



**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

## **Interim Report**

For the six months ended 30 June 2003

## RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

		<b>2003</b>	2002
		<b>(unaudited)</b>	(unaudited)
			(restated)
	Notes	<b>US\$</b>	US\$
Turnover	3	<b>2,552,187</b>	1,842,363
Net (loss) gain on disposal of listed investments in securities		<b>(96,733)</b>	43,155
Unrealised holding loss on listed investments in securities		<b>(85,622)</b>	(199,646)
Unrealised holding gain on unlisted investments in securities		<b>16,480,475</b>	10,178,925
Write back of impairment loss of contractual joint venture		<b>144,977</b>	100,153
Other operating income		<b>5,277</b>	5,561
Administrative expenses		<b>(1,389,076)</b>	(1,334,642)
Profit from operations		<b>17,611,485</b>	10,635,869
Finance cost		-	(107,475)
Share of results of associates		<b>104,235</b>	135,905
Profit before taxation		<b>17,715,720</b>	10,664,299
Taxation	5	<b>(2,489,285)</b>	(1,553,429)
Profit attributable to shareholders		<b>15,226,435</b>	9,110,870
Earnings per share	6	<b>0.111</b>	0.066
Interim dividend declared of US¢ 0.5 per share		<b>685,728</b>	685,728

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2003

		<b>30 June 2003 (unaudited) US\$</b>	31 December 2002 (audited) (restated) US\$
	<i>Notes</i>		
Non-current assets			
Interests in associates		<b>16,352,673</b>	16,322,474
Contractual joint ventures	7	–	2,578,025
Investments in securities		<b>94,414,242</b>	79,518,246
		<b>110,766,915</b>	98,418,745
Current assets			
Trade and other receivables	8	<b>2,263,503</b>	443,089
Investments in securities		<b>2,891,917</b>	2,010,589
Cash and bank balances		<b>36,460,669</b>	34,061,675
		<b>41,616,089</b>	36,515,353
Current liabilities			
Trade and other payables		<b>951,538</b>	1,201,416
Taxation payable		<b>17,215</b>	17,215
Deferred taxation	11	<b>7,947,407</b>	5,475,335
Dividend payable		<b>1,097,165</b>	–
		<b>10,013,325</b>	6,693,966
Net current assets		<b>31,602,764</b>	29,821,387
NET ASSETS		<b>142,369,679</b>	128,240,132
CAPITAL AND RESERVES			
Share capital	9	<b>13,714,560</b>	13,714,560
Reserves		<b>128,655,119</b>	114,525,572
		<b>142,369,679</b>	128,240,132
NET ASSET VALUE PER SHARE	10	<b>1.038</b>	0.935

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	(Unaudited)					
	Share capital	Share premium	Exchange equalisation	General reserve	Retained profits	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2003	13,714,560	81,525,984	138,459	879,965	31,981,164	128,240,132
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	-	-	298	(21)	-	277
Net profit for the period	-	-	-	-	15,226,435	15,226,435
Final dividend declared for 2002	-	-	-	-	(1,097,165)	(1,097,165)
Balance at 30 June 2003	<u>13,714,560</u>	<u>81,525,984</u>	<u>138,757</u>	<u>879,944</u>	<u>46,110,434</u>	<u>142,369,679</u>
Balance at 1 January 2002	13,714,560	81,525,984	131,253	744,702	29,311,740	125,428,239
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	-	-	(531)	(45)	-	(576)
Net profit for the period	-	-	-	-	9,110,870	9,110,870
Final dividend declared for 2001	-	-	-	-	(1,097,165)	(1,097,165)
Balance at 30 June 2002	<u>13,714,560</u>	<u>81,525,984</u>	<u>130,722</u>	<u>744,657</u>	<u>37,325,445</u>	<u>133,441,368</u>

