



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 2004

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 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

		2004 (unaudited) US\$	2003 (unaudited) US\$
	NOTES		
Turnover	3	2,244,083	2,552,187
Net gain (loss) on disposal of listed investments in securities		60,728	(96,733)
Unrealised holding loss on listed investments in securities		(393,017)	(85,622)
Unrealised holding gain on unlisted investments in securities		247,716	16,480,475
Write back of impairment loss of contractual joint venture		-	144,977
Other operating income		5,330	5,277
Administrative expenses		(1,436,695)	(1,389,076)
Profit from operations		728,145	17,611,485
Share of results of associates		333,698	104,235
Profit before taxation		1,061,843	17,715,720
Taxation	5	(78,847)	(2,489,285)
Profit attributable to shareholders		982,996	15,226,435
Earnings per share	6	0.007	0.111
Interim dividend	7	-	685,728

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2004

		30 June 2004 (unaudited) US\$	31 December 2003 (audited) US\$
	NOTES		
Non-current assets			
Interests in associates		18,139,068	15,511,720
Investments in securities		96,697,749	91,379,224
		114,836,817	106,890,944
Current assets			
Dividend and other receivables	8	1,478,193	729,365
Investments in securities		1,660,460	1,684,727
Cash and bank balances		28,915,172	37,615,925
		32,053,825	40,030,017
Current liabilities			
Other payables		754,985	710,379
Taxation payable		18,834	19,913
		773,819	730,292
Net current assets		31,280,006	39,299,725
Total assets less current liabilities		146,116,823	146,190,669
Non-current liability			
Deferred taxation	9	7,374,141	7,336,784
NET ASSETS		138,742,682	138,853,885
CAPITAL AND RESERVES			
Share capital	10	13,714,560	13,714,560
Reserves		125,028,122	125,139,325
		138,742,682	138,853,885
NET ASSET VALUE PER SHARE	11	1.012	1.012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	(Unaudited)					
	Share capital	Share premium	Exchange equalisation	General reserve	Retained profits	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2004	13,714,560	81,525,984	446,281	879,965	42,287,095	138,853,885
Exchange difference on translation of financial statements of foreign entities not recognised in the income statement	-	-	2,966	-	-	2,966
Net profit for the period	-	-	-	-	982,996	982,996
Final dividend paid for 2003	-	-	-	-	(1,097,165)	(1,097,165)
Balance at 30 June 2004	<u>13,714,560</u>	<u>81,525,984</u>	<u>449,247</u>	<u>879,965</u>	<u>42,172,926</u>	<u>138,742,682</u>
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 the income statement	-	-	298	(21)	-	277
Net profit for the period	-	-	-	-	15,226,435	15,226,435
Final dividend paid 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>

The general reserve represents the general reserve fund set aside by a subsidiary in accordance with relevant laws and regulations of the People's Republic of China ("PRC"), which is not available for distribution.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	2004	2003
	(unaudited)	(unaudited)
	US\$	US\$
Net cash used in operating activities	(236,292)	(862,130)
Net cash (used in) from investing activities	(7,381,973)	3,261,372
Net cash used in financing activities	(1,097,165)	–
Net (decrease) increase in cash and bank balances	(8,715,430)	2,399,242
Cash and bank balances at 1 January	37,615,925	34,061,675
Effect of foreign exchange rate changes	14,677	(248)
Cash and bank balances at 30 June	<u>28,915,172</u>	<u>36,460,669</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 2003.

3. TURNOVER

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

	Six months ended 30 June	
	2004	2003
	<i>US\$</i>	<i>US\$</i>
Interest income	322,123	342,427
Dividend income from listed investments in securities	45,994	101,606
Dividend income from unlisted investments in securities	1,875,966	2,108,154
	2,244,083	2,552,187

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 segmental information by principal activity or by geographical location is presented.

5. TAXATION

	Six months ended 30 June	
	2004	2003
	US\$	<i>US\$</i>
The profits tax charge for the period comprises:		
The Company and its subsidiaries		
Current tax:		
Hong Kong	-	-
Other regions in the PRC	2,894	-
	2,894	-
Deferred taxation (<i>note 9</i>)	37,357	2,472,072
	40,251	2,472,072
Share of taxation on results of associates:		
Other regions in the PRC	38,596	17,213
	78,847	2,489,285

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 both periods.

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	
	2004	2003
Earnings for the purpose of basic earnings per share (US\$)	982,996	15,226,435
Number of ordinary shares for the purpose of basic earnings per share	137,145,600	137,145,600

7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2004 (2003: US¢0.5 per share).

