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CORPORATE INFORMATION

Board of Directors

JIANG Bo (*Chairman*)
LI Yin Fei
CHU Lap Lik, Victor
SUN Ju
SUN Yin
ADAMI Manfred John*
MULLER Beat M.* (*alternate to ADAMI Manfred John**)
TSANG Kam Lan*
TAN Kuan Hong*
NG Siu Fai*
SATO Haruo*
The Hon. LI Kwok Po, David*
The Hon. POON Kwok Lim, Steven*
HUEGLE Peter P.*
KUT Ying Hay*

** non-executive directors*

Company Secretary

Kan Ka Yee, Elizabeth, *AICPA, AHKSA*

Custodian Banks

Union Bank of Hong Kong Limited
China Merchants Bank
Bank of China, Hong Kong Branch

Auditors

Kwan Wong Tan & Fong • BDO

Legal Advisers

Victor Chu & Co.

Head Office and Principal Place of Business

1101 Shun Tak Centre
200 Connaught Road Central
Hong Kong

Share and Warrant Registrar

Central Registration Hong Kong Limited

CHAIRMAN'S STATEMENT

I am pleased to report that the consolidated profit after tax of China Merchants China Direct Investments Limited and its subsidiaries ("the Group") for the year ended 31st December, 1994 was US\$3,548,471, an increase of 145.6% over that of last year. As at 31st December, 1994 the net asset value of the Group prior to dividend declaration was US\$1.055 per share, up 3.5% on the figure of US\$1.019 for the corresponding period of 1993. The Directors recommend the payment of a final dividend of US\$0.03 per share for the year ended 31st December, 1994.

Subject to the approval of shareholders at the annual general meeting on 21st June, 1995, the final dividend will be paid on 30th June, 1995 to shareholders whose names appear on the register of members on 21st June, 1995. The share register will be closed from 13th June, 1995 to 21st June, 1995.

As of today, the Group has committed approximately 54% of its total net assets to ten unlisted projects which were spread between manufacturing, financial and transportation services, real estate and infrastructure. Five projects have produced returns for the Group for 1994, while the others are expected to have contributions in 1995. In addition, the Group has approximately 2.9% of its total net assets invested in the shares of listed companies (mainly B shares traded on the Shanghai/Shenzhen Stock Exchange and H shares on the Hong Kong Stock Exchange).

After a period of double-digit growth, China's economy shows signs of stabilising as a result of the implementation of macro-economic control. We remain confident of China's economy as inflation is falling and foreign trade terms are improving. The austerity measures have slowed down credit and monetary growth in China. Enterprises are therefore hungry for additional capital. This puts the Group in a strong position to source and secure investment of the standard and quality that we have been targeting.

The Group is currently investigating opportunities in the chemicals, pharmaceutical, manufacturing and infrastructure sectors. If they materialize, the Group's funds will be substantially invested and could lead to attractive returns over the medium term.

The Group's objective is to invest in PRC projects with growth potential so as to achieve attractive returns for shareholders. We shall finalize the projects under investigation, as well as to look for opportunities in some long term investments which, though may not have immediate income, could bring in attractive gains in the long run.

Finally, I believe the success of any business depends on the cooperation and dedication of the staff. With this, we can achieve prosperity for years to come. On behalf of the Board of Directors, I would like to extend my sincere gratitude and appreciation to the members of the Investment Committee, Investment Manager and staff for their contribution and support during the year.

Jiang Bo
Chairman

19th May, 1995
Hong Kong

THE INVESTMENT MANAGER'S REPORT

To date, China Merchants China Direct Investments Limited and its subsidiaries ("the Group") has committed approximately US\$53 million in ten unlisted projects. In addition, the Group has invested approximately US\$2.8 million in the shares of listed companies.

UNLISTED INVESTMENTS

At the end of the period under review, the Group had committed approximately 54% of its funds for investment in ten unlisted joint ventures (see table on page 10). These investments were spread between manufacturing (which accounts for 8.4% of the Group's total net assets); financial and transportation services (13.86%); real estate (18.56%) and infrastructure (13.2%).



Tangshan Yinli Ceramics Limited and Tangshan Shenjian Ceramics Limited

These two Sino-foreign equity joint venture companies, to which the Group committed investment in March 1994, are held jointly by Tangshan Victory Porcelain

(Group) Co. (with a 40% shareholding), The General Corporation of Technology & Economic Development of Tangshan New & Hi-Tech Development Zone (25%), BOC China Fund Limited (20%) and the Group (15%). Both joint ventures will manufacture and market glazed tiles and will be in operation for 18 years. The Group's total investment is approximately US\$2.2 million.

Tangshan Victory Porcelain (Group) Co., the largest shareholder, has more than 50 years of experience in the ceramic tile industry. Its products have won



various prizes for quality awarded by the Chinese Ministry of Light Industry.

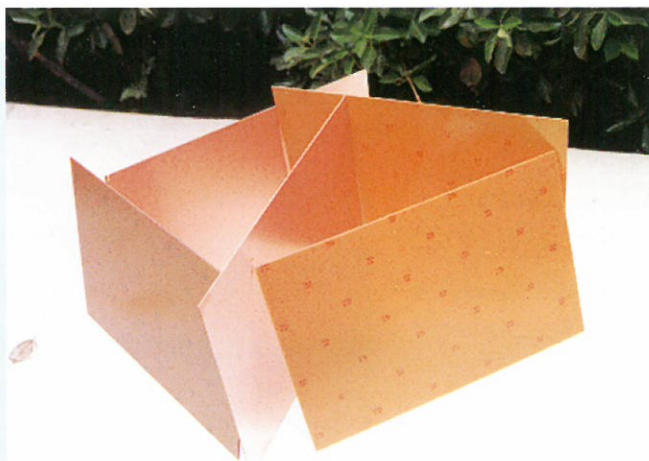
Despite problems in securing electricity supply from the Tangshan New & Hi-Tech Development Zone and delays with civil engineering work on the site, the project is moving ahead. Construction work on the main production plant has been completed and the installation of equipment is underway. Trial production of tiles is expected to start in August 1995.

Zhaoyuan Jinbao Electronics Company Limited



This is a Sino-foreign equity joint venture for 20 years between Zhaoyuan Electronic Materials Factory (which has a 55% shareholding), BOC China Fund Limited (15%) and the Group (30%). The joint venture is located at Zhaoyuan, Shandong Province. Total investment by the Group is US\$6 million.

