

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of the principal subsidiaries and associates are set out in notes 26 and 15 respectively to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 30.

The Directors now recommend the payment of a final dividend of US¢0.7 per share to the shareholders on the register of members on 31 May 2005.

## **RESERVES**

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

## **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' Report (continued)

## 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

Ms. ZHOU Linda L.

Mr. TSE Yue Kit

Ms. KAN Ka Yee, Elizabeth

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

### Non-executive Directors

The Hon. LI Kwok Po, David\*

Mr. KUT Ying Hay\*

Mr. POON Kwok Lim, Steven\*

Mr. WANG Xingdong

Mr. GONG Jianzhong

Mr. HIEW Yoon Khong

Mr. LI Kai Cheong, Samson\*

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

Mr. TAN Cheong Hin

*(alternate to Mr. HIEW Yoon Khong)*

\* Independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, The Hon. Li Kwok Po, David, Mr. Kut Ying Hay and Mr. Poon Kwok Lim, Steven, retire and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-Executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

#### Directors:



**Dr. FU Yuning**, aged 48, is the chairman of the Company and has been an executive director of the Company since January 1999. He concurrently acts as a director and the president of China Merchants Group Limited, the chairman of China Merchants Finance Holdings Company Limited, the chairman of China Merchants Holdings (International) Company Limited and an Independent Non-Executive Director of Integrated Distribution Services Group Limited, which are both publicly listed on the Hong Kong Stock Exchange. He is also the chairman of the executive committee for board of directors of China Merchants Bank Company, Limited, and the chairman of China Nanshan Development (Group) Inc.. Besides, Dr. Fu serves as a director of Hong Kong General Chamber of Commerce and Hong Kong Port Development Council. He had previously held the posts of the managing director of Shenzhen Chiwan Petroleum Supply Base Company Limited, the president and managing director of Shenzhen Chiwan Wharf Holdings Limited and China Nanshan Development (Group) Inc., and the chairman of Union Bank of Hong Kong Limited. Dr. Fu graduated from Dalian Institute of Technology of China with a degree in Port and Waterway Engineering. He obtained a doctorate degree in Offshore Engineering at the Brunel University of the United Kingdom where he also worked as a post-doctorate research fellow.



**Dr. HUANG Dazhan**, aged 47, 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 the financial adviser of China Merchants Group Limited, the managing director of China Merchants Finance Holdings Company Limited, a director of China Merchants Holdings (Hong Kong) Company Limited, China Merchants Bank Company, Limited, China Merchants Securities Company, Limited and Hua Tai Insurance Company of China, Limited. Concurrently, he also holds a number of chairmanships in various other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest including China Merchants Holdings (UK) Limited, China Merchants Insurance Company Limited, Houlder Insurance Brokers Far East Limited and China Merchants Finance Investment Holdings Company Limited. Dr. Huang graduated from Dalian Institute of Technology of China in 1982. In 1988, he was selected by the State Education Commission of China to go to the UK for further studies and was conferred by the University of Manchester a master degree in Economics and followed by a doctorate degree in the same field, and worked as a post-doctorate research fellow.

## Directors' Report (continued)



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**Mr. CHU Lap Lik, Victor**, aged 47, 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 chairman of the ICC Commission on Financial Services and Insurance. Mr. Chu took his law degree at University College, London.

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**Ms. ZHOU Linda L.**, aged 36, was appointed as an executive director of the Company in March 2002. She is also the managing director of the Investment Manager, a director of Houlder Insurance Services Limited, Houlder China Insurance Brokers Limited, Jutian Fund Management Company Limited and the chairman of the Supervisory Committee of Jutian Securities Company Limited. Before joining the Investment Manager in April 2001, Ms. Zhou worked with ASI as a director of Business Development – Asia Pacific Region for three years and thereafter acted as a Senior Financial Analyst & an Advisor of Board of Advisory in iLink Global. Ms. Zhou obtained her Bachelor degree in Financial Accountancy in People's (Renmin) University of China in 1989 and Master of Business Administration degree from California State University in Sonoma in 1993. Ms. Zhou has extensive experience in positioning foreign companies in China market and has actively involved with direct investments in China.