8. DIVIDEND AND OTHER RECEIVABLES

	30 June	31 December
	2004	2003
	US\$	US\$
Dividend receivables	1,325,001	115,805
Interest receivable	134,980	135,097
Other receivables	18,212	478,463
	1,478,193	729,365

9. DEFERRED TAXATION

The Group's deferred tax liability relates to the taxation on capital gains for certain investments in securities in the PRC. The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior periods:

	<u>US\$</u>
Balance at 1 January 2003	5,475,335
Charge to the income statement for the period	<u>2,472,072</u>
Balance at 30 June 2003	7,947,407
Credit to the income statement for the period	<u>(610,623)</u>
Balance at 31 December 2003	7,336,784
Charge to the income statement for the period	<u>37,357</u>
Balance at 30 June 2004	<u><u>7,374,141</u></u>

10. SHARE CAPITAL

There were no movements in the share capital of the Company in both periods.

11. NET ASSET VALUE PER SHARE

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

	<u>30 June</u> <u>2004</u>	31 December 2003
Net asset value (US\$)	<u><u>138,742,682</u></u>	<u><u>138,853,885</u></u>
Number of ordinary shares in issue	<u><u>137,145,600</u></u>	<u><u>137,145,600</u></u>

12. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	<u>30 June</u> <u>2004</u> <u>US\$</u>	<u>31 December</u> <u>2003</u> <u>US\$</u>
Capital expenditure contracted for but not provided in the financial statements in respect of investment in an associate	<u>-</u>	<u>2,537,219</u>

13. RELATED PARTY TRANSACTION

The Company has appointed China Merchants China Investment Management Limited as the Investment Manager for both listed and unlisted investments. Certain directors of the Company are also directors and/or shareholders of the Investment Manager.

During the six months ended 30 June 2004, management fees totaling US\$1,297,208 (2003: US\$1,258,153) were paid or payable to the Investment Manager, which is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement. The amounts owing to the Investment Manager of US\$700,417 as at 30 June 2004 (31 December 2003: US\$624,633) were included in other payables in the condensed consolidated balance sheet.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 10 September 2004, the Group entered into a conditional subscription and share purchase agreement with Maytron (BVI) Corporation ("Maytron") and the two founding shareholders to acquire a 30% stake in Maytron at a consideration not more than HK\$28 million. Maytron is engaged in the design, merchandising, manufacture and sales of bags products, which include handbags, backpacks and luggage products. Moreover, Maytron has been developing a retail and distribution business in Hong Kong and Mainland for the European brand bag products since 2002.

On 17 September 2004, the Group entered into an agreement with Yong Cheng Mei Dian (Group) Limited to acquire a 6.8167% stake in China Credit Trust Co., Ltd. ("CCT") at a consideration of RMB127 million. The core businesses of CCT include trust management, fund management, investments and loan financing.



INDEPENDENT REVIEW REPORT

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

Introduction

We have been instructed by China Merchants China Direct Investments Limited 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 Institute of Certified Public Accountants and the relevant provisions thereof. 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 No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public 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 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 17 September 2004

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\$0.98 million for the six months ended 30 June 2004, representing a decrease of 93.5% over the same period of 2003. This was attributable to a significant decrease in unrealised holding gains on unlisted investments in securities. As of 30 June 2004, the net assets of the Fund were US\$139 million (31 December 2003: US\$139 million), with a net asset value per share of US\$1.012 (31 December 2003: US\$1.012).

Total turnover for the period decreased by 12.1% to US\$2.24 million (2003: US\$2.55 million). This was due mainly to a decrease in dividend income from China Merchants Bank.

Unrealised holding gains on unlisted investments in securities for the period were US\$0.25 million (2003: US\$16.48 million). Although the net asset value of Industrial Bank was boosted by the capital injection of the new foreign investors of the bank, a decrease in the average stock price of China Merchants Bank for June 2004, compared to that for last December, offset most of the unrealised holding gains on unlisted investments in securities.

MATERIAL ACQUISITIONS OF INVESTMENTS

On 10 September 2004, the Fund entered into a conditional subscription and share purchase agreement with Maytron (BVI) Corporation ("Maytron") and the two founding shareholders to acquire a 30% stake in Maytron at a consideration not more than HK\$28 million. Maytron is engaged in the design, merchandising, manufacture and sales of bags products, which include handbags, backpacks and luggage products. Moreover, Maytron has been developing a retail and distribution business in Hong Kong and Mainland for the European brand bag products since 2002.

On 17 September 2004, the Fund entered into an agreement with Yong Cheng Mei Dian (Group) Limited to acquire a 6.8167% stake in China Credit Trust Co., Ltd. ("CCT") at a consideration of RMB127 million. Established in 1995, the total assets and net assets of CCT were RMB2.1 billion and RMB1.863 billion respectively at the end of 2003. The core businesses of CCT include trust management, fund management, investments and loan financing.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

Net cash decreased by 23.1%, from US\$37.62 million as of 31 December 2003 to US\$28.92 million as of 30 June 2004. The decrease was due mainly to a capital injection into an unlisted investment project and an increase in listed share investments.