The joint venture company produces copper foil and copper-clad laminates which are the basic components for printed circuit boards used in a variety of electronic appliances. Zhaoyuan Electronic Materials Factory has been engaged in the manufacture of these products since 1986. The products are recognised to be of high quality and the factory has won various awards at state, province and city level.



The company experienced some problems in 1994 such as power shortages, increase in copper prices and costs overrun on the expansion programme. Despite these challenges, the management team produced an audited profit after taxation of RMB 12.16 million, an increase of more than 25% over 1993.

China Merchants Bank

China Merchants Bank is the first corporate bank in China. Total assets of the Bank was RMB 45 billion, ranking 8th among the commercial banks in PRC. Its main business includes both retail banking and merchant banking operations. The three largest shareholders of the Bank are China Merchants Holdings (Hong Kong) Company Limited, China Ocean Shipping Company and Guangzhou Maritime Transport Bureau. The Group's investment in the Bank is approximately US\$8.65 million.

The Bank achieved significant results for the year ended 31st December, 1994. Various loans and deposits as well as profit for 1994 double those of 1993. A RMB 0.34 per share dividend was paid out in April of this year. Throughout 1994, the Bank opened four new branches in Beijing, Guangzhou, Chengdu and Shenyang. The Bank also established a securities brokerage in order to benefit from the growing capital and securities market in Shenzhen.

THE INVESTMENT MANAGER'S REPORT (CONT'D)

Shenzhen Anda Group of Companies

In June 1994, the Group acquired from a Hong Kong company its 25% effective interest in three PRC companies collectively known as Shenzhen Anda Group of Companies for US\$4.875 million. These three companies are engaged in passenger, container and cargo transportation. The remaining 75% effective interest is held by Shenzhen Shekou Anda Industry Co. Ltd., which is an associated company of China Merchants Holdings Co. Ltd. and is listed on the Shenzhen Stock Exchange.

Beijing Huapeng Mansions Company Limited

This is a joint venture between the Group and China Merchants International Travel Corporation, to convert a factory into a grade A office building. Commercial space in the new building, to be called "Hua Peng Mansion", will then be let. The joint venture will last for 15 years and the Group has taken an equity stake of 25%, equivalent to an investment of approximately US\$1.675 million.

Beijing Hua Peng Mansion is situated on Dongshanhuan Road, which is a prime location in the centre of Beijing. Construction of two additional floors above the existing building has been completed, as well as refurbishing work for 50% of the floor area. All work is expected to be completed by October 1995.

The building is expected to be ready for occupation in October 1995. We anticipate that 80% of space will be let by the time the building is available for occupancy, and 95% will be let by early 1996. Once completed, the building will have more than 12,000 square metres of lettable office space.

Shenzhen Man Kam Square

In April 1994, the Group entered into a joint venture with City Chiu Chow (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited, to invest in property in Shenzhen. The property, to be known as "Man Kam Square", has a gross floor area of approximately 5,200 square metres and is situated at 3rd Floor, No. 2 Man Kam North Road,

Lowu, Shenzhen, in Guangdong Province. The Group holds a 35% interest in the joint venture company. The remaining 65% is held by City Chiu Chow (Holdings) Limited. The Group's investment in the joint venture is approximately US\$4.755 million.



THE INVESTMENT MANAGER'S REPORT (CONT'D)

The developer plans to convert one of the four buildings into a four-star hotel; the others will be devoted to commercial and residential units. The property is scheduled to be completed in the second half of 1995.

China Merchants Plaza

The Group has formed a Hong Kong company with China Merchants Holdings (Hong Kong) Company Limited and two other independent third parties to set up a joint venture in China to develop a commercial office building in Shanghai, to be known as "China Merchants Plaza". The project is for a duration of 50 years, and CMCDI has invested US\$7.68 million for a roughly 20% holding.

Located on the corner of Weihai Road and Chengdu Road in central Shanghai, China Merchants Plaza is planned as a commercial development with two 28-storey office towers. With land use rights and relocation fees fully paid, and site clearance completed, the project is progressing smoothly. The ceremony to mark the laying of the foundation stone was held on 15th April, 1995. Construction works are underway.

Weifang Zhaoyin Real Estate Development Limited

The Group invested US\$4 million in this 20-year contractual joint venture for 18% shareholding. Other participants include the China Merchants Group, Bank of China Group Investment Co., and the Weifang Development Zone.

The development, which involves the construction of three million square metres of residential housing over 15 years, is part of an ambitious plan by the City of Weifang in Shandong Province to attract investment to its newly-established Hi-tech Industrial Zone.

The Group's investment in the project will receive a fixed return in foreign currency equivalent to an average of 17% per annum.

Wei Fang Yin Yuan Aviation Industry Company Limited

This project is a 15-year contractual joint venture aimed at reconstructing the local airport for civilian use. The partners include Weifang Civil Aviation Station (which has 37.48% of the equity), Bank of China Group Investment Limited (31.26%) and the Group (31.26%). The Group's total investment is US\$2.875 million.

Construction work is progressing steadily. Work on the control tower and the passenger building is 80% completed. The opening is scheduled for mid 1995. Being the site of the well-known kite festival, Weifang has also become the third largest industrial city in Shandong Province. It is expected that the new airport will make the city more accessible and thus provide an additional boost to the local economy.

Yantai Huashang Power Company Limited

Subsequent to the year end, the Group signed a contractual joint venture agreement with the Yantai Power Development Co. Ltd to acquire a 27% stake in the Longkou Power Station Phase II. Until then the power station had been owned by the municipalities of Yantai and Weihai, and the Ministry of Power Industry. The power station consists of two 200,000 kw coal-fired generators, commissioned in 1988 and 1989 respectively. When the Group receives final government approval, it intends to invest a total of US\$10 million.

