

CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD.

2004 ANNUAL REPORT

No.: [CMPD] 2005-001

Section I. Important Notes and Contents

Important Notes:

The Board of Directors of China Merchants Property Development Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accepts responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

Legal representative of the Company Mr. Sun Chengming, chief financial officer of the Company Mr. Huang Peikun and manager of financing dept. Ms. Xu Yixia hereby confirm that the Financial Report of the Annual Report is true and complete.

This report has been prepared in Chinese version and English version respectively.

In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu Certified Public Accountants respectively audited the Company's domestic Financial Report and International Financial Report for 2003 and issued standard unqualified Auditors' Report for the Company.

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Section II. Company Profile

1. Legal Name of the Company:

In Chinese: 招商局地产控股股份有限公司

Abbr.: 招商地产

In English: CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD.

Abbr.: CMPD

2. Legal Representative: Sun Chengming

3. Secretary of Board of Directors: Chen Yu

Securities Affairs Representative: Liu Ning

Contact Address: 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen

Post Code: 518067

Tel: (86) 755-26819600

Fax: (86) 755-26819680

E-mail: investor@cmpd.cn

4. Registered Address: 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen

Office Address: 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen

Post Code: 518067

E-mail: investor@cmpd.cn

5. Newspaper Chosen for Disclosing the Information of the Company: China Securities, Securities Times and Ta Kung Pao

Internet Web Site Designated by CSRC for Publishing the Annual Report: <http://www.cninfo.com.cn>

The Place Where the Annual Report is Prepared and Placed: Secretariat of Board of Directors of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

The 2nd Exchange Listed with: Singapore Stock Exchange

Short Form of the Stock: CMPD, China Merchants B

Stock Code: 000024, 200024

7. Other Related Information of the Company

(1) Initial registration date: Sep. 19, 1990.

(2) Initial registration place: Shenzhen.

(3) Registration Number of legal person's business license: QGYSZ Zi No. 101828

(4) Registration Number of tax: National Revenue S Zi 440305618845136

Local Tax D Zi 440305618845136

(5) Name and office address of certified public accountants engaged by the Company

Domestic: Deloitte Touche Tohmatsu CPA Ltd.

Address: 30/F, Bund Center, Yan An East Road, Shanghai

Overseas: Deloitte Touche Tohmatsu Certified Public Accountants

Address: 26/F, Wing On Centre, 111 Connaught Road Central, Hong Kong

8. Definition:

Unless otherwise stated, the following words and expressions have the following meanings:

1. “the Company”: China Merchants Property Development Co., Ltd.
2. “CMSIZ”: China Merchants Shekou Industrial Zone Co., Ltd.
3. “CMRE”: Shenzhen China Merchants Real Estate Co., Ltd.
4. “CMPS”: Shenzhen China Merchants Power Supply Co., Ltd.
5. “CMWS”: Shenzhen China Merchants Water Services Co., Ltd.
6. “CMP”: Shenzhen China Merchants Petrochemicals Co., Ltd.
7. “Xin An Realty”: Shenzhen Xin An Realty Co., Ltd.

Note: The financial data and amount in this report are expressed in RMB (except for otherwise stated)

Section III. Summary of Financial Highlight and Business Highlight

I. Major profit indexes as of the year 2004 (Unit: In RMB)

No.	Indexes	Amount
1	Total profit	471,734,945
2	Net profit	359,802,928
3	Net profit after deducting non-recurring gains and losses	376,323,778
4	Profit from main operations	635,139,579
5	Other operating profit	950,386
6	Operating profit	507,547,651
7	Investment income	-49,554,815
8	Subsidy income	33,249,341
9	Net non-operating income/expenses	-19,507,232
10	Net cash flows arising from operating activities	(1,215,908,082)
11	Net increase/decrease in cash and cash equivalents	(293,602,661)

[Note] In the report year, the total amount of non-recurring gains and losses is RMB -16,520,850, including: deducting net non-operating income/expenses amounting to RMB -19,507,232, switching back of provision for doubtful debts amounting to RMB 1,883,710, government subsidy amounting to RMB 1,000,000, disposal of long-term equity investment loss amounting to RMB -300,043 and impact on income tax and minority interest amounting to RMB 402,715.

II. Impact on profit and net assets adjusted based on International Accounting Standards (Unit: RMB'000)

	Net profit	Net assets
As reported under Chinese Accounting Standards	359,803	3,451,290
Adjustment under International Accounting Standards:		
Adjustment of assets exchange	33,314	(72,833)
Adjustment of amortization of goodwill	13,616	54,199
Income from drawback of VAT adjusted based on accrual basis	(816)	26,595
Subsidy income	496	(18,721)
Adjustment of minority shareholders' gains and losses	(12,465)	(49,661)
Deferred taxes	1,512	(11,891)
Others	395,460	3,378,978
Adjusted amount under IAS	359,803	3,451,290

[Note] The net profit as of the year 2003 was RMB 395,460,000 as audited by overseas Certified Public Accountants. The main reason for the difference between the results under CAS and IAS is because the different accounting policies were adopted in the treatment of assets replacement over the past years, occurring and amortization of balance of equity investment, confirmation of subsidy income and income tax.

III. Major accounting date and indexes over the recent past three years

(Unit: RMB)

Items/indexes	2004	2003	2002	
			(Before adjustment)	(After adjustment)
Income from main operations	3,475,895,992	4,838,834,917	3,854,153,934	3,854,153,934
Net profit	359,802,928	330,477,566	241,815,815	241,815,815
Total assets	8,454,998,786	5,923,647,954	5,268,964,574	5,239,818,120

Shareholders' equity (excluding minority interests)	3,451,290,272	3,118,874,132	2,444,370,973	2,501,538,493
Earnings per share (diluted) (RMB/share)	0.581	0.641	0.508	0.508
Earnings per share (weighted) (RMB/share)	0.581	0.689	0.508	0.508
Earnings per share after deducting non-recurring gains and losses (diluted) (RMB/share)	0.608	0.678	0.540	0.540
Earnings per share after deducting non-recurring gains and losses (weighted) (RMB/share)	0.608	0.729	0.540	0.540
Net assets per share (RMB/share)	5.577	6.048	5.131	5.251
Net assets per share after adjustment (RMB/share)	5.557	5.985	5.059	5.179
Return on equity (diluted)	10.43%	10.60%	9.89%	9.67%
Return on equity (weighted)	10.96%	12.42%	10.20%	10.09%
Return on equity after deducting non-recurring gains and losses (diluted)	10.90%	11.22%	10.53%	10.29%
Return on equity after deducting non-recurring gains and losses (weighted)	11.46%	13.15%	10.86%	10.74%
Net cash flows per share arising from operating activities (RMB/share)	-1.965	-0.392	1.734	1.734

(IV) Indexes calculated based on Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9)

Profit indexes as of the year 2004	Return on equity (%)		Earning per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operations	18.40	19.35	1.03	1.03
Operating profit	14.71	15.46	0.82	0.82
Net profit	10.43	10.96	0.58	0.58
Net profit after deducting non-recurring gains and losses	10.90	11.46	0.61	0.61

(V) Particulars about changes in share equity during the report period (Unit: In RMB)

Items	Share capital (share)	Capital public reserve	Surplus public reserve	Statutory public welfare fund	Post balance sheet profit distributed	Retained profit	Balance in translation of foreign currency	Total shareholders' equity
Amount at the period-begin	515,685,560	1,467,373,909	508,884,296	108,511,734	51,568,556	591,920,219	-16,558,408	3,118,874,132
Increase in this report year	103,137,112	21,912,772	59,458,775	23,478,482	92,823,401	359,802,928	2,268,996	639,403,984
Decrease in this report year					51,568,556	255,419,288		306,987,844
Amount at the period-end	618,822,672	1,489,286,681	568,343,071	131,990,216	92,823,401	696,303,859	-14,289,412	3,451,290,272

Note: Reason for changes

Share capital: the Company distributed dividend of the year 2003.

