DIRECTORS

The Directors are as follows:

Executive Directors

Mr JIANG Bo, aged 68, is the chairman of the Company. He is also the managing director of China Merchants Holdings, chairman of Union Bank of Hong Kong Limited and Hai Hong Holdings Company Limited and vice chairman of The Hong Kong Chinese Enterprise Association. He is also chairman or a director of various other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest. Mr Jiang joined the China Merchants Group in 1983 as a director and deputy general manager. During his 10 years with the China Merchants Group, he has been actively involved in formulating and carrying out the group’s investment objectives and strategies which include transforming the China Merchants Group into a well diversified conglomerate with active participation in the development of industrial zones in China.

Mr CHU Lap Lik, Victor, aged 36, is a practising solicitor in Hong Kong and is senior partner of Victor Chu & Co. Mr Chu is chairman of Guang Lee Securities Limited and First Eastern (Holdings) Limited, both of which are actively involved in the PRC in the area of securities and investments respectively. Mr Chu has served on the Takeovers Panel (formerly the Takeovers Committee) since 1988 as well as on the Advisory Committee of the Securities and Futures Commission since 1992. Mr Chu took his law degree at University College, London.

Mr LI Yin Fei, aged 50, is a director and deputy general manager of China Merchants Holdings and holds directorships in various other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest. He graduated from Dalian Maritime University. Before he joined the China Merchants Group in 1992, he was the managing director of Qing Dao Ocean Shipping Company which operates the largest bulk fleet in China.

Mr WANG Bai Yong, aged 62, is a director of China Merchants Holdings and holds directorships in various other companies which are controlled by the China Merchants Group, including Hai Hong Holdings Company Limited, Union Bank of Hong Kong Limited, China Merchants Bank and Scottish Lion Insurance Company Limited, or in which the China Merchants Group has an interest. He graduated from the Communication University in Shanghai with a bachelor’s degree in naval architecture. Mr Wang joined the China Merchants Group in 1984 as the general manager of the Projects and Enterprises Division which has responsibility for seeking investment opportunities, negotiating and implementing investments and the subsequent management of investee companies.

Mr SUN Yin, aged 55, is the general manager of the Finance Division of China Merchants Holdings, a director of the Union Bank of Hong Kong Limited and China Merchants Bank. He also holds directorships in other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest. Mr Sun graduated from Shanghai Maritime College. Before he joined the China Merchants Group in 1990 he was the chief accountant of China Jin Ling Shipyard Co. and Chang Jiang Oil Shipping Company.

Non-Executive Directors

Mr William Ralph WIRTH, aged 62, is a member of the Executive Board of Credit Suisse and is responsible for fund management and trading of Credit Suisse worldwide. Mr. Wirth is also chairman of Bank Hofmann, Zurich. Mr. Wirth obtained his doctorate in Economics at the University of Zurich.

Mr Beat M. MULLER (alternate director to Mr William Ralph Wirth), aged 41, is a member of senior management and chief representative of Credit Suisse in Hong Kong. Mr Muller joined Credit Suisse in 1975 and has worked with Credit Suisse in Europe, the Middle East, Singapore and Hong Kong.
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Mr TSANG Kam Lan, aged 61, is deputy chief executive of the Hong Kong-Macau Regional Office of Bank of China and chairman of Bank of China Group Investment Limited ("BOCGI") and the Bank of China Group Insurance Company Limited. He has over 30 years’ experience in banking, of which over 15 years was in senior executive positions with various banks of the Bank of China Group. He was previously the deputy general manager of the Kwangtung Provincial Bank, Hong Kong Branch and the general manager of The China and South Sea Bank Ltd., Hong Kong Branch. He is also a director of BOC China Fund Ltd. and the chairman of Hopewell Power (China) Co. Ltd. and acts as the chairman or director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

Mr FOCK Siew Wah, aged 52, is a special adviser to the Minister for Finance, Singapore. Mr Fock is also Deacon of Grace Baptist Church Ltd., chairman of Singapore MRT Ltd., a director of Singapore Technologies Holdings Pte. Ltd., Temasek Holdings (Private) Limited and Temasek Holdings (HK) Limited, an adviser to Bank Ekspor Impor Indonesia, an adviser to Bank Duta, Indonesia, and an adviser to the Nursalm family of the Gajah Tunggal group in Indonesia.