THE INVESTMENT MANAGER'S REPORT (CONT'D)

LISTED INVESTMENTS

As at 31st December, 1994, the following listed securities are invested:

Name of Securities	Principal Activities	Cost US\$	Market Value US\$	% of Net Asset Value of the Group
Maanshan Iron & Steel Co., Ltd. "H" share	Iron and steel production	383,505	274,198	0.28
Shanghai Haixin Co., Ltd. "B" share	Plush manufacturing	152,313	169,884	0.17
Shenzhen Special Economic Zone Real Estate and Properties (Group) Co., Ltd. "B" share	Property investment and property development	673,497	485,248	0.50
Shanghai Phoenix Bicycle Co., Ltd. "B"share	Design, manufacture, assembly and distribution of bicycles	123,217	77,600	0.08
Shanghai Industrial Sewing Machine Co., Ltd. "B"share	Production and sale of industrial sewing machine	62,389	48,000	0.05
Shanghai Tyre & Rubber Co., Ltd. "B"share	Tyre and rubber production	149,587	95,000	0.10
Shenzhen China International Marine Containers Co., Ltd. "B"share	Manufacture of containers	726,993	811,672	0.83
Florens Group Ltd.	Container leasing	503,172	462,927	0.47
Harbin Power Equipment Co., Ltd. "H"share	Thermal and hydro power plant equipment manufacturing	33,723	33,644	0.03
	Total	<u>2,808,396</u>	<u>2,458,173</u>	<u>2.51</u>

THE INVESTMENT MANAGER'S REPORT (CONT'D)

PROSPECTS

The austerity measures introduced in 1993 to cool down China's overheated economy seem to be working. This suggests that a healthier economic climate is emerging and, with it, a more stable currency. At the same time, the conditions for investment in China have shown a marked improvement. Our patience in selecting investments is beginning to pay off; we remain confident of achieving our target growth in the Group's net asset value.

Sun Ju

Managing Director

**China Merchants China Investment
Management Limited**

Hong Kong, 19th May, 1995

THE INVESTMENT MANAGER'S REPORT (CONT'D)

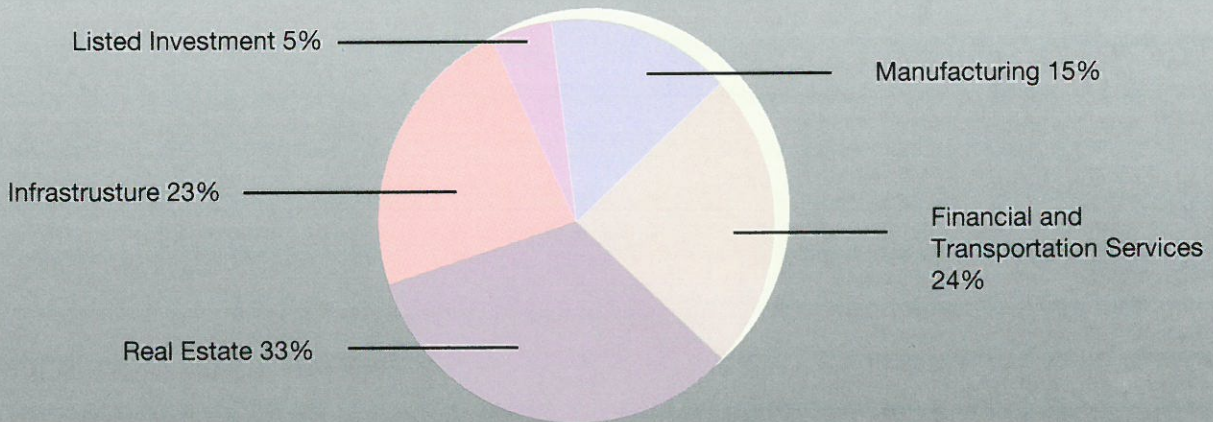
COMMITTED PROJECTS

Name of Project	Location	Investment Amount (US\$ million)	% of Net Asset Value of the Group
Manufacturing:			
1 Tangshan Yinli Ceramics Ltd. Tangshan Shenjian Ceramics Ltd.	Tangshan, Hebei	2.2	2.25
2 Zhaoyuan Jinbao Electronics Co. Ltd.	Zhaoyuan, Shandong	6.0	6.15
Financial & Transportation Services:			
3 China Merchants Bank	Shenzhen, Guangdong	8.65	8.86
4 Shenzhen Anda Group of Companies	Shenzhen, Guangdong	4.875	5.00
Real Estate:			
5 Beijing Huapeng Mansions Co. Ltd.	Beijing	1.675	1.72
6 Shenzhen Man Kam Square	Shenzhen, Guangdong	4.755	4.87
7 China Merchants Plaza	Shanghai	7.68	7.87
8 Weifang Zhaoyin Real Estate Development Ltd.	Weifang, Shandong	4.0	4.10
Infrastructure:			
9 Wei Fang Yin Yuan Aviation Industry Co. Ltd.	Weifang, Shandong	2.875	2.95
10 Yantai Huashang Power Co. Ltd.	Yantai, Shandong	10.0	10.25
	Total	<u>52.71</u>	<u>54.02</u>

Locations of Projects



Investment Distribution by Sector



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Victoriana Room, 4th Floor, Hotel Furama Kempinski Hong Kong, 1 Connaught Road Central, Hong Kong on Wednesday, 21st June, 1995 at 3:30 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 1994.
2. To declare a final dividend for the year ended 31st December, 1994.
3. To re-elect retiring Directors.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass with or without modifications the following resolutions as ordinary resolutions:

A. "THAT:

- (a) subject to paragraph (c) and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

B “THAT:

(a) subject to paragraph (b), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to repurchase its own shares and warrants on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the aggregate number of warrants which may be repurchased pursuant to such approval shall not exceed 10 per cent. of the aggregate amount of warrants of the Company outstanding on the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

C. “THAT conditional upon Resolutions 5A and 5B being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 5B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution 5A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

By Order of the Board
Elizabeth Ka-Yee Kan
Company Secretary

Hong Kong, 19th May, 1995

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company's registered office at Room 1101, Shun Tak Centre, 200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
- (3) The register of members of the Company will be closed from 13th June, 1995 to 21st June, 1995, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 12th June, 1995.
- (4) The register of warrant holders of the Company will be closed from 13th June, 1995 to 21st June, 1995, both days inclusive, during which period no transfer of warrants will be effected. Holders of the Company's 1996 warrants who wish to exercise their subscription rights to subscribe for shares which will qualify for the proposed final dividend must lodge the relevant warrant certificates together with the subscription forms, duly completed and signed, and the requisite subscription monies with the Company's registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 12th June, 1995.
- (5) At the Annual General Meeting of the Company held on 22nd June, 1994, Ordinary Resolutions were passed giving general mandates to Directors to repurchase shares of the Company on the Stock Exchange and to allot, issue and otherwise deal with additional shares in the capital of the Company. Under the terms of the Companies Ordinance and Rules Governing the Listing of Securities on the Stock Exchange, these general mandates lapse at the conclusion of the Annual General Meeting for 1995, unless renewed at that meeting. The Ordinary Resolutions sought in items 5A and 5B of this notice renew these mandates.
- (6) With reference to the Ordinary Resolutions sought in items 5A and 5B of this notice, the Directors wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares of the Company other than the shares that may be issued when any of the subscription rights attaching to the existing warrants are being exercised by any warrant holders during the exercise period of the warrants that ends on 30th June, 1996. Approval is being sought from members as a general mandate pursuant to the Companies Ordinance and the Listing Rules of the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements of the Company and the Group for the year ended 31st December, 1994.