Capital public reserve: in this year, income formed the Company transferred CMP was reckoned into capital public reserve—gains and losses of related transaction.

Surplus public reserve and statutory public welfare fund: in the report period, the Company and the subsidiaries distributed the profit and withdrew statutory surplus public reserve and statutory public welfare fund;

Increase of post balance sheet profit distributed was due to cash dividend withdrawn based on 2004 Profit Distribution Plan proposed by the Board; decrease of it is because the Company paid dividend in cash of 2003.

Increase of retained profit was due to net profit realized in the report period, decrease of it is because the Company and subsidiaries distributed the profit and withdrew surplus public reserve of RMB 59,458,775 and distributed 2003 stock dividend amounting to 103,137,112 shares and distributed dividend in cash of 2004 amounting to RMB

92,823,401;

Balance in translation of foreign currency: due to the change of the SGD market rate of exchange, at the end of report period, the translation balance was changed accordingly when the accounting statement of foreign currency of the subsidiary company China Merchant Singapore Port Service Co., Ltd. was converted into accounting statement of RMB.

Section IV. Changes in Share Capital and Particulars about Shareholders

I. Statement of change in share

(Unit: share)

	Before the change	Increase / decrease this time (+, -)					After the change
		Allotment of Shares	Bonus shares	Shares capital transferred from public reserve	Additional issuance	Others	
I. Unlisted shares							
1. Sponsors' shares							
Including:							
State-owned shares							
Domestic legal person's share	156,906,750		+31,381,350				188,288,100
Foreign legal person's share	52,302,250		+10,460,450				62,762,700
Others							
2. Raised legal person's shares							
3. Employees' shares							
4. Preference shares or others							
Total unlisted shares	209,209,000		+41,841,800				251,050,800
II. Listed shares							
1. RMB ordinary shares	170,254,760		+34,050,952				204,305,712
Including: shares held senior executives	23,388		+4,678				28,066
2. Domestically listed foreign shares	136,221,800		+27,244,360				163,466,160
3. Overseas listed foreign shares							
4. Others							
Total listed shares	306,476,560		+61,295,312				367,771,872
III. Total shares	515,685,560		+103,137,112				618,822,672

Note: Changing in the aforesaid share capital was because the Company implemented 2003 Dividends Distribution Plan in the report period.

II. Issuance and listing

1. Particulars about issuance of shares over the previous three years ended the end of the report period

On Nov. 3, 2003, the Company obtained the approval from CSRC on Notice on Approving Shares Rationing of China Merchants Shekou Holdings Co., Ltd. with (ZJFXZ [2003]124 document), and published the Placing Prospectus on Nov. 4, 2003. The Company allotted shares to the whole shareholders at the rate of 3 for 10 based on the total shares amounting to 476,396,000 shares ended Dec. 31, 2002. The price of shares rationing was RMB 8.93 per share, converting into HKD 8.38 per share. Term of payment was from Nov. 12, 2003 to Nov. 25, 2003. In the course of shares rationing, the actual number of shares rationing was 39,289,560 shares because the Company's shareholders of B circulating share and shareholders of legal person's share gave up the shares rationing rights. After share rationing, the Company's total share capital has increased to 515,685,560 shares. Shares allotted have listed for trading in Shenzhen Stock Exchange dated Dec. 4, 2003.

2. Particulars about change in total shares and its structure during the report period

During the report period, the Company implemented 2003 Dividends Distribution Plan the whole shareholders based on 2 bonus for every 10 shares, after bonus shares, the Company's total share and structure were changed as follows: (Unit: share)

Type of shares	Before the bonus share	Proportion	Increase	After the bonus share	Proportion
I. Unlisted shares					
Domestic legal person's share	156,906,750	30.43%	31,381,350	188,288,100	30.43%
Foreign legal person's share	52,302,250	10.14%	10,460,450	62,762,700	10.14%
Total unlisted shares	209,209,000	40.57%	41,841,800	251,050,800	40.57%
II. Listed shares					
RMB ordinary shares (A-share)	170,254,760	33.02%	34,050,952	204,305,712	33.01%
RMB special shares (B-share)	136,221,800	26.42%	27,244,360	163,466,160	26.42%
Total listed shares	306,476,560	59.43%	61,295,312	367,771,872	59.43%
Total shares	515,685,560	100.00%	103,137,112	618,822,672	100.00%

III. About shareholders

1. Total shareholders at the end of the report period

Ended Dec. 31, 2004, the Company has 63,163 shareholders in total, reducing 11,417 shareholders compared with the previous year; of them, including 48,655 shareholders of A-share and 14,508 shareholders of B-share, reducing 10,133 ones and 1,284 ones respectively compared with the previous year.

2. About shares held by the top ten shareholders (Unit: share)

Shareholder's name	Amount at the period-begin	Increase/decrease in this period	Amount at the period-end	Proportion	Type
CHINA MERCHANTS SHEKOU INDUSTRIAL ZONE CO., LTD.	156,906,750	31,381,350	188,288,100	30.43%	Domestic sponsor's legal person's share
HONG KONG PANORAMA INVESTMENT LTD.	52,302,250	10,460,450	62,762,700	10.14%	Foreign sponsor's legal person's share
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	562,300	19,364,767	19,927,067	3.22%	Foreign social public share
FOXTROT INTERNATIONAL LIMITED	15,400,000	3,080,000	18,480,000	2.99%	Foreign social public share
ORIENTURE INVESTMENT LTD	14,779,525	2,955,905	17,735,430	2.87%	Foreign social public share
BOSHI VALUE GROWTH SECURITIES INVESTMENT FUND	6,483,448	4,567,009	11,050,457	1.79%	Domestic social public share
WEST SECURITIES CO., LTD.	0	8,754,571	8,754,571	1.41%	Domestic social public share
YANGBANG INTERNATIONAL CO., LTD.	6,256,168	1,251,234	7,507,402	1.21%	Foreign social public share
NATIONAL SOCIAL INSURANCE FUND 108 PORTFOLIO	535,300	6,478,485	7,013,785	1.13%	Domestic social public share
BANK OF COMMUNICATIONS- RONGTONG TRADE PROSPERITY SECURITIES INVESTMENT FUND	0	5,891,199	5,891,199	0.95%	Domestic social public share

[Note] (1) Hong Kong Panorama Investment Ltd., Foxtrot International Ltd. and Orienture Investment Ltd. are wholly-owned subsidiaries of CMSIZ; Yangbang International Co., Ltd. is a wholly-owned subsidiary company of China Merchants Holdings (International) Co., Ltd.. CMSIZ is a wholly-owned subsidiary company of China Merchants Group Co., Ltd.; China Merchants Holdings (International) Co., Ltd. is a holding subsidiary company of China Merchants Group Co., Ltd..

(2) Boshi Value Growth Securities Investment Fund and National Social Insurance Fund 108 Portfolio are managed by Boshi Fund Management Co., Ltd..

(3) The Company was unknown whether there exists associated relationship or consistent action among the other shareholders.

(4) Shares held by the shareholders holding over 5% of total shares of the Company did not been pledged or frozen.

