Lo Wah Wai

At the forthcoming annual general meeting of the Company ("AGM"), Messrs. Lo Wah Wai and Cheng Wing Keung, Raymond will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2006, none of the Directors, the chief executive of the Company or any of their associates had interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 18 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 18 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name of shareholders	Notes	Total number of ordinary shares held	Capacity	% of total issued shares
Cosmopolitan International Holdings Limited	1	130,896,000	Held by controlled corporation	27.27%
Ip Ki Cheung	2	92,616,000	Held by controlled corporation	19.30%
Lam Sai Mann	3	45,600,000	Held by controlled corporation	9.50%
Cheng Fat Ning, Lenda	4	44,164,000	Held by controlled corporation	9.20%
Wan Chuen Chung, Joseph	5	36,748,000	Held by controlled corporation	7.66%

Notes:

1. Apart from a direct holding of 4,484,000 shares in the Company, Cosmopolitan International Holdings Limited is deemed to be interested in 126,412,000 shares held by Core Success Limited. Core Success Limited is wholly owned by Cosmopolitan International Holdings Limited, whose shares are listed on the Stock Exchange.
2. Ip Ki Cheung is deemed to be interested 92,616,000 Shares held by Kenfair International (Holdings) Limited, a company with its shares listed on the main board of the Stock Exchange and which is owned as to approximately 50.05% by Capital Concord Profits Limited, which in turn is owned as to approximately 50% by Ip Ki Cheung.
3. Lam Sai Mann is deemed to be interested in 45,600,000 shares held by Joint Success Limited, which is wholly owned by Lam Sai Mann.
4. Cheng Fat Ning, Lenda is deemed to be interested in 44,164,000 shares held by Best News Investment Limited, which is wholly owned by Cheng Fat Ning, Lenda.
5. Wan Chuen Chung, Joseph is deemed to be interested in 36,748,000 shares held by Baron Capital Limited, which is indirectly wholly-owned by Wan Chuen Chung, Joseph.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than the connected transactions as disclosed in note 20 to the financial statements, there are no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

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

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2006, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company currently comprised solely of independent non-executive Directors, namely, Mr. Lo Wah Wai (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. All members of the Audit Committee have many years of accounting, financial and commercial management experience and expertise. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2006.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2006.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 46.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITORS

Messrs. Charles Chan, Ip & Fung CPA Ltd., KLL Associates CPA Limited and BDO McCabe Lo Limited acted as auditors of the Company for the years ended 31 December 2003, 2004 and 2005 respectively. Subsequent to BDO McCabe Lo Limited's resignation in 2006, Messrs. HLM & Co. Certified Public Accountants were appointed as auditors of the Company.

A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board

China Investment Fund Company Limited

Ng Hon Cheung, Sannio

Director

Hong Kong, 23 April 2007