PRINCIPAL ACTIVITY

The Company is an investment company, incorporated as a company limited by shares in Hong Kong and invests in companies with significant business involvements in the People's Republic of China ("PRC"). Details of its subsidiaries are shown in note 11 to the financial statements.

RESERVES

Movements in reserves during the year are set out in note 17 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of the issued share capital and warrants of the Company are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The result of the Group for the year ended 31st December, 1994 and the state of the Company's and the Group's affairs as at that date are shown in the financial statements as set out on pages 22 to 36.

The Directors recommend the payment of a final dividend of US\$0.03 per share, totalling US\$2,857,200.

DIRECTORS

Except where otherwise stated, the Directors who held office during the year and up to the date of this report were:

Mr. JIANG Bo	<i>(Chairman)</i>
Mr. CHU Lap Lik, Victor	
Mr. LI Yin Fei	
Mr. WANG Bai Yong	<i>(Resigned on 19th May, 1995)</i>
Mr. SUN Yin	
Mr. WIRTH William Ralph*	<i>(Resigned on 6th January, 1995)</i>
Mr. MULLER Beat M.*	<i>(Alternate to WIRTH William Ralph* and ADAMI Manfred John*)</i>
Mr. TSANG Kam Lan*	
Mr. FOCK Siew Wah*	<i>(Resigned on 28th July, 1994)</i>
Mr. NG Siu Fai*	
Mr. KUT Ying Hay*	
Dr. LI Kwok Po, David*	
Mr. POON Kwok Lim, Steven*	
Mr. SATO Haruo*	
Mr. TAN Kuan Hong*	<i>(Appointed on 28th July, 1994)</i>
Mr. HUEGLE Peter P.*	<i>(Appointed on 30th May, 1994)</i>
Dr. ADAMI Manfred John*	<i>(Appointed on 6th January, 1995)</i>
Dr. SUN Ju	<i>(Appointed on 19th May, 1995)</i>

* non-executive directors

REPORT OF THE DIRECTORS (CONT'D)

Under the provisions of the Company's Articles of Association, Mr. Jiang Bo, Mr. Tan Kuan Hong, Mr. Huegle Peter P., Dr. Adami Manfred John and Dr. Sun Ju retire and, being eligible, offer themselves for re-election.

Mr. JIANG Bo, aged 70, has been an executive director and the chairman of the Company since June, 1993. He is the executive vice chairman of China Merchants Holdings Company Limited ("China Merchants Holdings"), the chairman of China Merchants Steam Navigation Company Limited ("CMSNC"), China Merchants Holdings (Hong Kong) Company Limited ("CMHHK"), Union Bank of Hong Kong Limited, China Merchants Bank, China Merchants Hai Hong Holdings Company Limited and the vice chairman of The Hong Kong Chinese Enterprises Association. He is also the chairman or 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 12 years with the China Merchants Group, he has been actively involved in the formulating and carrying out of its 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 37, has been an executive director of the Company since June, 1993. Mr. Chu is a practising solicitor in Hong Kong and is senior partner of Victor Chu & Co.. He is the 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 currently serves on the Takeovers and Mergers Panel, the Advisory Committee of the Securities and Futures Commission and the Central Policy Unit of the Hong Kong Government. Mr. Chu took his law degree at University College, London.

Mr. LI Yin Fei, aged 52, has been an executive director of the Company since June, 1993. Mr. Li is the executive director and president of China Merchants Holdings, a director of CMSNC, CMHHK and China Merchants Bank, the chairman of China Merchants China Investment Management Limited and the vice chairman of Union Bank of Hong Kong Limited and China Merchants Hai Hong Holdings Company Limited. He also holds directorships in various other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest. 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 64, has been an executive director of the Company since June, 1993. He holds directorships in various other companies which are controlled by the China Merchants Group, including Union Bank of Hong Kong Limited and China Merchants Bank, or in which the China Merchants Group has an interest. He 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 57, has been an executive director of the Company since June, 1993. He is an executive director and financial controller of China Merchants Holdings, a director of CMSNC, CMHHK, Union Bank of Hong Kong Limited and China Merchants Bank. He also holds directorships in various other companies which are controlled by the China Merchants Group or in which the China Merchants Group has an interest. 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.

Dr. ADAMI Manfred John, aged 54, has been a non-executive director of the Company since January, 1995. Dr. Adami is a member of the executive board of Credit Suisse and a director of various other companies in which Credit Suisse has an interest.

REPORT OF THE DIRECTORS (CONT'D)

Mr. HUEGLE Peter P., aged 57, has been a non-executive director of the Company since May, 1994. Mr. Huegle is a member of the executive board of Swiss Reinsurance Company, Zurich, having responsibility for financial resources. He is also on the board of SR International Business Insurance Company Limited, London, European General Reinsurance Company of Zurich, Zurich, Swiss Re Global Fund, Zurich and J. Henry Schroder Bank AG, Zurich. Mr. Huegle obtained his master degree in business administration from the University of Zurich.

Mr. KUT Ying Hay, aged 40, has been a non-executive director of the Company since June, 1993. He is a non-executive director of China Merchants Hai Hong Holdings Company Limited. He is also a director of Crosston Finance Limited and Up-Rise Limited. Mr. Kut is a practising solicitor and notary public of Hong Kong and the proprietor of Messrs. Kut & Co., a firm of solicitors. He is a notary officer appointed by the Ministry of Justice of the People's Republic of China. 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, Australia. He is also a member of the Board of Review established by the Hong Kong Government pursuant to the Inland Revenue Ordinance.