As of 30 June 2004, the Fund had no outstanding bank loans or capital commitments.

On the 10th and 17th day of September 2004, the Fund respectively committed to two unlisted investment projects amounted to US\$18.88 million.

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

Other than a qualified accountant, 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 2004, the Fund had total investments of US\$116.50 million – US\$105.65 million (76.1% of the Fund's net assets) in unlisted investment projects, US\$5.52 million (4.0%) in listed shares, and US\$5.33 million (3.8%) in bonds/notes. The majority of the Fund's unlisted investment projects resides in financial services (63.1% of the Fund's net assets), with the rest in manufacturing, real estate, education facilities and environmental protection facilities (totalled 13%). As of 30 June 2004, net cash amounted to US\$28.92 million, accounting for 20.8% of the Fund's net assets.

REVIEW OF UNLISTED INVESTMENTS

China Merchants Bank Company, Limited ("CMB") is the first joint-stock commercial bank established by mainland enterprises, with around 350 branches and offices across the country. The Fund invested US\$14.06 million and holds a 1.19% stake in CMB. In May 2004, after the bank making a capitalisation issue in the proportion of 2 shares for every 10 existing shares, the number of CMB shares held by the Fund increased to 81.70 million. For the first six months of this year, CMB recorded a profit after taxation of RMB1.689 billion, representing a 52% increase over the same period of last year. According to the adopted valuation method, CMB's shares were valued at RMB5.61 per share as of 30 June 2004, and the value of the Fund's investment in CMB decreased US\$1.72 million over the end of 2003. The Fund received 2003 dividends of RMB6.26 million in the first half of the year.

Industrial Bank Company, Limited (“IBCL”) is a joint-stock commercial bank registered in China with over 252 branches and offices throughout the country. The Fund has cumulatively invested RMB146 million (equivalent to US\$17.62 million) in IBCL and holds a 2.1% (after dilution) stake. Approved by the China Banking Regulatory Commission, overseas investors completed the process of investing in IBCL in April 2004 and have injected RMB2.697 billion in total. After the new issuance, as of 30 June 2004, the adjusted net asset value per share of IBCL increased by 8.3% over the end of 2003. As a result, the value of the Fund’s investment in IBCL increased US\$1.97 million. In the first half year of 2004, IBCL achieved outstanding results and recorded remarkable growths in deposits and loans. Its profit before taxation increased by 69% to RMB1.659 billion. The annual general meeting of the bank has resolved to declare 2003 dividend of RMB0.11 per share, as a result, the Fund received dividends of RMB9.24 million.

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 23 offices in major cities throughout the country, including Beijing, Shanghai, Shenzhen, Wuhan, Fuzhou and Xiamen. The Fund invested RMB8.51 million, or US\$1.03 million to acquire a 0.74% stake in ISCL. For the first six months of 2004, due to the upsurge of its customer portfolio, ISCL’s turnover increased by 30.8% over the same period of last year, to RMB268 million. However, after the write-down for asset impairment losses, ISCL recorded a profit before taxation of RMB26.16 million, representing a 53% decrease against the same period of last year.

China Merchants Securities Company, Limited (“CMSC”), is a comprehensive securities company registered in China with over RMB2.40 billion in capital. Its businesses include securities underwriting, brokerage, proprietary trading and investment consulting. In 2001, the Fund invested RMB13.05 million, or US\$1.58 million to acquire a 0.52% stake in CMSC. Benefiting from the market boom and driven by a surge in the issuance of new shares in the primary market, CMSC recorded a profit after taxation of RMB60.34 million for the first six months in 2004, representing a 99.2% increase against the same period of last year.

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 RMB35.36 million, or US\$4.27 million in Jutian Securities, representing an interest of 4.66%. Benefiting from the increase in the trading volume of stocks and funds, as well as from an outstanding sales performance in financial products, Jutian Securities recorded a profit before taxation of RMB7.56 million for the first six months of 2004, representing an 126% increase against the same period of last year.

Jutian Fund Management Company Limited (“JFM”), established in 2003, is a fund management company approved by the China Securities Regulatory Commission. JFM’s businesses include fund management and promotion of equity funds. The Fund invested RMB10 million (equivalent to US\$1.21 million) in JFM, representing an interest of 10%. In the first quarter of 2004, the Jutian Infrastructure Equity Investment Fund was launched successfully. At the end of June 2004, a total of 2.247 billion units were subscribed with an aggregate net asset value of RMB2.1 billion. In the first half of 2004, as the fund was still in the stage of launching, management fee income was not yet adequate to cover operating expenditures, and, consequently, JFM recorded a loss of RMB9.9 million. The plan for launching another fund is underway, pending favourable market situation.