3. Brief introduction of legal person shareholders holding over 10% (including 10%) of total shares of the Company

(1) CMSIZ

Legal representative: Fu Yuning

Registration date: April 1, 1992

Registered capital: RMB 2,236,000,000

Business scope: establishment and management of communication and transportation, industrial manufacturing, finance and insurance, foreign trade, real estate, post and telecommunications, tourism, restaurant, etc.; organization and management of the

affiliated enterprises, associated enterprises, foreign-funded enterprises and enterprises in which the Company holds equity interest; dock and warehousing business; overall contracting of water/land construction projects and the related offshore petroleum development projects, and their construction organization and logistics services; product sale of the affiliated enterprises and supply and sale of the required equipment, raw materials and components and parts (where there are state regulations for special operation of special items, handle according to regulations); holding commodity exhibitions, sports games, theatrical performances and cable TV business etc.; and providing technical, operation and legal consultation related to the above business, as well as technology and information services.

(2) Hong Kong Panorama Investment Ltd.

Legal representative: Qin Yi

Date of foundation: Aug. 13, 1997

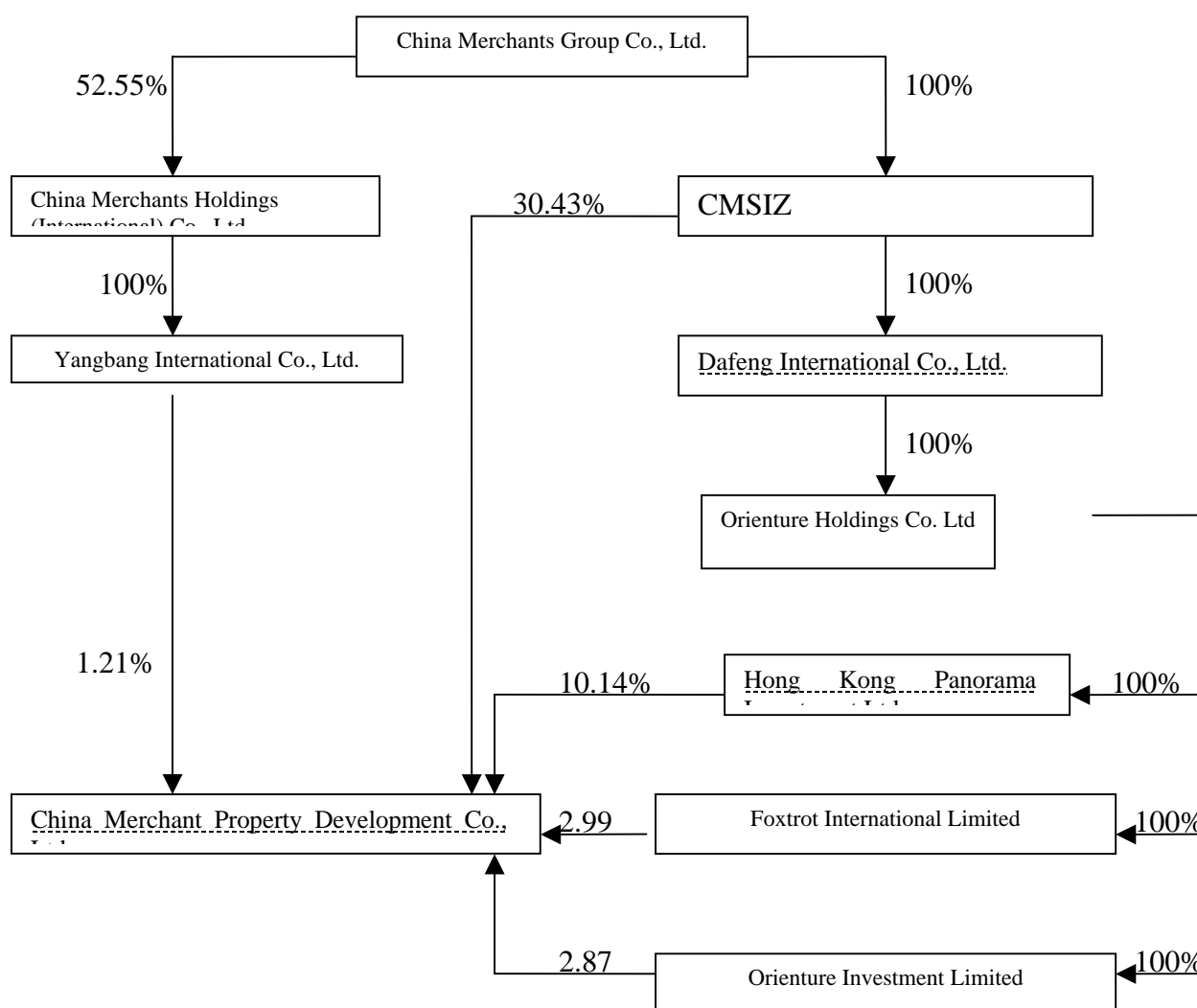
Registered capital: HKD 10,000

Business scope: investment and share holding

(3) About the holding shareholder of the Company's holding shareholder

China Merchants Group Co., Ltd. is the controlling shareholder of CMSIZ, whose legal representative is Qin Xiao. The foundation date is in Oct. 1986, as well as registered capital of RMB 800 million. Its business scope include: lease and agency of water/land passenger-cargo transportation, water/land conveyance and facilities; dock and warehousing business; salvage, refloatation and tugboat; construction, repairing, checking and marketing of shipping, offshore petroleum drilling equipment; repairing and checking of drilling platform and container; overall contracting of water/land construction projects and the related offshore petroleum development projects, and their construction organization and logistics services; procurement, supply and sale of water/land communication and transportation equipment; establishment of transportation and industry and commerce; organization and management of finance, insurance and the other relevant business; development, management of Shekou Industrial Zone.

Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



(4) During the report year, the controlling shareholder of the Company remained unchanged.

(5) Particulars about the shares held by the top ten shareholders of A circulation share

Unit: share

Name of Shareholders	Holding shares at the period-end
1. BOSHI VALUE GROWTH SECURITIES INVESTMENT FUND	11,050,457
2. WEST SECURITIES CO., LTD.	8,754,571
3. NATIONAL SOCIAL INSURANCE FUND 108 PORTFOLIO	7,013,785
4. BANK OF COMMUNICATIONS- RONGTONG TRADE PROSPERITY SECURITIES INVESTMENT FUND	5,891,199
5. BANK OF CHINA – HARVEST SERVICE INCREMENT TRADE SECURITIES INVESTMENT FUND	5,418,485
6. NATIONAL SOCIAL INSURANCE FUND 101 PORTFOLIO	3,584,068
7. YULONG SECURITIES INVESTMENT FUND	3,509,413
8. INDUSTRIAL AND COMMERCIAL BANK OF CHINA - BOSHI WELL-CHOSEN STOCK SECURITIES INVESTMENT FUND	3,412,669

9. NATIONAL SOCIAL INSURANCE FUND 102 PORTFOLIO	3,377,099
10. BANK OF CHINA – CHINA RETURN SECURITIES INVESTMENT FUND	3,000,000

Note: Boshi Value Growth Securities Investment Fund, National Social Insurance Fund 108 Portfolio, National Social Insurance Fund 102 Portfolio, Yulong Securities Investment Fund, Boshi Well-Chosen Stock Securities Investment Fund are managed by Boshi Fund Management Co., Ltd..

The Company was unknown whether there exists associated relationship or consistent action among the other shareholders.