The Hon. LI Kwok Po, David, aged 55, has been a non-executive director of the Company since June, 1993. Dr. Li is the deputy chairman and chief executive of The Bank of East Asia, Limited. He is an elected member of the Legislative Council (representative of the Finance Constituency). Dr. Li is the deputy chairman of Hong Kong Telecommunications Limited and a director of China Overseas Land & Investment Limited, Dow Jones & Company, Inc., The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, San Miguel Brewery Hong Kong Limited, Sime Darby Berhad, Sime Darby Hong Kong Limited, South China Morning Post (Holdings) Limited and Vitasoy International Holdings Limited. He is a member of The Avon International Advisory Council, Bank Austria International Advisory Board, Bank of Montreal International Advisory Council, IBM Asia /Pacific and IBM Greater China Advisory Boards. Dr. Li is the chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is a member of the Banking Advisory Committee and the Exchange Fund Advisory Committee, a Hong Kong Affairs Adviser to China, a member of the Hong Kong Special Administrative Region Preliminary Preparatory Committee and convener of the investment committee of The Hong Kong Special Administrative Region Government Land Fund Trust.

Mr. MULLER Beat M., aged 43, is a member of senior management and chief representative of Credit Suisse in Hong Kong. He has been an alternate director in the Company since June, 1993 and was appointed as an alternate director to Dr. Adami Manfred John on 6th January, 1995. Mr. Muller joined Credit Suisse in 1975 and has worked with Credit Suisse in Europe, the Middle East, Singapore and Hong Kong.

Mr. NG Siu Fai, aged 39, has been a non-executive director of the Company since June, 1993. He has more than 19 years of experience in the shipping industry, of which over 10 years are gained in the areas of business management and China trade. He is the chairman and the managing director of Jinhui Holdings Company Limited ("Jinhui") as well as the deputy managing director of ONFEM Holdings Limited, both of which are listed on the Hong Kong Stock Exchange. As one of the original founders of the Jinhui Group of companies, Mr. Ng's responsibility is to formulate strategic planning as well as oversee all aspects of the operations for the Jinhui Group of companies.

REPORT OF THE DIRECTORS (CONT'D)

The Hon. POON Kwok Lim, Steven, aged 51, has been a non-executive director of the Company since June, 1993. Mr. Poon is a member of the Legislative Council of Hong Kong. He is the managing director of Bright World Enterprise Limited, a director of International Bank of Asia and a Hong Kong Affairs Adviser to China. Mr. Poon was formerly the general manager and the chief operating officer of a Hong Kong public utility company, China Light & Power Company, Limited, and formerly a member of the Hong Kong Stock Exchange Council. Mr. Poon holds a master degree in electrical engineering and is a chartered engineer.

Mr. SATO Haruo, aged 59, has been a non-executive director of the Company since June, 1993. He is a senior managing director and head of International Division of Yamaichi Securities Co., Limited. Mr. Sato joined Yamaichi Securities Co., Limited 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., Limited.

Mr. TAN Kuan Hong, aged 39, has been a non-executive director of the Company since July, 1994. Mr. Tan also serves on the board of Crown Pacific Development Limited and Canadian Eastern Life Assurance Limited.

Mr. TSANG Kam Lan, aged 63, has been a non-executive director of the Company since June, 1993. He is the deputy chief executive of the Hong Kong-Macau Regional Office of Bank of China and the chairman of Bank of China Group Investment Limited ("BOCGI") and Bank of China Group Insurance Company Limited. Mr. Tsang has over 30 years' experience in banking, of which over 15 years were 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 Limited, Hong Kong Branch. He is also the vice chairman of BOC China Fund Limited and the chairman of Hopewell Power (China) Co. Limited and acts as the chairman or director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

Dr. SUN Ju, aged 50, is a graduate of Qing Hua University, Beijing, PRC. He obtained his master and doctorate degrees in electrical engineering from the University of Southern California, U.S.A. Dr. Sun joined the China Merchants Group in 1994 and was appointed as the managing director of China Merchants China Investment Management Limited. Before he joined the China Merchants Group, he was the general manager of China International Economic and Technological Development Centre.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 1994, none of the Directors were interested, beneficially or otherwise, in any listed securities of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party or were parties 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 with the Company.

REPORT OF THE DIRECTORS (CONT'D)

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

At no time during the year ended 31st December, 1994 was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 1994, the register kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

Name	Number of shares	Percentage
China Merchants Holdings (Hong Kong) Company Limited	10,000,000	10.50%
HSBC (Nominees) Limited	29,006,800	30.46%
Yamaichi International (HK) Nominees Limited	9,750,000	10.24%

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CONNECTED TRANSACTIONS

On 9th March, 1994, the Company acquired from China Merchants Holdings (Hong Kong) Company Limited ("CMHHK") and China Merchants Steam Navigation Company Limited ("CMSNC") an interest in a subsidiary company, at an aggregate consideration of US\$444,150. CMSNC is the parent company of CMHHK, which in turn, holds approximately 10.5% of the issued share capital of the Company.

On 6th June, 1994, the Company acquired from Top Chief Company Limited, a wholly owned subsidiary of CMHHK, an interest in a subsidiary company at an aggregate consideration of US\$4,875,000.

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. Mr. Li Yin Fei, Mr. Chu Lap Lik, Victor, Mr. Wang Bai Yong and Dr. Sun Ju are directors of both the Company and China Merchants China Investment Management Limited.

The investment management agreement became effective on 15th July, 1993 and is 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.

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

A resolution for the reappointment of Kwan Wong Tan & Fong • BDO as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Jiang Bo
Chairman

19th May, 1995
Hong Kong

REPORT OF THE AUDITORS

TO THE MEMBERS OF
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 22 to 36 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the Company's and the Group's affairs as at 31st December, 1994 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

KWAN WONG TAN & FONG
Certified Public Accountants

Hong Kong
19th May, 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 1994

	Note	1994 US\$	1993 US\$
GROSS REVENUE	3	<u>5,120,969</u>	<u>2,033,771</u>
Operating profit before exceptional items	4	<u>3,582,764</u>	1,595,044
Exceptional items	5	<u>(452,625)</u>	—
Operating profit		<u>3,130,139</u>	1,595,044
Share of profits less losses of associated companies		<u>418,332</u>	—
Profit before taxation		<u>3,548,471</u>	1,595,044
Taxation	6	<u>—</u>	(150,000)
Profit after taxation	7	<u>3,548,471</u>	1,445,044
Dividend	8	<u>(2,857,200)</u>	—
Retained profit for the year		<u>691,271</u>	<u>1,445,044</u>
Earnings per share	9	<u>0.037</u>	<u>0.015</u>
Dividend per share	8	<u>0.03</u>	<u>—</u>