The general reserve represents the general reserve fund set aside by a subsidiary in accordance with relevant laws and regulations of the PRC, which is not available for distribution.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	<b>2003</b>	2002
	<b>(unaudited)</b>	<i>(unaudited)</i>
	<b>US\$</b>	US\$
Net cash used in operating activities	<b>(862,130)</b>	(1,254,046)
Net cash from investing activities	<b>3,261,372</b>	4,720,574
Net cash used in financing activities	<b>-</b>	(4,337,559)
Net increase (decrease) in cash and bank balances	<b>2,399,242</b>	(871,031)
Cash and bank balances at 1 January	<b>34,061,675</b>	40,631,746
Effect of foreign exchange rate changes	<b>(248)</b>	(159)
Cash and bank balances at 30 June	<b><u>36,460,669</u></b>	<u>39,760,556</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2003

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002, except as described below.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants. SSAP 12 (Revised) has introduced a new basis of accounting for income tax (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) by the Group has resulted in restatement in the carrying value of investments in securities and the amount of unrealised holding gain on unlisted investment in securities for periods prior to 2003. Since the Group has recognised the deferred tax liability for periods prior to 2003 in respect of capital gain tax for certain investments in securities in the People's Republic of China ("PRC"), the adoption of SSAP 12 (Revised) has not had any significant effect on the results for the current or prior accounting periods.

### 3. TURNOVER

Turnover represents the amounts received and receivable on investments during the period as follows:

	Six months ended 30 June	
	2003	2002
	<i>US\$</i>	<i>US\$</i>
Interest income	<b>342,427</b>	449,471
Dividend income from unlisted investments in securities	<b>2,108,154</b>	1,367,695
Dividend income from listed investments in securities	<b>101,606</b>	25,197
	<b>2,552,187</b>	1,842,363

#### 4. SEGMENTAL INFORMATION

During the period, the Group was principally involved in investing in companies with significant business involvement in the PRC. Accordingly, no analysis of segment information is presented.

#### 5. TAXATION

The profits tax charge (credit) for the period comprises:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
		<i>(restated)</i>
	<b>US\$</b>	US\$
Company and its subsidiaries		
Current tax:		
Hong Kong	-	3,246
Other regions in the PRC	-	(17,215)
	<hr/>	<hr/>
	-	(13,969)
Deferred taxation	<b>2,472,072</b>	1,526,839
	<hr/>	<hr/>
	<b>2,472,072</b>	1,512,870
Share of taxation on results of associates		
Other regions in the PRC	<b>17,213</b>	40,559
	<hr/>	<hr/>
	<b>2,489,285</b>	<b>1,553,429</b>
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for the period (2002: 16%).

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

**6. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2003	2002
Earnings for the purpose of basic earnings per share (US\$)	<b>15,226,435</b>	9,110,870
Number of ordinary shares for the purpose of basic earnings per share	<b>137,145,600</b>	137,145,600

**7. CONTRACTUAL JOINT VENTURES**

	30 June 2003 US\$	31 December 2002 US\$
	Unlisted investment	<b>2,578,025</b>
Less: Disposal during the period/year	<b>(2,578,025)</b>	(10,000,000)
Impairment loss recognised	-	(2,401,975)
	<b>-</b>	2,578,025

**8. TRADE AND OTHER RECEIVABLES**

	30 June 2003 US\$	31 December 2002 US\$
	Trade receivables due within 6 months	<b>2,103,286</b>
Interest receivable	<b>145,887</b>	101,550
Other receivables	<b>14,330</b>	90,138
	<b>2,263,503</b>	443,089



## 9. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 10. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the following data:

	<b>30 June 2003</b>	31 December 2002
Net asset value (US\$)	<b><u>142,369,679</u></b>	<u>128,240,132</u>
Number of ordinary shares outstanding	<b><u>137,145,600</u></b>	<u>137,145,600</u>

## 11. DEFERRED TAXATION

The following is the deferred tax recognised by the Group and movements thereon during the current and prior periods:

	<u>US\$</u>
Balance at 1 January 2003	
– as previously reported	–
– adjustment on adoption of SSAP 12 (Revised)	5,475,335
– as restated	5,475,335
Charge to income statement for the period	<u>2,472,072</u>
Balance at 30 June 2003	<b><u>7,947,407</u></b>
Balance at 1 January 2002	
– as previously reported	–
– adjustment on adoption of SSAP 12 (Revised)	3,749,803
– as restated	3,749,803
Charge to income statement for the period	<u>1,526,839</u>
Balance at 30 June 2002 (restated)	<b><u>5,276,642</u></b>

## 12. COMMITMENTS

At 30 June 2003, the Group had the following commitments:

	<u>30 June</u> <u>2003</u> <u>US\$</u>	<u>31 December</u> <u>2002</u> <u>US\$</u>
Commitments in respect of investment in unlisted securities:		
– contracted but not provided for	<u>–</u>	<u>1,200,000</u>

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**Deloitte  
Touche  
Tohmatsu**

## **INDEPENDENT REVIEW REPORT**

TO THE BOARD OF DIRECTORS OF  
**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 9.

### **Directors' responsibilities**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 24 September 2003

## **INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS**

### ***OVERALL PERFORMANCE***

China Merchants China Direct Investments Limited and its subsidiaries (the "Fund") recorded a profit attributable to shareholders of US\$15.23 million for the six months ended 30 June 2003, representing an increase of 67.1% over the same period of 2002. This was attributable to a significant increase in unrealised holding gains on unlisted investments in securities. As of 30 June 2003, the net assets of the Fund were US\$142 million, with a net asset value per share of US\$1.038 – an 11.0% increase over the year-end value of 2002.

Total turnover for the period increased by 38.5% to US\$2.55 million (2002: US\$1.84 million). This was due mainly to an increase in dividend income from unlisted investments in securities.

Unrealised holding gains on unlisted investments in securities for the period were US\$16.48 million (2002 (restated): US\$10.18 million), as a result of a surge in the stock price of China Merchants Bank.

### ***MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS***

In February 2003, the Fund disposed of its entire interest in Beijing Longbao Mansion to an independent third party for a consideration of US\$3.00 million, which was received in full during the period by the Fund. Since the carrying value of the investment was written down to the net proceeds of disposal at the end of last year, there was no impact to financial results in the current period.

In July 2003, the Fund disposed of its entire interest in Weifang Zhaoyin Real Estate Development Limited to a Chinese partner for a consideration of US\$0.80 million. The net proceeds of US\$0.77 million, equal to the sale price net of disposal expenses, will be recognised as a gain on disposal in the second half of the year, since this investment had been fully provided for in prior periods.

### ***LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS***

Net cash increased by 7.0%, from US\$34.06 million as of 31 December 2002 to US\$36.46 million as of 30 June 2003. The increase was due mainly to proceeds received from divestments.

As of 30 June 2003, the Fund had no outstanding bank loans or capital commitments.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

Most of the Fund's investments are located in China where the official currency is the Yuan, which remained stable in the reporting period, and is expected to remain so in the near future.

## **EMPLOYEES**

The Fund has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Fund.

## **THE PORTFOLIO**

As of 30 June 2003, the Fund had total investments of US\$114 million – US\$108 million (75.8% of the Fund's net assets) in unlisted investment projects, US\$1.20 million (0.8%) in listed investments, and US\$4.60 million (3.2%) in certificates of deposit and notes. The major unlisted investment projects reside in three industry sectors: financial services (64.2% of the Fund's net assets), manufacturing (6.3%), and real estate (5.2%). As of 30 June 2003, net cash amounted to US\$36.46 million, accounting for 25.6% of the Fund's net assets.

