

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the principal subsidiaries and associates are set out in notes 28 and 15 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 32.

An interim dividend of US¢0.5 per share amounting to US\$685,728 was paid to shareholders during the year. The Directors now recommend the payment of a final dividend of US¢0.8 or HK¢6.23 per share to the shareholders on the register of members on 25 May 2001, amounting to US\$1,097,165, and the retention of the remaining profit for the year of US\$1,869,834.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 59.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 19 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. FU Yuning (*Chairman*)

Dr. HUANG Dazhan

Mr. CHU Lap Lik, Victor

Mr. ZHANG Yun Kun

Mr. TSE Yue Kit

(appointed on 29 November 2000)

Ms. KAN Ka Yee, Elizabeth

(*alternate to Mr. CHU Lap Lik, Victor*)

Mr. ZHANG Zheng Ming

(resigned on 29 November 2000)

Non-executive Directors

The Hon. LI Kwok Po, David*

Mr. KUT Ying Hay*

Mr. POON Kwok Lim, Steven*

Mr. HOW Peck Huat

Mr. LUO Jiansheng

(appointed on 2 June 2000)

Mr. WANG Xingdong

(appointed on 20 April 2001)

Mr. LI Kai Cheong, Samson*

(*alternate to The Hon. LI Kwok Po, David**)

Mr. SUN Junjian

(resigned on 2 June 2000)

Mr. CUI Guisheng

(resigned on 20 April 2001)

In accordance with the provisions of the Company's Articles of Association, Mr. Chu Lap Lik, Victor, Mr. Tse Yue Kit, Mr. Luo Jiansheng and Mr. Wang Xingdong retire and, being eligible, offers themselves for re-election.

* *Independent non-executive directors*

Biographical details of Directors are as follows:



Dr. FU Yuning, aged 43, is the chairman of the Company and has been an executive director of the Company since January 1999. Dr. Fu is a director and the president of China Merchants Holdings Company Limited, the chairman and a director of China Merchants Holdings (International) Company Limited. He is also the chairman and a director of two publicly listed companies in Shenzhen Stock Exchange: Shenzhen Chiwan Wharf Holdings Limited and Shenzhen Chiwan Petroleum Supply Base Company Limited. Dr. Fu graduated from Dalian Institute of Technology in China and obtained his Ph.D. Degree in Offshore Engineering from Brunel University, UK, in which he also carried on working as a post-doctorate research fellow.



Dr. HUANG Dazhan, aged 42, has been an executive director of the Company since March 1999. He is also the chairman of China Merchants China Investment Management Limited (the "Investment Manager"). Dr. Huang is also appointed as the managing director of China Merchants Finance Holdings Company Limited and the senior adviser of finance of China Merchants Holdings Company Limited. He also holds a number of directorships in the China Merchants Group, including China Merchants Financial Services Limited, China Merchants Insurance Company Limited, Houlder Insurance Brokers (Far East) Limited, China Merchants Finance Investment Holdings Company Limited, China Communication Securities Company Limited, China Merchants Holdings (UK) Limited, UB Holdings Limited. Dr. Huang obtained his master and Ph.D. degrees in economics from the University of Manchester, UK.



Mr. CHU Lap Lik, Victor, aged 43, has been an executive director of the Company since June 1993. He is also a director of the Investment Manager. Mr. Chu is a practising solicitor in Hong Kong and is senior partner of Victor Chu & Co.. He is also the chairman of First Eastern Investment Group which is actively involved in direct investments in the PRC. Mr. Chu has served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeover and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. Chu is a council member of the World Economic Forum and vice chairman of the ICC Commission on Financial Services and Insurance. Mr. Chu took his law degree at University College, London.



Mr. ZHANG Yun Kun, aged 43, has been an executive director of the Company since January 1996. He is also the managing director of the Investment Manager and a director of Fujian Industrial Bank. Mr. Zhang joined the China Merchants Group in 1981 and was directly involved in the development of China Merchants Shekou Industrial Zone. In 1984, he was transferred to China Merchants Shekou Travel Enterprise Company and was subsequently appointed as the general manager. Mr. Zhang was the deputy general manager of Travel Management Division of China Merchants Group from 1992 to 1993 and the deputy general manager of the Banking & Financial Sector of the China Merchants Group from 1996 to 1999. Mr. Zhang holds a master degree in economics from South China Normal University and is a qualified senior economist in China.