Profit for the year is retained as follows:-

By the Company and its subsidiaries	<u>272,939</u>	1,445,044
By associated companies	<u>418,332</u>	—
	<u>691,271</u>	<u>1,445,044</u>

The accompanying notes on pages 26 to 36 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31st December, 1994

	Note	1994 US\$	1993 US\$
Goodwill	2a & 10	1,051,546	—
Associated Companies	12	17,493,367	—
Contractual Joint Ventures	13	10,474,396	—
Other Investments	14	13,817,368	1,572,847
Net Current Assets	15	<u>54,753,892</u>	<u>95,470,566</u>
Net Assets		<u>97,590,569</u>	<u>97,043,413</u>
Financed by:			
Share Capital	16	9,524,000	9,524,000
Reserves	17	<u>88,066,569</u>	<u>87,519,413</u>
Shareholders' Funds		<u>97,590,569</u>	<u>97,043,413</u>
NET ASSET VALUE PER SHARE	18	<u>1.025</u>	<u>1.019</u>

Approved by the Board on 19th May, 1995.

Li Yin Fei
Director

Chu Lap Lik, Victor
Director

The accompanying notes on pages 26 to 36 form an integral part of these financial statements.

BALANCE SHEET OF THE COMPANY

as at 31st December, 1994

	Note	1994 US\$	1993 US\$
Subsidiaries	11	43,984,189	831,517
Other Investments	14	307,842	723,250
Net Current Assets	15	<u>51,485,970</u>	<u>95,470,566</u>
Net Assets		<u>95,778,001</u>	<u>97,025,333</u>
Financed by:			
Share Capital	16	9,524,000	9,524,000
Reserves	17	<u>86,254,001</u>	<u>87,501,333</u>
Shareholders' Funds		<u>95,778,001</u>	<u>97,025,333</u>

Approved by the Board on 19th May, 1995.

Li Yin Fei
Director

Chu Lap Lik, Victor
Director

The accompanying notes on pages 26 to 36 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 1994

	1994 US\$	1993 US\$
Net cash (outflow) / inflow from operating activities (see note below)	<u>(1,959,558)</u>	<u>1,120,017</u>
Investing activities		
Investments in and advances to associated companies	(16,963,575)	-
Investments in contractual joint ventures	(6,724,396)	-
Other investments	(10,416,683)	-
Proceeds from sale of listed investments	1,141,707	940,182
Additions to listed investments	(2,647,934)	(1,779,067)
Unlisted investments	(500,000)	-
Purchase of subsidiaries (see Note 20)	(1,126,637)	-
Net cash outflow from investing activities	<u>(37,237,518)</u>	<u>(838,885)</u>
Net cash (outflow) / inflow before financing	<u>(39,197,076)</u>	<u>281,132</u>
Financing activities		
Issue of ordinary share capital	-	100,002,000
Expenses paid in connection with share issue	-	(4,761,456)
Net cash inflow from financing	<u>-</u>	<u>95,240,544</u>
(Decrease) / increase in cash and cash equivalents	(39,197,076)	95,521,676
Cash and cash equivalents as at 1st January	95,521,676	-
Cash and cash equivalents as at 31st December	<u>56,324,600</u>	<u>95,521,676</u>
Analysis of cash and cash equivalents		
Cash at bank	<u>56,324,600</u>	<u>95,521,676</u>

Note:

Reconciliation of operating profit to net cash (outflow) / inflow from operating activities

	1994 US\$	1993 US\$
Profit before taxation	3,548,471	1,595,044
Gain on disposal of listed investments	(164,487)	(376,138)
Unrealised loss on revaluation of listed investments	452,625	-
Amortisation of goodwill	75,091	-
Share of profits less losses of associated companies	(418,332)	-
Increase in accounts receivable, deposits and prepayments	(668,123)	(1,265,286)
(Decrease) / increase in accounts payable and accrued charges	(4,861,991)	1,166,397
Unrealised exchange gains	77,188	-
Net cash (outflow) / inflow from operating activities	<u>(1,959,558)</u>	<u>1,120,017</u>

The accompanying notes on pages 26 to 36 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1994

1. GENERAL

The Company is a listed public limited company incorporated on 13th April, 1993 in Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries made up to the balance sheet date and include the Group's proportionate share of the post-acquisition results of associated companies. Results of subsidiaries and associated companies acquired or disposed of during the year are included as from the dates of acquisition or up to the dates of disposal respectively.

Goodwill arising on consolidation, representing the excess of the cost of investments in subsidiaries and associated companies over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is amortised on a straight line basis over the life of the underlying investments.

b) Associated Companies

A company is an associated company if not less than 20% nor more than 50% of the issued voting capital, or registered capital in the case of an equity joint venture company established in the People's Republic of China ("PRC"), is held as a long term investment and on whose financial and operating policies the Group is able to exercise significant influence.

Interests in associated companies are carried in the consolidated balance sheet at the Group's attributable share of net assets of the associated companies, after adjusting for the fair value of their assets at the time of acquisition, plus any premium or discount on acquisition. The calculation of the Group's share of post-acquisition results of associated companies is based on their audited or unaudited financial statements made up to the balance sheet date.

c) Contractual Joint Ventures

A contractual joint venture refers to a joint venture established in the PRC in respect of which the rights and obligations of the joint venture partners are governed by joint venture contracts. Under the contractual arrangements, profit sharing ratios and the share of net assets of the joint venture upon expiration of the joint venture period between the joint venture partners, are not in proportion to their equity contributions. Profits or losses from contractual joint ventures are taken to the profit and loss account as from the dates of acquisition. The Group's investments in contractual joint ventures are carried at cost less amortisation and amounts recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Other Investments

i) Unlisted

Other unlisted investments held for long term purposes are stated at cost or at respective fair values as determined in good faith by the Investment Manager in accordance with generally accepted valuation principles and procedures. The unrealised appreciation or depreciation of investments is dealt with in reserves.

ii) Listed

Listed investments held for long term purposes are valued at the latest available quoted or traded market prices as at the balance sheet date. The unrealised appreciation or depreciation of investments is dealt with in reserves.

e) Income and Expenses

Income in respect of dividends arising on listed investments is recognised on the date the securities are quoted as ex-dividend. All other income and expenses are accounted for on an accrual basis.

f) Securities Transactions

Securities transactions are accounted for on the trade date and gains and losses on dealing of investments are calculated on the average cost basis.

g) Preliminary Expenses

All costs incurred in the formation and listing of the Company have been fully written off against the share premium account.

h) Foreign Currency Translation

The Company maintains its books and records in United States dollars.