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**Mr. TSE Yue Kit**, aged 43, 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 17 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.

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**Ms. KAN Ka Yee**, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 47, has been an alternate director of the Company since 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 U.S. Certified Public Accountant and a fellow member of the Hong Kong Institute of Certified Public 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 66, 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. Dr. Li serves on the international advisory boards of the Carlos P. Romulo Foundation for Peace and Development, Daimler-Chrysler, the Federal Reserve Bank of New York International Advisory Committee and Lafarge. His directorships include AviChina Industry & Technology Company Limited, PCCW Limited, 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, San Miguel Brewery Hong Kong Limited, Sime Darby Berhad, SCMP Group Ltd. and Vitasoy International Holdings Limited.



**Mr. KUT Ying Hay**, aged 50, 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.

## Directors' Report (continued)



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**Mr. POON Kwok Lim, Steven**, aged 61, has been an independent non-executive director of the Company since June 1993. He is the chairman of Vertex Communications & Technology Group Limited. 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 Election Committee of the Hong Kong Special Administrative Region. He holds a master degree in electrical engineering and is a chartered engineer.

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**Mr. WANG Xingdong**, aged 44, has been a non-executive director of the Company since April 2001. He is an Executive Director and the Managing Director of ONFEM Holdings Limited ("ONFEM") and a director of China Minmetals H.K. (Holdings) 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 ONFEM, he was the President of Chimei Metals in the USA. Mr. Wang has extensive experience in international metals trading, investment strategies and corporate management.

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**Mr. GONG Jianzhong**, aged 42, has been a non-executive director of the Company since September 2001. Mr. Gong has extensive experience in banking and investment. He has worked in Bank of China, Hunan Branch and currently he is the Deputy CEO 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.

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**Mr. HIEW Yoon Khong**, aged 44, was appointed as a non-executive director of the Company in September 2003. He is currently Chief Executive Officer of Mapletree Investments Pte Ltd. and Managing Director, Private Equity Funds Investments of Temasek Holdings (Pte) Ltd.. Prior to that, Mr. Hiew held various senior positions in the CapitaLand Group. He joined Pidemco as CFO in 1996 and was CFO of CapitaLand following the merger of Pidemco and DBS Land in 2000. In February 2002, he was made the CEO of CapitaLand Commercial Limited and CapitaLand Financial Limited. Before joining CapitaLand, Mr. Hiew held various positions in the areas of corporate finance, management consultancy and project financing over a ten-year period. He holds a Master of Arts degree in Economics from the University of Warwick as well as a Bachelor of Arts degree in Economics from the University of Portsmouth.



**Mr. LI Kai Cheong, Samson** (alternate to Dr. The Hon. LI Kwok Po, David), aged 44, has been an alternate director of the Company since May 1999. He is the general manager and head of Investment Banking Division of The Bank of East Asia, Limited. Mr. Li has more than 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.



**Mr. TAN Cheong Hin** (alternate to Mr. HIEW Yoon Khong), aged 41, was appointed alternate director of the Company in April 2004. He is a Director in the Private Equity Funds Investments of Temasek Holdings (Pte) Ltd.. Mr. Tan obtained his Bachelor in Business Administration (1st Class Honours) degree from the National University of Singapore in 1988 and a Master of Science (Management) from the same university in 1991. He has also completed the Advanced Management Program at INSEAD in 2001. Mr. Tan is a Chartered Financial Analyst (CFA) charterholder.

### Senior Management:

Ms. Chan Man Wai, aged 44, has been the qualified accountant of the Company since March 2004. Ms. Chan has joined China Merchants Group for twelve years and held various positions in the areas of investment management, finance and administration. She is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. Ms Chan received her Bachelor of Commerce degree from the University of Toronto, Canada.