Mr. TSE Yue Kit, aged 39, has been an executive director of the Company since November 2000. He is also a director of the Investment Manager. Mr. Tse is the general manager in Investment & Development Division of China Merchants Finance Holdings Company Limited. Mr Tse has more than 13 years of extensive experience in accounting, auditing, corporate finance as well as investment. Mr. Tse obtained his bachelor degree with honours in Accountancy from the University of Exeter, UK.



Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 43, was appointed alternate director of the Company in May 1999. She is also a director of the Investment Manager. Ms. Kan is the managing director of First Eastern Investment Group and was formerly Director-Administration of the Hong Kong office of an international public accounting firm in the area of audit and business advisory services. She is a Certified Public Accountant (USA) and a fellow member of the Hong Kong Society of Accountants. Ms. Kan received her Bachelor of Science degree in Business and Bachelor of Arts degree from the University of Minnesota, USA.



Dr. The Hon. LI Kwok Po, David, aged 62, has been an independent non-executive director of the Company since June 1993. Dr. Li is the chairman and chief executive of The Bank of East Asia, Limited. He is also a member of the Legislative Council of Hong Kong. Dr. Li is the chairman of the Chinese Bank's Association and also a member of the Exchange Fund Advisory Committee, Banking Advisory Committee, the Land Fund Advisory Committee and a non-executive director of the Mandatory Provident Fund Schemes Authority. Dr. Li serves on the international advisory boards of the Carlos P. Romulo Foundation for Peace and Development, DaimlerChrysler, the Federal Reserve Bank of New York International Capital Markets Advisory Committee, IBM, Lafarge, PowerGen Plc., and Rolls-Royce Plc. His directorships include Pacific Century Cyberworks Limited, Campbell Soup Company, Chelsfield plc, COSCO Pacific Limited, Dow Jones & Company, Inc., The Hong Kong and China Gas Company Limited, The Hong Kong and Shanghai Hotels, Limited, The Hong Kong Mortgage Corporation Limited, Jones Lang LaSalle Incorporated, PowerGen Plc., San Miguel Brewery Hong Kong Limited, Sime Darby Berhad, South China Morning Post (Holdings) Limited and Vitasoy International Holdings Limited.



Mr. KUT Ying Hay, aged 46, has been an independent non-executive director of the Company since June 1993. He is a non-executive director of China Merchants Holdings (International) Company Limited. Mr. Kut is a practising solicitor and notary public and the proprietor of Messrs. Kut & Co., a firm of solicitors. He is an attesting officer appointed by the Ministry of Justice of the PRC. He is also a solicitor of the Supreme Courts of England, Victoria of Australia, Singapore and is an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators & Mediators, Australia. For the period from 1995 to 1998, he was a member of the Board of Review established by the Hong Kong government pursuant to the Inland Revenue Ordinance.



Mr. POON Kwok Lim, Steven, aged 57, has been an independent non-executive director of the Company since June 1993. He is the managing director of Bright World Enterprise Limited and a director of International Bank of Asia. Formerly, Mr. Poon was the general manager and the chief operating officer of a Hong Kong public utility company, China Light & Power Company Limited, and served as a member of the Hong Kong Stock Exchange Council. He was previously a Legislative Councillor and is a member of the Selection Committee of the Hong Kong Special Administrative Region. He holds a master degree in electrical engineering and is a chartered engineer.



Mr. HOW Peck Huat, aged 52, has been a non-executive director of the Company since September 1998. He is the managing director of Temasek Holdings (HK) Limited. Mr. How was awarded a bachelor and a master degree of business administration from University of Hawaii, USA. He has more than 20 years of extensive international business development experience, working with leading multi-national corporations and Asian companies on their investment plans for the Asia Pacific Region. During the past 5 years, Mr. How has been actively involved with private equity investments in Greater China.



Mr. LUO Jiansheng, aged 46, has been a non-executive director of the Company since June 2000. Mr. Luo has extensive experience in banking and investment. Currently, he is an assistant general manager of Bank of China Group Investment Limited ("BOCGI") and a director of a number of companies controlled by BOCGI or in which BOCGI has an interest.