(6) Particulars about the shares held by the top ten shareholders of B circulation share

Unit: share

Name of Shareholders	Holding shares at the period-end
1. DBS VICKERS (HONG KONG) LTD A/C CLIENTS	19,927,067
2. FOXTROT INTERNATIONAL LIMITED	18,480,000
3. ORIENTURE INVESTMENT LTD	17,735,430
4. YANGBANG INTERNATIONAL CO., LTD.	7,507,402
5. SKANDIA GLOBAL FUNDS PLC	3,875,407
6. DIAM CHINA OPEN MOTHER FUND	3,337,296
7. DEUTSCHE BANK AG LONDON	2,936,644
8. THE CENTRAL DEPOSITORY (PTE) LTD	1,378,308
9. BEAR, STEARNS SECURITIES CORPORATION	1,200,083
10. NBP/FRUCTILUX SICAV	939,909

Note: Foxtrot International Ltd. and Orienture Investment Ltd. are wholly-owned subsidiaries of CMSIZ; Yangbang International Co., Ltd. is a wholly-owned subsidiary company of China Merchants Holdings (International) Co., Ltd.. CMSIZ is a wholly-owned subsidiary company of China Merchants Group Co., Ltd.; China Merchants Holdings (International) Co., Ltd. is a holding subsidiary company of China Merchants Group Co., Ltd..

The Company was unknown whether there exists associated relationship or consistent action among the other shareholders.

Section V. Particulars about Director, Supervisor, Senior Executive and Staff

I. Particulars about director, supervisor and senior executive

1. Basic information

(1) About Directors

Name	Title	Gender	Age	Office term	Holding shares at the year-begin	Increase/decrease in this year	Holding shares at the year-end	Reason for change
Sun Chengming	Chairman of the Board	Male	46	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Lin Shaobin	Director, General Manager	Male	45	Jun. 28, 2002 – Jun. 27, 2005	13,000	+2,600	15,600	Bonus share
Hong Xiaoyuan	Director	Male	42	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Li Yasheng	Director	Male	52	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Hua Li	Director	Male	33	Apr. 9, 2004 – Jun. 27, 2005	0	0	0	/
Chen Gang	Director	Male	47	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Liu Hongyu	Independent director	Male	43	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Shi Xinping	Independent director	Male	46	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Li Tiancai	Independent director	Male	56	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Total of holding shares					13,000	+2,600	15,600	

(2) About Supervisors

Name	Title	Gender	Age	Office term	Holding shares at the year-begin	Increase/decrease in this year	Holding shares at the year-end
Zhou Yali	Chairman of the Supervisory Committee	Male	50	Jun. 28, 2002 – Jun. 27, 2005	0	0	0
Feng Bohai	Supervisor	Male	49	Jul. 18, 2002 – Jun. 27, 2005	0	0	0
Wen Chongping	Supervisor	Male	54	Jun. 28, 2002 – Jun. 27, 2005	0	0	0
Hao Yu	Employee's supervisor	Male	36	Jun. 28, 2002 – Jun. 27, 2005	0	0	0
Zhang Linmei	Employee's supervisor	Female	29	Jun. 28, 2002 – Jun. 27, 2005	0	0	0

(3) About Senior Executives

Name	Title	Gender	Age	Office term	Holding shares at the year-begin	Increase/decrease in this year	Holding shares at the year-end	Reason for change
Lin Shaobin	Director and General Manager	Male	45	Jun. 28, 2002 – Jun. 27, 2005	13,000	+2,600	15,600	Bonus share
Yang Baiqian	Deputy General Manager	Male	39	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Yang Zhiguang	Deputy General Manager	Male	41	Mar. 5, 2004 – Jun. 27, 2005	0	0	0	/
He Jianya	Deputy General Manager	Male	39	Mar. 5, 2004 – Jun. 27, 2005	0	0	0	/
Huang Peikun	Chief Financial Officer	Male	42	Feb. 22, 2003 – Jun. 27, 2005	0	0	0	/
Chen Yu	Secretary of the Board of Directors	Male	33	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Li Shuming	General Manager of	Male	41	Jun. 28, 2002 – Jun. 27, 2005	10,388	+2,078	12,466	Bonus share

	CMPS			Jun. 27, 2005				
Zhu Guohui	General Manager of CMWS	Male	56	Jun. 28, 2002 – Jun. 27, 2005	0	0	0	/
Total of holding shares					23,388	+4,678	28,066	/

(4) Particulars about directors, supervisors holding the post in Shareholding Company

Name	Name of shareholding Company	Title in shareholding Company	Office term
Sun Chengming	CMSIZ	General Manger	To take the post from May 2002
Hong Xiaoyuan	CMSIZ	Deputy General Manager	To take the post from May 2001
Hua Li	CMSIZ	Chief Financial Officer	To take the post from Oct. 2003
Chen Gang	CMSIZ	Chief Economist	To take the post from Apr. 2004
Zhou Yali	CMSIZ	Secretary of Party Committee, Deputy General Manager	To take the post from May 2002
Feng Bohai	Financing Dept. of CMSIZ	General Manger	To take the post from Sep. 2000
Wen Chongping	Auditing Dept. of CMSIZ	General Manger	To take the post from Sep. 1997

2. Particulars about main working experience of directors, supervisors and senior executives

(1) Directors

Mr. Sun Chengming, Chairman of the Company. Mr. Sun graduated from the Wuhan Water Transport and Engineering Institute with a Bachelor Degree in Ship Building and Repairing, and carries a professional title of “Senior Engineer”. Mr. Sun served various positions as General Manager of China Merchants Container Services Ltd., General Manager of China Merchants Godown Wharf and Transportation Co., Ltd., Deputy General Manager of China Merchants Transportation Holdings Co., Ltd., Deputy General Manager, General Manager concurrently as Party Branch Secretary of China Merchants Industry Holdings Co., Ltd. He now acts as Assistant President of China Merchants Holdings Co., Ltd., concurrently serving as General Manager and deputy secretary of party of CMSIZ. He took the post of Chairman of the Company since Jun. 28, 2002.

Mr. Lin Shaobin, Director and General Manager of the Company. He graduated from Tsinghua University, and carries a professional title of “Senior Architect. He successively held the position of General Manager of Shekou Industrial Zone Real Estate Company; General Manager of Real Estate Business Department of China Merchants Holdings Co., Ltd.; Assistant General Manager and Deputy General Manager of CMSIZ. He now acts as Chief Plan Development Advisor of CMSIZ, General Manager of CMRE. From Jan. 6, 2000, he took the post of Director of the Company; he held the post of General Manager of the Company since May 28, 2001. He was reelected as Director of the Company dated Jun. 28, 2002 and concurrently serving as General Manager of the Company.

Mr. Hong Xiaoyuan, Director of the Company, held Master degree of economics of Peking University, Master degree of science of Australia State University and Doctor graduate student of economics in Australia State University. He used to work in the State System Restructuring Reform Committee, successively held the position of General Manager of Shenzhen Longfan Company, Assistant General Manager of CMSIZ, and General Manager of the Company from Dec. 1999 to May 2001. He now acts as Deputy General Manager of CMSIZ. He took the post of Director of the Company from Jan. 6,

2000. He was reelected as Director of the Company dated Jun. 28, 2002.

Mr. Li Yasheng, Director of the Company, senior economist, held Master degree from UN Population Center (Cairo). He successively held the position of Assistant Director of Population Research Institute of Sichuan University; Director of the Planning and Statistics Bureau of Shekou District, Shenzhen; Director of the Planning and Statistics Office of, Director of Economic Development Office of, Assistant General Manager of and Deputy General Manager of CMSIZ; General Manager of CMP. He now acts as Deputy General Manager of CMSIZ and concurrently serving as General Manager of China Merchants Logistics Co., Ltd. From Jan. 6, 2000, he took the post of Director of the Company. He was reelected as Director of the Company dated Jun. 28, 2002.