## **REVIEW OF UNLISTED INVESTMENTS**

### **Financial Services Investments**

**Financial services is one of the core investment sectors for the Fund, and represents 80.5% of the Fund's total investments. At present, the Fund holds a stake in two commercial banks, three securities companies, an insurance brokerage company and a fund management company. These investments provide stable cash returns and the opportunity for significant capital appreciation.**

**China Merchants Bank Company, Limited ("CMB")** is the first joint-stock commercial bank established by mainland enterprises, with over 300 branches and offices across the country. The Fund invested US\$13.77 million and currently holds a 1.19% stake in CMB. For the first six months of this year, CMB recorded a profit after taxation of RMB1.11 billion, representing a 31.5% increase over the same period of last year. The growth is attributed mainly to a 47.7% increase in interest income. In order to enhance its capital adequacy ratio and to further expand its loan businesses, CMB is planning to issue a total of RMB10 billion in five-year convertible bonds. During the reporting period, the Fund received its 2002 dividends from CMB in the amount of RMB8.17 million. According to the adopted valuation method, as of 30 June 2003 the Fund's investment in CMB was worth US\$62.90 million, representing an increase of US\$16.48 million over the end of last year.

**Industrial Bank Company, Limited (“IBCL”)** is a registered commercial bank in China, with over 250 branches and offices throughout the country. The Fund invested US\$17.60 million for a 2.8% stake in IBCL. For the first half of 2003, IBCL recorded a profit before taxation of RMB982 million, representing an increase of 121% over the same period of last year. The annual general meeting of IBCL resolved to distribute a dividend of RMB0.11 per share for 2002. Accordingly, the Fund has received dividends of RMB9.24 million. IBCL has been actively preparing for an IPO. Since discussions with potential foreign strategic investors are still undergoing, the IPO will likely be postponed to 2004.

**Industrial Securities Company, Limited (“ISCL”)** is a comprehensive securities company registered in China, with a presence in securities underwriting, brokerage, proprietary trading and investment consulting. It has over 16 offices in major cities throughout the country, including Beijing, Shanghai, Shenzhen, Wuhan, Fuzhou and Xiamen. The Fund invested US\$1.03 million to acquire a 0.74% stake in ISCL. For the first half of 2003, ISCL recorded a profit after taxation of RMB56.22 million, compared to a loss for last year.

**China Merchants Securities Company, Limited (“CMSC”)**, CMSC is a comprehensive securities company registered in China with over RMB2.4 billion in capital. Its businesses include securities underwriting, brokerage, proprietary trading and investment consulting. The Fund invested US\$1.57 million to acquire 12.43 million shares, or a 0.52% stake in CMSC. For the first half of 2003, CMSC recorded a profit after taxation of RMB30.29 million. This represented a 9.2% decrease from the same period of 2002, due to a market-wide reduction in IPO activity and resulting sluggishness in the underwriting business. In 2002, CMSC invested RMB40 million and worked with several companies (including ING Group) to set up China Merchants Fund Company, Limited, with registered capital of RMB 100 million. The establishment of the joint venture was approved by the China Securities Regulatory Commission (“CSRC”) at the end of 2002, making this the first Sino-foreign fund management joint venture to obtain approval from the CSRC. The first offerings were launched in March 2003 and were well received by the market.

**Jutian Securities Company, Limited (“Jutian Securities”)** is the first comprehensive securities company registered in China, with a presence in securities underwriting, brokerage, proprietary trading and investment consulting. It has 16 offices throughout the country. In 2001, the Fund invested US\$4.26 million in Jutian Securities, representing an interest of 4.66%. Due to an increase in investment income, Jutian recorded a profit after taxation of RMB3.35 million for the first half of the year. In the first half of 2003, Jutian Securities successfully launched two new investment products. Jutian Securities is continuing to actively explore new products.