Mr. WANG Xingdong, aged 40, was appointed as a non-executive director of the Company in April 2001. He is an Executive Director and the Managing Director of Onfem Holdings Limited and an Executive Director of Oriental Metals (Holdings) Company Limited. Mr. Wang graduated from the Xiamen University, P.R.C. in 1982 with a Bachelor of Arts degree. He then further his studies in business management between 1987 and 1989 in the Faculty of Management of Business Administration of Long Island University in New York, USA. Prior to joining the Company, he was the President of Chimei Metals in the USA. Mr. Wang has extensive experience in international metals trading, investment strategies and corporate management.



Mr. LI Kai Cheong, Samson (alternate to Dr. The Hon. LI Kwok Po, David), aged 40, was appointed alternate director of the Company in May 1999. He is the general manager and head of Investment Banking Division of The Bank of East Asia, Limited. Mr. Li has about ten years of experience specialising in fund management and securities dealing. He is also the managing director of East Asia Securities Company Limited, a member of the Stock Exchange of Hong Kong, as well as a director in a number of asset management companies.

The following directors have resigned since the date of the last annual report:

Mr. ZHANG Zheng Ming, aged 52, was an executive director of the Company from March 1997 to November 2000. He was also a director of the Investment Manager from December 1996 to February 1999. Mr. Zhang graduated from the Faculty of Accountancy, China Shanxi Financial and Economics University in 1982 and was awarded a bachelor of economics degree. Mr. Zhang joined the China Merchants Group in 1984 and was later appointed deputy general manager of China Merchants Shekou Trading Company Limited.

Mr. SUN Junjian, aged 46, was a Non-Executive Director of the Company between May 1999 to June 2000. Mr. Sun has extensive experience in banking and investment. He was a director and a deputy general manager of Bank of China Group Investment Limited ("BOCGI") and director of a number of companies controlled by BOCGI or in which BOCGI has an interest. Currently, he has been transferred to China with a new job assignment.

Mr. CUI Guisheng, aged 54, was a non-executive director of the Company from August 1998 to April 2001. He was the managing director of ONFEM Holdings Limited, the president of China Nonferrous Metals Group (HK) Limited, an executive director and vice chairman of Oriental Metals (Holdings) Company Limited and the director of Jiangxi Copper Company Limited. Mr. Cui is a qualified senior economist in the PRC and is a tutor of the master degree research candidates in the Central South China University of Technology.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

None of the directors or chief executives, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), and none of the directors or chief executives, or 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 during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the Investment Management Agreement mentioned below, no contracts of significance, to which the Company or any related company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company.

Name	Number of ordinary shares
HKSCC Nominees Limited	45,818,720
HSBC Nominees (Hong Kong) Limited	31,321,040
China Merchants Holdings Company Limited (<i>Note 1</i>)	34,287,760
China Merchants Steam Navigation Company Limited (<i>Note 1</i>)	34,287,760
China Merchants Holdings (Hong Kong) Company Limited (<i>Note 1</i>)	34,287,760
China Merchants Finance Holdings Company Limited (<i>Note 2</i>)	34,287,760
China Merchants Financial Services Limited (<i>Note 1</i>)	33,989,760
Good Image Limited	33,989,760
Everlink Limited	298,000

Note 1: The company is deemed to have interests in the shares opposite to its name by virtue of its controlling shareholding in the company whose name is set out immediately under it.

Note 2: The company is deemed to have interests in the shares opposite to its name by virtue of its controlling shareholding in China Merchants Financial Services Limited and Everlink Limited.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2000 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive directors are not appointed for specific term(s).

INVESTMENT MANAGEMENT AGREEMENT

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, continues to be the Investment Manager to the Company for both listed and unlisted investments. Dr. Huang Dazhan, Mr. Chu Lap Lik, Victor, Mr. Zhang Yun Kun, Mr. Tse Yue Kit and Ms. Kan Ka Yee, Elizabeth are directors of both the Company and Investment Manager and Dr. Fu Yuning was a director of both the Company and Investment Manager. Mr. Chu Lap Lik, Victor and Ms. Kan Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager during the year.

The investment management agreement (the "Agreement") became effective on 15 July 1993 and was for an initial term of five years and is thereafter automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board either on six months' notice prior to the expiry of each term or with the sanction of shareholders in general meeting at any time if the Company suffers major losses due to the gross negligence of the Investment Manager.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Fu Yuning

Chairman

Hong Kong, 20 April 2001