Mr. Hua Li, Director of the Company, graduated from Shanghai Maritime College with a bachelor degree of Accounting. He successively held the position of Deputy Manager in Financial Department of China Merchants Holdings (International) Company Limited, Manager in Financial Department of China Merchants Transportation Group Co., Ltd. and Director in Financial Department and Deputy General Manager of China Merchants Group Company Limited. At present, he acts as CFO of China Merchants Shekou Industrial Zone Co., Ltd.. He was engaged as Director of the Company dated Apr. 9, 2004.

Mr. Chen Gang, Director of the Company, senior economist, graduated from Tsinghua University and from American New York State University as MBA, and graduated from Tsinghua University in 1982. He formerly held the position of General Manager of China Merchants Shekou Industrial Zone Investment & Development Co., Ltd., Deputy Chief Economist of CMSIZ. He now acts as Chief Economist of CMSIZ. He took the post of Director of the Company from May 6, 1999. He was reelected as Director of the Company dated Jun. 28, 2002.

Mr. Liu Hongyu, Independent Director of the Company. He graduated from Tsinghua University with a Bachelor degree in structure engineering Dept. and Master degree of management engineering Dept.. He successively acts as the tutor of, instructor of and adjunct professor of Civil Engineering Dept. of Tsinghua University and founds Tsinghua University Real Estate Research Institute. He acted as director and professor of Tsinghua University Real Estate Research Institute from 1996. In March 1999, he gained tutorial qualification of doctor graduate of management science and engineering Dept. of Tsinghua University. He took the post of Independent Director of the Company since Jun. 28, 2002.

Mr. Li Tiancai, Independent Director of the Company, with nationality as Singapore, graduated from Singapore Nanyang Chemical Academy and American Texas A&M University. He used to work in Dept. of Defense of Singapore and then Singapore Port Authority in charge of storage management and port operation. He now works for Singapore Technical Property Management Pte. Co., Ltd.. He took the post of Independent Director of the Company since Aug. 4, 2000, and he was reelected as Director of the Company dated Jun. 28, 2002. .

Mr. Shi Xinping, Independent Director of the Company, with nationality as Hong Kong. He successively studied in study in Management College of England Lancaster University and Commerce College of England Middlesex University and gained MAB and doctorate of management. He used to be docent in Xi'an Northwestern Polytechnic

University and docent in Financial Settlement Dept. of Hong Kong Baptist University. He now acted as director of Research Center of Logistic Management of MBA Academy of, and adjunct professor of Financial & Settlement Dept. of Hong Kong Baptist University. He took the post of Independent Director of the Company since May 18, 2001, and he was reelected as Director of the Company dated Jun. 28, 2002. .

(2) Supervisor

Mr. Zhou Yali, Chairman of the Supervisory Committee. He successively studied in English Dept. of Heilongjiang University and MBA Dept. of China Europe International Business School with master degree. He used to be simultaneous translator of Great Britain London International Maritime Affairs Organization. He successively held director of translation office of Communication Minister Science and Technology Intelligence Research Institute; Sectional Manager of, Deputy General Manager of, General Manager of and concurrent deputy secretary of CPC of China Communication Import & Export Corporation. He now acts as secretary of CPC and concurrently serving as Deputy General Manager of CMSIZ. He was reelected as Chairman of the Supervisory Committee of the Company dated Jun. 28, 2002. .

Mr. Feng Bohai, Supervisor of the Company. He graduated from the Department of Economic Management of Wuhan University with bachelor degree and title of Accountant. He successively took the post of Deputy Director of Chief Accountant Office of Shekou Industrial Zone, Chief Economist of CMP, Committeeman of Management Committee, Director General of Financial Bureau and Chief Economist of China Merchants Zhangzhou Development Zone and Chief Accountant of Shekou China Merchants Port Service Co., Ltd.. He now takes the post of General Manager of Financial Department of Shekou Industrial Zone. He took the post of Supervisor of the Company since Jul. 18, 2003.

Mr. Wen Chongping, Supervisor of the Company, bachelor degree, Senior Accountant. He successively held the position of Deputy Director of Chief Accountants Office of CMSIZ; Director of Financial Dept. of, Deputy General Manager of and Deputy General Manager of Auditing Dept. of China Merchants Holdings Co., Ltd.. He now acts as General Manager of Auditing Dept. of CMSIZ. He took the post of Supervisor of the Company since May 6, 1999. He was reelected as Supervisor of the Company dated Jun. 28, 2002. .

Mr. Hao Yu, Employee Supervisor of the Company, he held bachelor degree, successively obtained professional qualification as accountant, auditor, economist, Certified Public Accountant, Certified Taxation Specialist and Certified Real Estate Appraiser. He successively held the position of chairman of Labor Union of, vice CFO of Shenzhen Merchants Real Estate Co., Ltd, and director of Research Institute of Shenzhen Local Taxation. He now acts as chairman of Labor Union of, vice CFO of Shenzhen Merchants Real Estate Co., Ltd, and director of Research Institute of Shenzhen Local Taxation. He was elected as Employee Supervisor of the Company dated Jun. 28, 2002.

Ms. Zhang Linmei, Employee Supervisor of the Company, financial economist, who graduated from the Economic Center of Fudan University in 1998, majored in real estate management and obtained bachelor degree. She used to be secretary of general manager of, assistant supervisor of the Administration & H.R. Department, and assistant supervisor Lease Management Center of CMRE. He was elected as Employee Supervisor

of the Company dated Jun. 28, 2002.

(3) Other senior executive

Mr. Lin Shaobin, Director and General Manger of the Company. (please refer to introduction of Director)

Mr. Yang Baiqian, Deputy General Manager of the Company. He graduated from Nankai University. He once worked in Computer Research Institute of Ministry of Communications, Shekou Planning and Statistics Bureau, Economic Development Office of CMSIZ. He once took the position as Deputy General Manager of Shenzhen Peninsula Fund Management Company, Deputy General Manager of enterprise management Dept. of CMSIZ, Deputy General Manager of the Company and planning manager of Reform Center of China Merchants Holdings Co., Ltd.. He was reelected as Deputy General Manger of the Company dated Jun. 28, 2002.

Mr. Yang Zhiguang, Deputy General Manager of the Company. He graduated from South China University of Technology with a bachelor degree of architecture engineering and got the title of Senior Engineer. He successfully took the position of the Deputy General Manager, General Manager of Development Department of Shekou Industrial Zone Real Estate Company; Assistant General Manager of Shekou Industrial Zone Real Estate Company; Deputy General Manager of Shenzhen CMRE; General Manager of China Merchants Property Co., Ltd and Shenzhen China Merchants **Innovation** Co., Ltd.. He was engaged as Deputy General Manager of the Company dated Mar. 5, 2004.

Mr. He Jianya, Deputy General Manager of the Company. He graduated from Beihang University with a master degree of electronic engineering and communication engineering and got the title of Engineer. He successfully held the position of director of Shekou Container Terminals Ltd; Deputy Director and Director of Entrepreneurial Management of Shekou Industrial Zone; Deputy General Manager of CMRE. He was engaged as Deputy General Manager of the Company dated Mar. 5, 2004.

Mr. Huang Peikun, CFO, he gained Zhejiang University with a master degree of management, senior accountant. He successively held the position of Accountant of China Merchants Shekou Port Service Co., Ltd., Manager of Financial Dept. and Chief Accountant of Shenzhen China Merchants Petrochemicals Co., Ltd., Chief Accountant of CMRE, and CFO and Deputy General Manager of Shenzhen China Merchants **Innovation** Co., Ltd.. He was engaged as Chief Financial Officer of the Company dated Feb. 22, 2003.