# Directors' Report (continued)

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2004, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of shares	Capacity	Nature of interest	Percentage of total issued share capital
Mr. CHU Lap Lik, Victor	14,400,000	Interest of controlled corporation	Corporate	10.50%

Note: Mr. Chu Lap Lik, Victor is deemed to have an interest in the 14,400,000 shares of the Company in which China Bright Holdings Limited is interested.

Save as disclosed above, none of the directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2004, 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 its associated corporations, or had exercised any such right during the year ended 31 December 2004.

## 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

The directors proposed for re-election at the forthcoming annual general meeting do not have service contracts which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).



## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the following persons, other than a director or chief executive of the Company, have interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 4)	Interest of controlled corporation	34,309,760	25.02%
China Merchants Steam Navigation Company Limited (Note 4)	Interest of controlled corporation	34,309,760	25.02%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Interest of controlled corporation	34,309,760	25.02%
China Merchants Finance Holdings Company Limited (Note 2)	Interest of controlled corporation	34,309,760	25.02%
China Merchants Financial Services Limited (Note 4)	Interest of controlled corporation	33,989,760	24.78%
Good Image Limited (Note 3)	Beneficial owner	33,989,760	24.78%
China Bright Holdings Limited (Note 3)	Beneficial owner	14,400,000	10.50%
Temasek Holdings (Private) Limited (Note 4)	Interest of controlled corporation	7,200,000	5.25%
Hong Lim Fund Investments Pte Ltd. (Note 3)	Beneficial owner	7,200,000	5.25%
Central Huijin Investment Company Limited (Note 4)	Interest of controlled corporation	7,200,000	5.25%
Bank of China Limited (formerly known as Bank of China) (Note 4)	Interest of controlled corporation	7,200,000	5.25%
Bank of China Group Investment Limited (Note 3)	Beneficial owner	7,200,000	5.25%
China Minmetals Corporation (formerly known as China National Metals & Minerals Import & Export Corporation) (Note 4)	Interest of controlled corporation	7,200,000	5.25%
China Minmetals H.K. (Holdings) Limited (Note 4)	Interest of controlled corporation	7,200,000	5.25%
June Glory International Limited (Note 5)	Interest of controlled corporation	7,200,000	5.25%
ONFEM Holdings Limited (Note 4)	Interest of controlled corporation	7,200,000	5.25%
ONFEM Investments Limited (Note 3)	Beneficial owner	7,200,000	5.25%
Swiss Reinsurance Company (Note 3)	Beneficial owner	7,200,000	5.25%

**Note 1:** The company is deemed to have corporate interests in the shares opposite to its name by virtue of its controlling shareholding (i.e. 99.32%) in the company whose name is set out immediately under it.

**Note 2:** The company is deemed to have corporate interests in the shares opposite to its name by virtue of its entire shareholding in Everlink Limited and the company whose name is set out immediately under it.

**Note 3:** The company has a beneficial interest in the shares opposite to its name.

**Note 4:** The company is deemed to have corporate interests in the shares opposite to its name by virtue of its entire shareholding in the company whose name is set out immediately under it.

**Note 5:** The company is deemed to have corporate interests in the shares opposite to its name by virtue of its controlling shareholding (i.e. 53.95%) in the company whose corporate name is set out immediately under it.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

# Directors' Report (continued)

## COMPLIANCE WITH THE CODE OF BEST PRACTICE AND MODEL CODE

The Company has throughout the year complied with the Code of Best Practice as was then set out in Appendix 14 of the Listing Rules of the Stock Exchange.

The Company has adopted the Model Code set out in Appendix 10 to 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.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## 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, Ms. Zhou Linda L., Mr. Tse Yue Kit and Ms. Kan Ka Yee, Elizabeth are directors 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.

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

**Dr. Fu Yuning**  
*Chairman*

Hong Kong, 21 April 2005