**Jutian Fund Management Company Limited (“JFM”)** was established in March 2003 with the approval of CSRC. JFM’s businesses include fund management and promotion of equity funds. JFM was initiated to form by Jutian Securities. Other shareholders include CITIC Guoan Information Industry Co. Ltd., Hantang Securities Company Limited and Zhejiang Zhongda Group Holdings Limited. The Fund invested US\$1.20 million in JFM for a stake of 10%. Initially, JFM has concentrated on designing financial products to bring to the market. JFM expects to launch new funds as soon as possible, in order to raise funds for investment.

**Houlder China Insurance Brokers Limited (“Houlder”)** was set up in China in 2001. The Fund invested US\$0.6 million to acquire an interest of 10%. As a result of recent improvements in cost structure and other operational realignments, Houlder recorded a profit before taxation of RMB0.39 million for the first six months of 2003.

### **Manufacturing Investment**

**Since the emergence of the open-door policy and other economic reforms, China has grown into an important global industrial base. With only one industrial investment in the portfolio, the Fund continues to cautiously explore investment opportunities in this area.**

**Zhaoyuan Jinbao Electronics Company Limited (“Jinbao”)**, set up in Shandong, China, is engaged in the manufacture and sale of copper foil and copper-clad laminates. The Fund owns a 30% interest in Jinbao, with an investment cost of US\$7 million. In the first six months of 2003, Jinbao encountered a difficult business climate due to a product restructuring and the outbreak of Severe Acute Respiratory Syndrome (“SARS”). As a result, profit after taxation decreased to RMB3.12 million, or by 23% compared to the same period of last year. The management of Jinbao believes that profit growth will resume once the product restructuring has been completed and economic environment has improved.

### **Real Estate Investments**

**In response to long-running increases in personal income in China, the demand for housing continues to rise. As a result, China’s real estate market remained strong and property prices continued their upward trend. As such, the Fund is continuing to pursue real estate projects with satisfactory returns.**

**Langfang Oriental Education Facilities Development Company, Limited (“Oriental”)** is a Sino-foreign cooperative joint venture. The total investment cost is US\$20 million, with a 20-year contractual period. In June 2002, the Fund invested US\$5 million for an equity stake of 25%. Oriental is engaged in the operation and management of the Phase I dormitories of Oriental



University City. Phase I dormitories, with a capacity of 15,000, currently accommodate 11,000 students. It is expected that occupancy will further increase after the new academic year commences later this year. For the first six months of 2003, Oriental recorded a profit after taxation of RMB3.5 million.

**Shenzhen Mankam Square (“Mankam”)** is a 33-storey commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Fund invested US\$4.3 million through a 35% holding in Hansen Enterprises Limited (“Hansen”) to purchase 5,262 square metres of retail space on the third floor of Mankam. Hansen has had difficulty in selling or leasing the third floor because the first two floors of Mankam have not yet been brought into use.

#### **Disposal of Unlisted Investment**

**Weifang Zhaoyin Real Estate Development Limited (“Zhaoyin”)** was established in 1994, with the aim of developing low-cost housing and complementary facilities in the High & New Technology Industrial Development Zone in Weifang City. The Fund invested US\$4 million for a stake of 18%, and with an expected investment term of 20 years. After the breakdown of property values in 1997, China adopted tighter policies on the approval of land developments. In addition, demand for housing in the Development Zone decreased. As such, the income of Zhaoyin and the Chinese partner, General Corporation of Weifang High & New Technology Industries Development, was adversely affected. Since 1997, both Zhaoyin and the Chinese partner, have been unable to pay returns to the Fund as stipulated in the joint venture agreement. Until March 2003, they had returned only US\$2.4 million to the Fund. In order to resolve the dispute, the Investment Manager conducted a series of negotiations and reached an agreement in May 2003, in which the Chinese partner agreed to acquire the Fund’s entire stake in Zhaoyin for US\$0.8 million. The consideration was fully received in July 2003.