Mr. Chen Yu, Secretary of the Board of Directors, MBA. He graduated from Chongqing Institute of Architecture and Engineering and Guanghua School Of Management of Peking University successively early and late. He had working experiences as follows: engineer of real estate development dept. of Beijing stationed the Group, market manager of Stanley Works, and Assistant of Chairman of the Board of Peking University China Merchants Chuangye Investment Company. He took the post of Secretary of the Board of Directors of the Company since Nov. 30, 2001; on Jun. 28, 2002, he reelected as Secretary of the Board of the Company.

Mr. Li Shuming, General Manager of CMPS, senior engineer. He graduated from Northeast Institute of Electric Power. He successively held the position of Operation

Assistant Engineer of Guangdong Shaoguan Power Plant, Manager of Operation Dept., Assistant General Manager and Deputy General Manager of CMPS. He now acts as General Manager of CMPS.

Mr. Zhu Guohui, General Manager of CMWS, engineer. He graduated from Hydropower Station Dept. of Jiangxi Hydroelectricity College. He successively held the position of Technician and Director of Land Construction Office of Jiangxi Nanchang Power Plant, Engineer in Technology Dept., Office Director and Deputy General Manager of CMWS. He now acts as General Manager of CMWS.

3. Particulars about holding post and concurrent post of directors, supervisors and senior executives in other companies except for Shareholding Company

Name	Holding post/concurrent post in Shareholding company	Relationship with the Company	Title
Chairman of the Board Sun Chengming	China Merchants Group Co., Ltd.	Controlling shareholder of CMSIZ	Assistant president
	Shenzhen China Merchants Innovation Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
	Shekou Dazhong Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
Director/General Manager Lin Shao bin	CMRE	Shareholding subsidiary of the Company	Legal representative, General Manager
	Shenzhen China Merchants OCT Investment Co., Ltd.	Subsidiary of the Company	Legal representative
	China Merchants Property Management Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
	Shenzhen China Merchants Property Management Co., Ltd.	Affiliated company	Legal representative
	CMPS	Shareholding subsidiary of the Company	Legal representative
	CMWS	Shareholding subsidiary of the Company	Legal representative
	Tianjin Xinghai Real Estate Development Co., Ltd.	Subsidiary of the Company	Legal representative
Director Hong Xiaoyuan	Hong Kong Dafeng International Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
Director Li Yasheng	CMP	Shareholding subsidiary of the Company	Legal representative
	China Merchants Logistics Holding Co., Ltd.	Shareholding subsidiary of CMSIZ	Director, General Manager
	Shenzhen China Merchants Gas Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
	Shenzhen Xunlong Shipping Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
Director Hua Li	Shenzhen China Merchants Financing Service co., Ltd.	Shareholding subsidiary of CMSIZ	Executive Director
	CMRE	Shareholding subsidiary of the Company	Director
	Shenzhen China Merchants Innovation Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	CMWS	Shareholding subsidiary of the Company	Director
	CMPS	Shareholding subsidiary of the Company	Director
	China Merchants Logistics Holding Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Gas Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Director

	Hong Kong Dafeng International Co., Ltd.	Shareholding subsidiary of CMSIZ	Vice Chairman of the Board
Director Chen Gang	CMWS	Shareholding subsidiary of the Company	Director
	CMPS	Shareholding subsidiary of the Company	Director
	China Merchants Logistics Holding Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Gas Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Innovation Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
Independent Director Liu Hongyu	Real Estate Research Institute of Tsinghua University	No relationship	Director
Independent Director Shi Xiping	Financial & Settlement Dept. of Hong Kong Baptist University	No relationship	Assistant professor
Independent Director Li Tiancai	Singapore Technical Property Management Pte. Co., Ltd.	No relationship	
Chairman of the Supervisory Committee Zhou Yali	China Merchants Logistics Holding Co., Ltd.	Shareholding subsidiary of CMSIZ	Legal representative
Supervisor Feng Bohai	Shekou Dazhong Investment Co., Ltd.	Shareholding company of CMSIZ	Director
	Shenzhen China Merchants Investment Consultant Co., Ltd.	Shareholding company of CMSIZ	Director
	China Merchants Property Management Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Culture Art Development Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen Xunlong Shipping Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen Shekou Zhaogang Passenger Transport Industrial Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Meilun Hotel Management Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Hong Kong Dafeng International Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Science and Technology Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
	Shenzhen China Merchants Investment Development Co., Ltd.	Shareholding subsidiary of CMSIZ	Director
Supervisor Wen Chongping	China Merchants Property Management Co., Ltd.	Shareholding subsidiary of CMSIZ	Chairman of the Supervisory Committee
	Shenzhen China Merchants Culture Art Development Co., Ltd.	Shareholding subsidiary of CMSIZ	Chairman of the Supervisory Committee
	China Merchants Logistics Holding Co., Ltd.	Shareholding subsidiary of CMSIZ	Supervisor
	Shenzhen China Merchants Gas Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Supervisor
	Shenzhen Xunlong Shipping Co., Ltd.	Shareholding subsidiary of CMSIZ	Supervisor
	Shenzhen China Merchants Meilun Hotel Management Co., Ltd.	Shareholding subsidiary of CMSIZ	Chairman of the Supervisory Committee
	Shenzhen China Merchants Science and Technology Investment Co., Ltd.	Shareholding subsidiary of CMSIZ	Chairman of the Supervisory Committee
	CMPS	Shareholding subsidiary	Chairman of the Supervisory Committee
	CMWS	Shareholding subsidiary	Chairman of the Supervisory Committee
Supervisor	CMRE	Shareholding subsidiary	Chairman of labor union Vice CFO

Hao Yu	Shekou Xinghua Industrial Co., Ltd.	Shares held by the Company indirectly	Director
Supervisor Zhang Linmei	CMRE	Shareholding subsidiary	Assistant Supervisor of lease center
Deputy General Manager Yang Baiqian	Hong Kong Ruijia Investment Industrial Co., Ltd.	Subsidiary of the Company	Director
Deputy General Manager Yang Zhiguang	China Merchants Real Estate (Suzhou) Co., Ltd.	Shareholding subsidiary of the Company	Legal representative
	Shanghai China Merchants Property Co., Ltd.	Shareholding subsidiary of the Company	Legal representative
Deputy General Manager He Jianya	CMRE	Shareholding subsidiary of the Company	Deputy General Manager
	China Merchants Garden City (Beijing) Real Estate Development Co., Ltd.	Shareholding subsidiary of the Company	Legal representative
	Shekou Xinghua Industrial Co., Ltd.	Shares held by the Company indirectly	Legal representative
	Shenzhen Shekou Greenland Club Co., Ltd.	Shares held by the Company indirectly	Legal representative
	Shenzhen Haitao Hotel Co., Ltd.	Shares held by the Company indirectly	Legal representative
Chief Financial Officer Huang Peikun	CMRE	Shareholding subsidiary of the Company	Chief Financial Officer
	CMPS	Shareholding subsidiary of the Company	Director
	CMWS	Shareholding subsidiary of the Company	Director
Zhu Guohui (General Manger of CMWS)	Shenzhen Maitesi Municipal Engineering Co., Ltd.	Shares held by the Company indirectly	Legal representative

4. About annual payment

There were 6 directors in the Company. Of them, Mr. Lin Shaobin drew his salary from the Company because he took the post of General Manager of the Company. Except for this, the Company hasn't paid the remuneration to the other directors in the report period. There were 3 independent directors in the Company. As approved by the Board of Directors and Shareholders' General Meeting, they respectively received the allowance of RMB 50,000 per year in the report period. Except for this, the Company hasn't paid the other remuneration to independent directors.