Mr NG Siu Fai, aged 37, is chairman and managing director of Jinhui Holdings Company Limited ("Jinhui") as well as deputy managing director of Laws Property Holdings Limited (in the course of changing its name to ONFEM Holdings Limited ("ONFEM")) both of which are listed on the Stock Exchange. He is one of the two founders of the Jinhui group of companies and has 16 years of working experience in the shipping industry, including six years at sea. He is responsible for the overall management policy making and business development of Jinhui and ONFEM group of companies.

Mr SATO Haruo, aged 57, is managing director and head of International Division of Yamaichi Securities Co., Ltd. Mr. Sato joined Yamaichi Securities Co., Ltd. in 1960 and has worked in Canada, the United Kingdom, Switzerland and the United States of America. He has extensive experience in international finance and graduated from Tokyo University. He is presently also a director of 12 overseas subsidiaries of Yamaichi Securities Co., Ltd.

The Hon. Li Kwok Po, David, aged 54, is a director and chief executive of the Bank of East Asia. He is also a member of the Legislative Council of Hong Kong and the Exchange Fund Advisory Committee, vice chairman of the former Basic Law Drafting Committee, a Hong Kong Affairs Adviser to China, convenor of the investment committee of the Hong Kong Special Administrative Region Government Land Fund Trust and member of various other committees. He is also deputy chairman of Hong Kong Telecommunications Limited, a director of The Hong Kong and China Gas Company Limited, South China Morning Post Limited and The Hong Kong and Shanghai Hotels Limited and a board member of various other business entities. Mr. Li is a graduate of the University of Cambridge in economics and law, a fellow of the Chartered Institute of Bankers and a fellow of the Institute of Chartered Accountants in England and Wales.

The Hon. POON Kwok Lim, Steven, aged 49, is a member of the Legislative Council of Hong Kong. He is managing director of Bright World Enterprise Limited and chairman of Land Development Corporation of Hong Kong. Prior to setting up his own company in early 1992, Mr. Poon was director, general manager and chief operating officer of China Light and Power Co. Ltd. where he worked for 26 years. Mr. Poon is a Hong Kong Affairs Adviser to China, and has served on a number of public organisations, including the Council of the Stock Exchange of Hong Kong and the Council of the Hong Kong University of Science and Technology. He is a non-executive director of International Bank of Asia. Mr. Poon holds a bachelor’s degree in Electrical Engineering from National Taiwan University and a master’s degree from the University of Hong Kong and is a chartered engineer and a fellow of the Institute of Electrical Engineers in England.

Mr KUT Ying Hay, aged 38, is a non-executive director of Hai Hong Holdings Company Limited. He is a practising solicitor and notary public in Hong Kong and the sole proprietor of Messrs. Kut & Co. He is also a solicitor of the Supreme Court of England and Wales and the Supreme Court of Victoria, Australia and is an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators, Australia.
INVESTMENT MANAGEMENT

Investment Manager

The Company's investment portfolio will be managed by the Investment Manager, a company incorporated in Hong Kong on 6th October, 1992 specifically for the purpose of managing the Company's investments. The Investment Manager's shareholders are China Merchants Holdings (Hong Kong) Company Limited (a member of CMG) and Victor Chu China Investment Limited. As a newly formed company, the Investment Manager has no previous experience in investment management although it will have the benefit of the investment experience of its shareholders. The Investment Manager is registered as an investment adviser under the Securities Ordinance of Hong Kong.

The Investment Manager is responsible for evaluating investment opportunities, implementing investment and realisation decisions, monitoring and supervising investments and preparing valuations of the Company's investments. It is authorised to make investment decisions on its own transactions involving an amount of no more than US$5 million each, and is responsible for reporting such investments to the Investment Committee upon making an investment decision. Any transaction involving over US$5 million must be approved by the Investment Committee.

The Investment Manager will also prepare annual and semi-annual statements on the performance of the Company's investments for inclusion in the Company's annual and semi-annual reports. The Investment Manager will also be responsible for managing the corporate affairs of the Company and dealing with its day to day administration, excluding the provision of registrar, custodian and secretarial services.

The Company has agreed in the Management Agreement to pay to the Investment Manager the fees and expenses described under the section headed "Fees and Expenses" below. Other provisions of the Management Agreement are summarised in the section headed "The Investment Management Agreement" in appendix IV.

Shareholders of the Investment Manager

The shareholders of the Investment Manager are China Merchants Holdings (Hong Kong) Company Limited and Victor Chu China Investment Limited, holding 55 percent and 45 percent respectively of the issued share capital of the Investment Manager.