#### **REVIEW OF LISTED INVESTMENTS**

Responding to Hong Kong’s sluggish economy, SARS and the war in Iraq, Hong Kong stock market faced many uncertainties in the first half of the year, and the Hang Seng Index plunged to a new low since 2002 in the wake of the SARS outbreak. As a result, the Fund engaged in few investment activities, other than to liquidate stock holdings carried forward from last year. The Fund recorded a slight loss of US\$80,000 for the first six months of 2003. The Fund will continue to pursue a cautious investment strategy, seeking competitive returns while minimizing investment risk. As of 30 June 2003, the Fund had listed shares valued at US\$1.2 million.

**PROSPECTS**

Although China's economy was slowed by the SARS outbreak in the first half of the year, its recovery has been faster than expected. In addition, foreign economies have shown promising signs of a rebound. China is perceived as a promising growth country. We are now continuing our search for new investment projects. We hope to tap China's environmental facility and infrastructure sectors for their growth potential, so as to increase the investment returns of the Fund.

**Linda L. Zhou***Managing Director***China Merchants China Investment Management Limited**

Hong Kong, 24 September 2003

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of US¢ 0.5 or HK¢ 3.9 (2002: US¢ 0.5) per share for the year ending 31 December 2003, which will be paid on 5 November 2003 to shareholders whose names appear on the Register of Members on 17 October 2003.

Shareholders who wish to receive the interim dividend in Hong Kong Dollars have to complete a Hong Kong Dollar dividend election form, a copy of which will be despatched with the interim report to shareholders, and return the same to the Company's Share Registrars on or before 24 October 2003. Shareholders who have previously submitted a dividend election form do not need to re-submit this form.

## BOOK CLOSURE

The Register of Members of the Company will be closed from Wednesday, 15 October 2003 to Friday, 17 October 2003 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Tuesday, 14 October 2003.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2003, the interests of the directors and their associates in the share capital 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of shares	Category of Interest	Percentage of total issued share
Mr. Victor Lap-Lik Chu	14,400,000	Corporate	10.50%

*Note:* Mr. Victor Lap-Lik Chu is deemed to have interest in 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 corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2003, 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 period ended 30 June 2003.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, 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	Number of Ordinary shares interested	Percentage of total issued share
China Merchants Group Limited ( <i>Note 1</i> )	34,309,760	25.02%
China Merchants Steam Navigation Company Limited ( <i>Note 1</i> )	34,309,760	25.02%
China Merchants Holdings (Hong Kong) Company Limited ( <i>Note 1</i> )	34,309,760	25.02%
China Merchants Finance Holdings Company Limited ( <i>Note 2</i> )	34,309,760	25.02%
China Merchants Financial Services Limited ( <i>Note 1</i> )	33,989,760	24.78%
Good Image Limited ( <i>Note 3</i> )	33,989,760	24.78%
Everlink Limited ( <i>Note 3</i> )	320,000	0.23%
China Bright Holdings Limited ( <i>Note 3</i> )	14,400,000	10.50%
Temasek Holdings (Private) Limited ( <i>Note 4</i> )	7,200,000	5.25%
Hong Lim Fund Investments Pte Ltd. ( <i>Note 3</i> )	7,200,000	5.25%
Bank of China Group Investment Limited ( <i>Note 5</i> )	7,200,000	5.25%
Onfem Holdings Limited ( <i>Note 4</i> )	7,200,000	5.25%
Onfem Investments Limited ( <i>Note 3</i> )	7,200,000	5.25%
Swiss Reinsurance Company ( <i>Note 3</i> )	7,200,000	5.25%

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

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

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

*Note 4:* The company is deemed to have 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 interests in the shares opposite to its name by virtue of its interest in a corporation.

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.

## **CODE OF BEST PRACTICE**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the period from 1 January 2003 to 30 June 2003 in compliance with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive directors are not appointed for specific term(s).

By order of the Board

**Huang Dazhan**

*Executive Director*

Hong Kong, 24 September 2003