There were 5 supervisors in the Company. Mr. Hao Yu and Ms. Zhang Linmei, Employee Supervisor of the Company, drew the remuneration from CMRE. Except for this, the Company hasn't paid the payment to the other supervisors in the report period.

According to the relevant regulations of Articles of Association of the Company, the Board of Directors determined the payment of senior executives. In the report period, senior executives of the Company drew their salary from the Company or subsidiaries. The payment of senior executives was confirmed based on accomplishment effect of the Company's achievements, and the payment situation of the same industry and the comparability enterprises.

There are 10 directors (excluding independent directors), supervisors and senior executives of the Company draw their remuneration from the Company and its subsidiaries in the report period. The total annual remuneration is RMB 3,216,300. Total annual remuneration of the top three senior executives is RMB 1,285,000.

The range of annual remuneration is as following:

Annual remuneration	Number of persons
RMB 100,000 to RMB 200,000	2
RMB 200,000 to RMB 300,000	2
Over RMB 300,000	6

Chairman of the Board Mr. Sun Chengming, Director Mr. Hong Xiaoyuan, Mr. Li Yasheng, Mr. Hua Li and Mr. Chen Gang, Chairman of the Supervisory Committee Mr. Zhou Yali, Supervisor Mr. Wen Chongping and Mr. Feng Bohai draw their annual payment from Shareholding Company, in which they respectively took the post.

5. Particulars about changes in directors, supervisors and senior executives

On Mar. 5, 2004, the 13th Meeting of the 4th Board of Directors of the Company examined and approved the proposal on engaging Yang Zhiguang, He Jianya as Deputy General Manager of the Company, and agreed to engage Mr. Yang Zhiguang and Mr. He Jianya as Deputy General Manager of the Company. The said resolution was published on China Securities, Securities Times and Ta Kung Pao dated Mar. 29, 2004.

On Apr. 9, 2004, the Company held 2003 Annual Shareholders' General Meeting, in which the proposal on changing of Director was passed. The Meeting agreed Mr. Fang Jianxiong to resign from the post of Director and engaged Mr. Hua Li as Director of the Company. The said resolution was published on China Securities, Securities Times and Ta Kung Pao dated Apr. 10, 2004.

On July 18, 2004, the 15th Meeting of the 4th Board of Directors of the Company examined and approved the proposal on repealing "the proposal on changing of Independent Director" of the 13th meeting of the 4th Board of Directors, and continually engaged Mr. Li Tiancai as Independent Director of the Company. The said resolution was published on China Securities, Securities Times and Ta Kung Pao dated July 21, 2004.

II. About employee (Ended Dec. 31, 2004)

Ended Dec. 31, 2004, the Company (including headquarters and its main shareholding subsidiaries) has 599 employees registered in book. The composing of professional and background of education are as follows:

Composing of professional	Number	Proportion
Production personnel	97	19.40%
Salespersons	88	9.43%
Technicians	222	35.59%
Financial personnel	50	8.36%
Administrative personnel	60	7.30%
Other	82	19.93%
Background of education		
Master degree or above	54	8.36%
Bachelor degree	271	38.61%
Associate degree	91	20.11%
Polytechnic schools or below	183	32.92%

[Note] 1. The above included persons of the Company and main shareholding subsidiaries.

2. The Company needn't pay the expenses of retirees because the Company and main shareholding subsidiaries performed Shenzhen Social Insurance System.

3. At the end of report period, the total number of employees has decreased compared with the previous year because the Company sold CMP's equity.

Section VI. Corporate Governance

I. Corporate Governance

According to the requirements of the laws and regulations including Company Law, Administration Rules for listed Companies, Guideline on Establishing Independent Director System in Listed Companies, Stock Listed Rules of Shenzhen Stock Exchange, etc., the Company actively revised and consummated the Articles of the Association, and formed series of rules and systems including Procedure Rules of Shareholders' General Meeting, Procedure Rules of the Board, Procedure Rules of the Supervisory Committee, Work Detail Rules of General Manager etc., and established and consummated corporate legal person's administration structure in line with modern enterprise management requirements, and formed step by step scientific decision-making mechanism, implementing mechanism and supervision mechanism, which effectively protected lawful interests of the Company, shareholders and creditors.

II. The Fulfillment of Independent Directors

The Company had 3 independent directors, taking 1/3 of the total members of the Board, in line with the requirements of Guideline on Establishing Independent Director System in Listed Companies.

In the report period, 3 Independent directors should attend 7 meetings held by the Board. They attended the above 7 meetings in person, and didn't propose different opinions on the proposals and other issues of the Company examined at the Board meetings. They conducted seriously check on significant related transactions and other significant matters, which need independent opinion presented by the Independent Directors, and presented written independent director opinion letter.

III. Particulars about Separation in Business, Assets, Staff, Institutions, and Finance of the Company and Controlling Shareholder

The Company was totally separated with controlling shareholder in business, assets, staff, institutions, and finance. The Company possessed independent and complete self – operation capabilities.

IV. The Evaluation and Encouragement of the Company on Senior Management

Evaluation mechanism: at present, the Company conducted achievements on senior management according to annual work schedule, mainly adopting annual achievements check method of 360 degree, namely, integrating KPI index reporting work, evaluating achievements by direct superior, evaluating achievements by the same degree, and evaluating achievements by the direct subordinate.

Encouragement and binding mechanism: according to the relevant state policies including the Company Law, the Articles of the Association, etc., the Company established comparatively perfect encouragement and binding mechanism, and enforce three salary system, responsibility post salary system, post skills salary system, and commission system, respectively on the management and administration staff of the Company, professional skill staff, and marketing staff. According to the check results of senior management staff by the Board, the Company decides whether the person leave or not, promoted or degraded, and decides correspondent salary and encouragement level. The Company has set up to do some research in making detail implementation method of shares and options encouragement, and tried to establish market and consummate encouragement system.

V. Investors relationship

The Company actively strengthened investors' relationship management. In the year, the Company consistently supplemented and renewed database for the investors of the

Company. The Company presented “Investor Relationship” page layout at the website of the Company (Website: <http://www.cmpd.cn/invest/index.jsp>), and answered the letters from investors timely. Recently, the Company established “Investor Relationship Exchange Display Platform” through Shenzhen Securities Information Co., Ltd. (Website: <http://www.irm.net.cn/000024/index.html>).

In the report period, to propel the benign exchange between investors and management of the Company, the Company held 2nd Analysts Annual Meeting. The management team and investors conducted face to face communications and Internet Road Show for the Annual Meeting, and published splendid retrospection of the Annual Meeting. In November, the Company attended Achievements of 3rd Quarters Internet Explanation Meeting organized by Shenzhen Securities Information Co., Ltd.. With respect to almost 80 questions proposed by investors about development and sale of real estate of the Company, land reserve, financial administration structure etc., main senior management staff and relevant staff conducted detail analysis and explanation. The Company still established investor database of hundreds of companies and thousands of persons including Securities, Funds, and investment institutions etc., and through various contacting methods, the Company provided various materials including operating data and development intentions etc.. Through the above measures, investors had more knowledge and upstanding about the Company.