Transactions in foreign currencies are translated into United States dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the approximate rates ruling on the balance sheet date and any profits or losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associated companies expressed in currencies other than United States dollars are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as movements in exchange equalisation reserve.

i) Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences that are expected to crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

3. GROSS REVENUE

Gross revenue, which represents the turnover of the Group is analysed as follows:

	1994 US\$	1993 US\$
Interest income	3,502,457	1,657,633
Dividend income from listed investments	15,741	—
Dividend income from unlisted investments	559,227	—
Income from contractual joint ventures	879,057	—
Gain on sale of listed investments	164,487	376,138
	<u>5,120,969</u>	<u>2,033,771</u>

4. OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

Operating profit before exceptional items is arrived at after charging:

	1994 US\$	1993 US\$
Amortisation of goodwill	75,091	—
Auditors' remuneration	25,000	13,000
Investment manager's fee	1,192,826	343,753
Investment manager's performance bonus	—	—
Directors' emoluments	—	—
	<u>—</u>	<u>—</u>
and crediting:		
Dividends from listed investments	15,741	—
Dividends from unlisted investments	559,227	—
Income from contractual joint ventures	879,057	—
Interest income	3,502,457	1,657,633
	<u>3,502,457</u>	<u>1,657,633</u>

5. EXCEPTIONAL ITEMS

	1994 US\$	1993 US\$
Loss on revaluation of listed investments	<u>452,625</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

6. TAXATION

	1994 US\$	1993 US\$
Company and Subsidiaries	-	150,000
Associated companies	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>150,000</u>

No provision for Hong Kong profits tax has been made as the Group has no profit subject to Hong Kong profits tax. There are no known tax liabilities elsewhere.

No deferred taxation has been provided for as there are no significant timing differences arising between profits as computed for taxation purposes and profits as stated in the financial statements.

7. PROFIT AFTER TAXATION

Of the profit for the year, profit of US\$1,949,613 (1993 : US\$1,445,044) is dealt with in the financial statements of the Company.

8. DIVIDEND

	1994 US\$	1993 US\$
Proposed final dividend of US\$0.03 (1993 : Nil) per ordinary share	<u>2,857,200</u>	<u>-</u>

The calculation of dividend per share is based on the proposed dividend of US\$2,857,200 (1993 : Nil) and on 95,240,000 ordinary shares in issue.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings for the year of US\$3,548,471 (1993 : US\$1,445,044) and 95,240,000 ordinary shares (1993: 95,240,000 ordinary shares) in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

10. GOODWILL

	Group	
	1994	1993
	US\$	US\$
At cost		
Additions during the year and balance as at 31st December	1,126,637	–
Accumulated amortisation		
Charge for the year and balance as at 31st December	<u>(75,091)</u>	<u>–</u>
Net book value		
Balance as at 31st December	<u><u>1,051,546</u></u>	<u><u>–</u></u>

11. SUBSIDIARIES

	Company	
	1994	1993
	US\$	US\$
Unlisted shares, at cost	11,126,645	1
Amounts due from subsidiaries	<u>32,857,544</u>	<u>831,516</u>
	<u><u>43,984,189</u></u>	<u><u>831,517</u></u>

Details of wholly-owned subsidiaries are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued share capital
CMCDI Zhao Yuan Limited	British Virgin Islands ("BVI")	Investment holding	1 ordinary share of US\$1 each
CMCDI Property Management Company Limited	BVI	Investment holding	1 ordinary share of US\$1 each
China Merchants Industry Development (Shenzhen) Limited	PRC	Investment holding	Registered capital of US\$10,000,000
China Faith International Limited	BVI	Investment holding	1 ordinary share of US\$1 each
Foster Overseas Limited	BVI	Investment holding	1 ordinary share of US\$1 each
Head Union Development Limited	Hong Kong ("HK")	Investment holding	2 ordinary shares of HK\$1 each
Ryan Pacific Limited	BVI	Investment holding	1 ordinary share of US\$1 each

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

11. SUBSIDIARIES (CONT'D)

Name	Place of incorporation	Principal activities	Particulars of issued share capital
Star Group Limited	HK	Dormant	2 ordinary shares of HK\$1 each
Weaver International Limited	BVI	Investment holding	1 ordinary share of US\$1 each
Wheaton International Limited	BVI	Investment holding	1 ordinary share of US\$1 each
Woodford Pacific Limited	BVI	Investment holding	1 ordinary share of US\$1 each

12. ASSOCIATED COMPANIES

	Group	
	1994 US\$	1993 US\$
Companies incorporated in the BVI:		
Unlisted shares, at cost	21,267	-
Share of post-acquisition losses	(1,740)	-
Exchange adjustments	(24)	-
	<u>19,503</u>	-
Amounts due from associated companies	<u>11,942,437</u>	-
	<u><u>11,961,940</u></u>	-
Joint venture companies established in PRC:		
Unlisted investments, at cost	3,525,000	-
Share of post-acquisition profits	420,071	-
Exchange adjustments	111,484	-
	<u>4,056,555</u>	-
Amounts due from joint venture companies	<u>1,474,872</u>	-
	<u><u>5,531,427</u></u>	-
	<u><u>17,493,367</u></u>	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

12. ASSOCIATED COMPANIES (CONT'D)

Details of associated companies are as follows:

Name	Place of incorporation	Principal activities	Group equity interest
Daily On Property Limited	HK	Property development	22%
Beijing Huapeng Mansions Co., Limited	PRC	Property investment	25%
Hansen Enterprises Limited	BVI	Property development	35%
Zhaoyuan Jinbao Electronics Company Limited	PRC	Manufacturing of electronics products	30%

13. CONTRACTUAL JOINT VENTURES

	Group 1994 US\$	1993 US\$
Unlisted investments		
Contributions to registered capital of contractual joint ventures less amount recovered	<u>10,474,396</u>	<u>-</u>

Under the terms of the joint venture contracts, the joint venture companies are obliged to pay an annual dividend which comprises a fixed sum and, in some instances, adjusted in accordance with the market rate of interest. The Group is not entitled to share in the net assets of the joint venture companies upon expiration of the joint venture contracts.