Houlder China Insurance Brokers Limited (“Houlder”) was found in 2001. Its core businesses include risk assessments, risk management consultation, preparing insurance proposals and handling insurance policy issuance. The Fund invested RMB5 million (equivalent to US\$0.6 million) for an interest of 10%. Houlder grew steadily for the first six months of 2004, and recorded a profit before taxation of RMB0.51 million, representing a 31% increase over the same period of last year. In the coming year, Houlder’s focus will shift from operational realignments and cost restructuring to business exploration and strengthening its existing market bases.

Zhaoyuan Jinbao Electronics Company Limited (“Jinbao”), set up in Shandong Province, China in 1993, is engaged in the manufacture and sale of copper foil and copper-clad laminates. The Fund cumulatively invested US\$7 million and holds a 30% stake in Jinbao. For the first half of 2004, electronics markets recovered steadily, and Jinbao recorded a profit after taxation of RMB6.03 million, an increase of 94% over the same period of last year. Construction of the second phase of high-grade copper foil plant has been going smoothly and is expected to be completed before the end of 2004. At that time, the total annual capacity of high-grade copper foil will reach 5,000 tons, helping to improve the profitability of Jinbao.

Langfang Oriental Education Facilities Development Company, Limited (“Oriental”) is a Sino-foreign cooperative joint venture in Langfang, Hebei Province. The total project 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 in Langfang. Current capacity of Phase I dormitories is about 17,000 students. It accommodated 13,700 students in the school year of 2003/2004, a 17% increase over last school year. Due to the delayed payment of a portion of rental income which should have been collected in the first half of 2004, Oriental recorded a profit after taxation of RMB2.31 million for the first half of 2004, a drop of 34% when compared to the same period of last year. In addition, the Fund learned that there are legal proceedings against the Chinese partner of the joint venture, who is also undergoing a restructuring. The Fund is monitoring the process and its possible impact on the joint venture.

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. The title of the first two floors has changed hands from the financially distressed developer to a third party. Hansen has approached the new owner to explore opportunities for cooperation as well as exit strategies. However, no material progress has been made to date.

Chenzhou Heshang Environmental Protection Company Limited (“Heshang”) is a Sino-foreign cooperative joint venture formed by the Fund and Shenzhen Harvest Environment Development Company Limited in November 2003. Total investment in the project is RMB70 million. In the first half of 2004, the Fund invested US\$2.54 million for an equity stake of 30% of Heshang. Heshang owns the right to construct and operate a landfill for domestic waste in Chenzhou, Hunan Province for 10 years. The design capacity of the landfill is 3.2 million cubic metres, with a daily waste handling capacity of 500 tons. Construction work commenced in April 2004 and is expected to be completed by early next year. The project is expected to provide steady cash flow and a satisfactory investment return to the Fund after it comes into operation.

REVIEW OF LISTED INVESTMENTS

Hong Kong equity market was overshadowed by surging crude oil prices, macroeconomic adjustment in the Mainland and rising US interest rates in the second quarter of 2004, resulting in a dampened investment sentiment and a reduction in the volume of transactions. During the six months period ended 30 June 2004, Hang Seng Index and Hang Seng China Enterprises Index dropped by 4.03% and 19.99% respectively. The Fund recorded a net loss of US\$280,000 from listed share investments for the first six months of 2004. As local fundamentals are improving, we expect that Hong Kong stock market sentiment will improve in the second half of 2004. The Fund therefore increased its investment in listed shares in the first half of the year. As of 30 June 2004, the Fund had listed shares valued at US\$5.52 million.

PROSPECTS

Although China's economy has shown signs of slowing down as a result of the macro economic austerity measures, we believe China's economy will grow at a healthy pace. We therefore continue to pursue investment opportunities in the Mainland. On 10 September 2004 and 17 September 2004, the Fund respectively committed to two unlisted investment projects with one in financial services sector and the other in retail and manufacturing sector. As both projects are already in operation, they will make profit contribution to the Fund immediately after capital injection.

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

Hong Kong, 17 September 2004

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2004 (2003: US¢0.5 per share).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period ended 30 June 2004, 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 2004, 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	Capacity	Nature of interest	Percentage of total issued share
Mr. Victor Lap-Lik Chu	14,400,000	Interest of controlled corporation	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 2004, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the period ended 30 June 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the following persons, other than a director or chief executive of the Company, have interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

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

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

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

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

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

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

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

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 2004 to 30 June 2004 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, 17 September 2004