The two shareholders of the Investment Manager have undertaken to each other that in the event that one of them wishes to dispose of its shares in the Investment Manager, the outgoing shareholder will, prior to disposing of its shares, first offer its shares to the remaining shareholder at a consideration either to be agreed or, failing such agreement, at a consideration to be determined by the auditors of the Investment Manager as being the fair value of the relevant shareholding. In addition, the shareholders of the Investment Manager have agreed that China Merchants Holdings (Hong Kong) Company Limited is entitled to nominate three directors and Victor Chu China Investment Limited is entitled to nominate two directors to the board of the Investment Manager. China Merchants Holdings (Hong Kong) Company Limited will nominate the chairman and the managing director of the Investment Manager and Victor Chu China Investment Limited will nominate the vice-chairman and deputy managing director of the Investment Manager. There are no other material arrangements or understandings between the shareholders of the Investment Manager.

Details of China Merchants Holdings (Hong Kong) Company Limited and Victor Chu China Investment Limited are set out below:

China Merchants Holdings (Hong Kong) Company Limited

China Merchants Holdings (Hong Kong) Company Limited is a member of the China Merchants Group ("CMG"). CMG was originally founded as a shipping company by Viceroy Li Hong-chang of the
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Qing Dynasty in 1872. For more than a hundred years, CMG has been playing an important role in China's shipping business and it now operates under the Ministry of Communications in China. Its operations have now extended into a wider field of transportation focusing on three major areas:

- comprehensive shipping services;
- combination of sea, land and air transport; and
- the operation of ports and harbours. The port operation includes Chiwan Wharf and Shekou Port, both of which have recently sought listings on the Shenzhen Stock Exchange.

Today, in addition to its strength in shipping, CMG now engages in other major industries such as real estate development, electronics, textile, banking, project construction, insurance, off-shore oil drilling, tourism and retailing.

In 1979, CMG was allocated 9.7 square kilometres of land in Shekou, located on the Nantou Peninsula in the southwest of Shenzhen Special Economic Zone and became the first enterprise in China to be approved by the PRC government to plan, construct, develop and manage what is now known as the China Merchants Shekou Industrial Zone ("SKIZ"). CMG was empowered with the authority to develop projects, requisition, allocate and lease land, conduct urban planning and design and construct projects within the allocated land area of the industrial zone. CMG has transformed Shekou from a fishing village into a modern and vigorous industrial port city attracting a large number of domestic and foreign investors to establish offices and factories in the industrial zone. By the end of 1992, there were approximately 420 enterprises with a total investment of US$860 million and a 42,500 workforce. Industrial output from SKIZ amounted to more than RMB4.4 billion (approximately US$760 million at the official rate) in 1992, over 62 percent of which was for export.

The success of SKIZ has demonstrated the ability and experience of CMG in developing industrial zones in China which has led to further involvement by way of investment, management participation and assistance in other industrial zone projects as follows:

- Wei Hai High Tech Industrial Zone in Shangdong Province, a zone of 6.25 square kilometres in total, with an investment of US$29.8 million in the first phase of developing 2 square kilometres;
- Shanghai Jingqiao Export Processing Zone in Shanghai, a zone of 15 square kilometres in total, with an investment of US$300 million in the first phase of developing 4 square kilometres;
- Shanghai Outer Gaoqiao Free Trade Zone in Shanghai, a zone of 10 square kilometres in total, with an investment of US$200 million in the first phase of developing 2.83 square kilometres;
- China Merchants and Bank of China Zhangzhou Economic Development Zone in Fujian Province, a zone of 18.7 square kilometres in total, with an investment of US$130 million in the first phase of developing 4 square kilometres; and
- Guangzhou Free Trade Zone in Guangzhou, a zone of 1.4 square kilometres in total, with an investment of US$120 million in the development zone.

All the above investments in the zones commenced development at the end of 1992, except for the Wei Hai High Tech Industrial Zone which started development in December 1991. No known material losses or provisions have been made for any of these projects.