Details of contractual joint ventures are as follows:

Name	Principal activities	Expiry date of joint venture
Wei Fang Yin Yuan Aviation Industry Co., Limited	Airport construction	4th May, 2009
Shenzhen Anda Passenger Transportation Co., Limited	Taxi services	16th January, 2008
Shenzhen Anda Container Transportation Co., Limited	Container transportation	28th September, 2007
Shenzhen Anda Cargo Transportation Co., Limited	Road freight transportation	12th January, 2008
Weifang Zhaoyin Real Estate Development Limited	Property development	23rd June, 2014

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

14. OTHER INVESTMENTS

	Group		Company	
	1994 US\$	1993 US\$	1994 US\$	1993 US\$
Listed investments, at market value	2,458,173	1,572,847	307,842	723,250
Convertible bonds, at cost	500,000	—	—	—
Unlisted investments, at cost	10,859,195	—	—	—
	<u>13,817,368</u>	<u>1,572,847</u>	<u>307,842</u>	<u>723,250</u>

15. NET CURRENT ASSETS

	Group		Company	
	1994 US\$	1993 US\$	1994 US\$	1993 US\$
Current assets				
Cash at bank	56,324,600	95,521,676	54,735,060	95,521,676
Accounts receivable	1,927,393	816,812	210,820	816,812
Prepayments	6,017	5,962	6,017	5,962
Deposits	—	442,513	—	442,513
	<u>58,258,010</u>	<u>96,786,963</u>	<u>54,951,897</u>	<u>96,786,963</u>
Current liabilities				
Accounts payable and accrued charges	116,443	49,407	78,252	49,407
Dividend payable	2,857,200	—	2,857,200	—
Taxation	150,000	150,000	150,000	150,000
Current account with other related companies	380,475	1,116,990	380,475	1,116,990
	<u>3,504,118</u>	<u>1,316,397</u>	<u>3,465,927</u>	<u>1,316,397</u>
Net current assets	<u>54,753,892</u>	<u>95,470,566</u>	<u>51,485,970</u>	<u>95,470,566</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

16. SHARE CAPITAL

	1994 US\$	1993 US\$
Authorised:		
150,000,000 ordinary shares of US\$0.10 each	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid:		
95,240,000 ordinary shares of US\$0.10 each	<u>9,524,000</u>	<u>9,524,000</u>

The Company had 19,048,000 warrants in issue during the year. Each warrant confers upon its holder the right to subscribe for one share of US\$0.10 at a price of US\$1.00 in the capital of the Company and, unless exercised on or prior to 30th June, 1996, the warrants will lapse and be of no further effect. No warrants were exercised during the year ended 31st December, 1994.

17. RESERVES

	Share premium US\$	Investment revaluation US\$	Exchange equalisation US\$	Retained profits US\$	Total US\$
Group					
Balance at beginning of year	85,716,544	357,825	-	1,445,044	87,519,413
Unrealised losses on investments	-	(255,575)	-	-	(255,575)
Exchange differences on translation of financial statements of associated companies	-	-	111,460	-	111,460
Profit for the year	-	-	-	3,548,471	3,548,471
Proposed final dividend	-	-	-	(2,857,200)	(2,857,200)
	<u>85,716,544</u>	<u>102,250</u>	<u>111,460</u>	<u>2,136,315</u>	<u>88,066,569</u>
Company					
Balance at beginning of year	85,716,544	339,745	-	1,445,044	87,501,333
Unrealised losses on investments	-	(339,745)	-	-	(339,745)
Profit for the year	-	-	-	1,949,613	1,949,613
Proposed final dividend	-	-	-	(2,857,200)	(2,857,200)
	<u>85,716,544</u>	<u>-</u>	<u>-</u>	<u>537,457</u>	<u>86,254,001</u>

The distributable reserves of the Company as at 31st December, 1994 amounted to US\$537,457 (1993: US\$1,445,044).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

18. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$97,590,569 (1993: US\$97,043,413) and 95,240,000 ordinary shares (1993: 95,240,000 ordinary shares) of US\$0.10 each in issue.

19. COMMITMENTS

As at the balance sheet date, there were commitments and contingencies not provided for in the financial statements in respect of the following:

	Group	
	1994	1993
	US\$	US\$
Contracted but not provided for		
a) Outstanding capital contributions to associated companies	2,490,000	6,000,000
b) Outstanding capital contributions to contractual joint ventures and other investee companies	<u>579,600</u>	<u>—</u>
Authorised but not contracted for		
a) Outstanding capital contributions to associated companies	<u>10,000,000</u>	<u>—</u>

20. PURCHASE OF SUBSIDIARIES

	1994	1993
	US\$	US\$
Net assets acquired:		
Investments in contractual joint ventures	3,750,000	
Other investments	442,512	—
Accounts payable and accrued charges	<u>(4,192,512)</u>	<u>—</u>
	—	—
Goodwill	<u>1,126,637</u>	<u>—</u>
	<u>1,126,637</u>	<u>—</u>
Satisfied by:		
Cash consideration	<u>1,126,637</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31st December, 1994

21. PRIOR YEAR COMPARATIVES

Prior year comparatives cover the period from 13th April, 1993 (date of incorporation) to 31st December, 1993 and certain figures have been reclassified to conform with current year's presentation.

SUMMARY OF FINANCIAL INFORMATION OF ASSOCIATED COMPANIES

The following is a summary of the combined assets and liabilities and the combined results of the associated companies prepared from their unaudited financial statements made up to 31st December, 1994. With the unification of the official and swap centre exchange rates for Renminbi with effect from 1st January, 1994, the Renminbi denominated financial statements of the associated companies are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date.

COMBINED ASSETS AND LIABILITIES

as at 31st December, 1994

	US\$
Fixed assets	15,638,789
Investment in a subsidiary	1
Investment in an equity joint venture	34,601,296
Intangible assets	601,461
Formation and other deferred expenses	1,227,634
Net current assets	5,615,009
Loans and advances	<u>(43,745,719)</u>
Net assets	<u>13,938,471</u>

COMBINED RESULTS

for the year ended 31st December, 1994

	US\$
Turnover	<u>11,051,510</u>
Profit before taxation	1,393,251
Taxation	<u>-</u>
Profit for the year	<u>1,393,251</u>