Currently, CMG has over 48,000 employees, HK$20 billion (approximately US$2.5 billion) in assets and over 500 wholly or partially owned subsidiaries in various major cities in China, Australia,
MANAGEMENT AND ADMINISTRATION

Germany, Japan, Singapore, Thailand, the United Kingdom and the United States of America. In addition to its shipping and shipping-related businesses, CMG’s record of investments and operations includes:

- establishing the first corporate bank and the first corporate insurance company in China, the China Merchants Bank and the China Ping An Insurance Company respectively;

- being the first enterprise to develop real estate business in China, the success of which has led to the formation of the China Merchants Shekou Real Estate Company which has made great progress since its establishment in 1983;

- being the first PRC state-owned enterprise to own a London insurance broking company which is a Lloyd’s broker and another London insurance company which is a member of The Institute of London Underwriters; and

- being the first PRC state-owned enterprise to list on the Stock Exchange one of its subsidiaries, Hai Hong Holdings Company Limited whose major assets are in China.

CMG also holds a majority interest in Union Bank of Hong Kong Limited, a licensed bank in Hong Kong which is also listed on the Stock Exchange.

The identification and evaluation of potential projects at CMG is undertaken by the Finance Centre and the Projects and Enterprises Division which are presently staffed by not less than 18 full time personnel. It is the intention of the directors of the Investment Manager that, in addition to independently identifying potential projects through its own sources of contact, the network and contacts of CMG and the experience of the Finance Centre and the Projects and Enterprises Division should be fully utilised with the aim of referring potentially viable and profitable projects to the Investment Manager.

Victor Chu China Investment Limited

Victor Chu China Investment Limited is part of an investment group ("the VC Group") associated with Mr. Victor Chu and his family. The VC Group is a regional direct investment and investment advisory concern with offices in Hong Kong, Beijing and Nanjing. Its track record to date includes:

- securing the first joint venture investment consulting licence issued by the Chinese Government in August 1992 with the establishment of the first Sino-foreign joint venture consulting firm in Beijing. The VC Group’s joint venture partner is China International Economic and Legal Consultants Corporation, a state-owned corporation sponsored by the Ministry of Justice, the Ministry of Finance, the People’s Bank of China, the State Commission for Economic Structural Reform and the State Bureau for the Management of National Assets. Since its establishment in 1992, the joint venture investment consulting company has been mainly involved in:

  (a) advising and assisting foreign companies in connection with their plans to establish or expand their presence in the PRC;

  (b) assisting foreign companies in identifying potential investment projects and/or potential joint venture investment partners in the PRC;

  (c) assisting and advising foreign companies in their negotiation of the detailed terms and conditions of joint ventures or other investment arrangements; and

  (d) assisting and advising foreign companies in connection with problems or disputes arising out of their investment activities in the PRC.
MANAGEMENT AND ADMINISTRATION

- launching and managing one of the first China direct investment funds for investments in small and medium size projects in China.

Since its launch in May 1992, the investment fund has invested or otherwise firmly committed approximately US$12 million which represents 68% of the investment fund's issued share capital. Major projects which have been invested in, or firmly committed to, by the fund are as follows:

(a) a 12.5 percent interest in a silk printing joint venture in Hangzhou City which is the first Sino-foreign joint venture stockholding company in the Zhejiang Province;

(b) a 25 percent interest in an equity joint venture manufacturer of paints for motor vehicles located in Nanjing City, Jiangsu Province;

(c) an indirect 26.4 percent interest of an equity joint venture for the development and operation of an industrial estate in Yantai City, Shandong Province; and

(d) a 25 percent interest in an equity joint venture paper manufacturer in Shougang, Shandong Province.

No known material losses or provisions have been made for any of these projects.

- the VC Group’s securities arm, Guang Lee Securities Limited, being one of the first group of international securities houses appointed by the People’s Bank of China as an authorised underwriter of “B” Shares in Shenzhen. Guang Lee Securities Limited acted as an international underwriter for the new issue of “B” Shares launched by China Merchants Shekou Port Service Co., Limited in March 1993. In addition, VC Group’s investment arm, First Eastern (Holdings) Limited, was a major participant in the international placing of “B” Shares launched by China Southern Glass Joint Stock Company Limited in February 1992.

Directors of the Investment Manager

The present directors of the Investment Manager include Mr Li Yin Fei, Mr Wang Bai Yong and Mr Chu Lap Lek, Victor who are also Directors of the Company, Mr Zhang Yun Kun and Ms Kan Ka Yee, Elizabeth who is also the secretary of the Company.

Mr ZHANG Yun Kun, aged 36, is a deputy general manager of the Travel Management Division of China Merchants Holdings. Mr Zhang joined CMG in 1981 to serve in Shekou and was directly involved in the development of China Merchants Shekou Industrial Zone. In 1984, he was transferred to the China Merchants Shekou Travel Enterprise Company and subsequently became the general manager. He was also formerly the deputy general manager of China Merchants Shekou International Travel Service Company. Mr Zhang holds a master's degree in economics from China Normal University.

Ms KAN Ka Yee, Elizabeth, aged 35, is an executive director of Victor Chu China Investment Limited and First Eastern (Holdings) Limited. Ms Kan is a Certified Public Accountant (U.S.A.) and an associate member of the Hong Kong Society of Accountants. Ms Kan was formerly associated with the Hong Kong office of Arthur Andersen & Co., an international public accounting firm, in the area of Audit & Business Advisory Services. Ms Kan is actively involved in the direct investment and investment advisory activities of the VC Group.

Investment Committee and investment procedures

An Investment Committee consisting of 7 members is authorised by the Board to approve transactions (investments or realisations) of over US$5 million each and to supervise the day to day management functions of the Investment Manager.

The Investment Manager will identify and research prospective investments. Where the investment amount is less than or equal to US$5 million, the Investment Manager may, at its discretion, make the
investment, provided that it falls within the agreed investment objectives and policy stated on pages 14 and 15 in this prospectus and any guidelines from time to time issued by the Board. Details of such investments will subsequently be submitted by the Investment Manager to the Investment Committee for their review.

If the investment amount is above US$5 million, the Investment Manager will obtain the approval of the Investment Committee regarding such investment. Once the investment proposal is approved by the Investment Committee, the Investment Manager is responsible for negotiating and implementing the investment within the agreed investment policies and guidelines and other qualifications proposed by the Investment Committee.

For the purposes of the two immediately preceding paragraphs, “investment amount” refers to the aggregate investment by the Company in one investee enterprise, whether by way of equity or debt in the form of shareholder loans. If the initial investment amount is less than or equal to US$5 million, but subsequent shareholder loans or capital injections resulting from cost-overruns bring the aggregate investment amount to more than US$5 million, such subsequent shareholder loans or further capital injections will require the approval of the Investment Committee.

The current members of the Investment Committee consist of Mr Li Yin Fei, Mr Wang Bai Yong, Mr Tsang Kam Lan, Mr Chu Lap Lik Victor, Mr Beat M. Muller, all of whom are also directors of the Company, and Mr Leong Peng Kiong and Mr Yoshiyuki Takabe.

Mr Leong Peng Kiong, aged 36, is the senior vice president of Temasek Holdings (Private) Limited (“Temasek”), the holding company of one of the Core Investors, Hong Lim Fund Investment Pte. Ltd. Mr Leong is experienced and actively involved in the direct investment activities of Temasek and is directly responsible for their investments in the Asia-Pacific region. Mr Leong has prior experience in strategic planning, investment banking and investment marketing. Mr Leong is a graduate of Oxford University.

Mr Yoshiyuki TAKABE, aged 47, is the managing director of Yamaichi International (H.K.) Limited. Mr Takabe joined Yamaichi Securities Co., Ltd. in 1971 and has worked in Switzerland and the United States of America. Mr Takabe is a graduate of Tohoku University.

**CUSTODIANS**

Union Bank of Hong Kong Limited, China Merchants Bank and Bank of China, Hong Kong Branch have been appointed to act as custodians to the Company pursuant to Custodian Agreements. The Custodians will arrange and be responsible for, inter alia, physical settlement of trades in China, safe-keeping of title documents and receipt of dividends.

Initially, it is intended that the Company will place 70 percent of the subscription proceeds in Union Bank of Hong Kong Limited and 30 percent in Bank of China, Hong Kong Branch. China Merchants Bank will handle "B" Share transactions and remittances of RMB.

The Custodians will be paid the fees and reimbursed the expenses described in the section headed “Fees and Expenses” below. Other provisions of the Custodian Agreements are summarised in the section headed “The Custodian Agreements” in appendix IV.

**ACCOUNTS AND INFORMATION**

The Company’s financial year end is 31st December. Annual reports and audited accounts of the Company will be published and made available to Shareholders within 6 months of the end of the period to which they relate. A semi-annual report and unaudited interim figures will be sent out to all Shareholders in October of each year. The accounts will be prepared in US dollars.

In addition, the Net Asset Value per Share will be published quarterly in the Asian Wall Street Journal, the South China Morning Post and the Hong Kong Economic Journal (or in such other newspapers as the Directors may from time to time determine).