Section VII. Particulars about Shareholders’ General Meeting

I. Particulars about notification, convening and holding of Shareholders’ General Meeting and their relevant resolutions

In the report period, totally three Shareholders’ General Meeting were held with details as follows:

(I) 1st Provisional Shareholders’ General Meeting for 2004

On Jan. 5, 2004, the Company published Notification on Holding 1st Provisional Shareholders’ General Meeting for 2004 on Securities Times, China Securities and Hong Kong Ta Kung Pao. 1st Provisional Shareholders’ General Meeting for 2004 was held in Conference Room No. 3003, New Times Plaza, Shekou, Shenzhen as scheduled on the morning of Feb. 6, 2004. Totally 27 shareholder’s representatives and agents attended the Meeting, representing 276,681,527 shares of the Company, taking 53.73% of total share capital of the Company, including 195,985,904 A shares, taking 59.90% of total A shares, and 82,695,623 B shares, taking 43.86% of total B shares. Guangdong Huashang Law Office has produced Legal Opinion on the Shareholders’ General Meeting. The following proposals have been considered and passed in the Meeting by signed voting:

1. Proposal on 10% share equity of CMP held by the Company to CMSIZ
2. Proposal on 65% share equity of CMP held by the Company to CML

The resolutions were published on Securities Times, China Securities and Hong Kong Ta Kung Pao dated Feb. 7, 2004.

(I) Shareholders’ General Meeting for 2003

On Mar. 9, 2004, the Company published Notification on Holding Shareholders’ General Meeting for 2003 on Securities Times, China Securities and Hong Kong Ta Kung Pao. Shareholders’ General Meeting for 2003 was held in Conference Room No. 3003, New Times Plaza, Shekou, Shenzhen as scheduled on the morning of Apr. 9, 2004. Totally 22 shareholder’s representatives and agents attended the Meeting, representing 264,042,001 shares of the Company, taking 51.02% of total share capital of the Company, including 174,197,954 A shares, taking 53.25% of total A shares, and 89,844,047 B shares, taking 47.66% of total B shares. Guangdong Huashang Law Office has produced Legal Opinion

on the Shareholders' General Meeting. The following proposals have been considered and passed in the Meeting by signed voting:

1. Auditor's Report 2003
2. 2003 Annual Report and its summary
3. 2003 Profit Distribution Plan
4. Proposal on Revising the Articles of the Association
5. Proposal on Change of Directors

Vice Chairman Mr. Fan Jianxiong left his post and the Company engaged Mr. Hua Li as director of the Company.

6. Proposal on Adjusting the Allowance of Independent Directors
7. Proposal on Reengage External Auditors Report
8. Proposal on CMPD Purchasing Land Use Right from CMSIZ in 2004
9. Provisional Proposal on Changing the Name of the Company proposed by CMSIZ

The resolutions were published on Securities Times, China Securities and Hong Kong Ta Kung Pao dated Apr. 10, 2004.

(III) 2nd Provisional Shareholders' General Meeting for 2004

On Jul. 21, 2004, the Company published Notification on Holding 2nd Provisional Shareholders' General Meeting for 2004 on Securities Times, China Securities and Hong Kong Ta Kung Pao. 2nd Provisional Shareholders' General Meeting for 2004 was held in Conference Room No. 3003, New Times Plaza, Shekou, Shenzhen as scheduled on the morning of Aug. 20, 2004. Totally 29 shareholder's representatives and agents attended the Meeting, representing 334,417,225 shares of the Company, taking 54.04% of total share capital of the Company, including 266,788,988 A shares, taking 57.77% of total A shares, and 107,628,237 B shares, taking 47.57% of total B shares. Guangdong Huashang Law Office has produced Legal Opinion on the Shareholders' General Meeting. The following proposals have been considered and passed in the Meeting by signed voting:

1. Proposal on Revising the Articles of the Association
2. Proposal on the Company Possessing Qualification of Issuing Convertible Bonds
3. Proposal on Convertible Bonds Issuance Plan
4. Proposal on the Duration of Convertible Bonds Issuance Plan
5. Proposal on Direction of Raised Proceeds through Issuing Convertible Bonds
6. Proposal on Feasibility of Projects invested by Raised Proceeds through Issuing Convertible Bonds
7. Proposal on Submitting to Shareholders' General Meeting to authorize the Board to transact relevant matters of Convertible Bonds
8. Explanation on the Usage of Raised Proceeds Last Time
9. Proposal on Jointly Setting up Shenzhen China Merchants Everbright Technology Park Co., Ltd. with CMSIZ

The resolutions were published on Securities Times, China Securities and Hong Kong Ta Kung Pao dated Aug. 21, 2004.

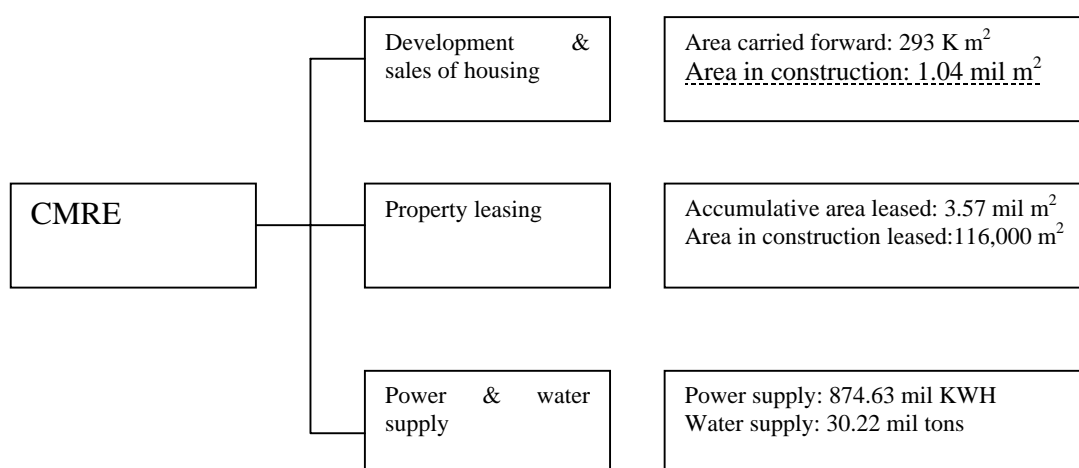
Section VIII. Report of the Board of Directors

I. Business Summary

(I) Business Scope and Operation Status

1. Structure of Principal Business

The Company is a large holding corporation with business extending throughout China, with real estate development and sales, operation of leased properties and power & water supply in residence estates as the core business. At the beginning of the report period, its principal business still included petrochemical distribution. With a view to implementing the strategy of professional development as the business focus, the Company peeled off the business of petrochemical distribution at the beginning of the report year thanks to the support of the shareholders so that the Company's business structure has become more distinct and the development target and application of resources have been more concentrated and effective. In the report period, the Company was officially renamed as China Merchants Property Development Co., Ltd.; the short form of the stock was renamed as "China Merchants Property" and "China Merchants B".



The Company's principal business structure as the end of the report period is as the following diagram:

2. Profit Earning

In the report period, the Company worked hard and strove to bring about more wealth for the shareholders based on its objective of steady development. Although the Company had peeled off its petrochemical distribution business at the beginning of the period, and was confronted by the stress of profit reduction from the business in the short term, yet the Company experienced a rapid development in its core business, real estate development. As a result, the Company achieved quicker growth in its business achievements over the previous year. In 2004, the Company realized a total net profit of RMB 359.80 million, an 8.87% growth over the same period of the previous year, which was RMB 330.48 million. In the report period, the Company implemented the dividend distribution plan by distributing bonus shares at the rate of 2 shares for every 10 shares. As a result, the share capital increased to 618.82 million shares, and the earning per share was RMB 0.58.

3. Summary of Core Business Operation

In the report period, the Company achieved growth with varying degrees in its core businesses.

The business activities whose earnings taking more than 10% of the total revenue or

profit from the principal businesses were summarized as follows (in RMB):

Classification of operation activities	Revenue from principal business		Profit from principal business		Costs of principal business	Gross profit rate	Sectors involved
	Total Amount	Proportion of the total amount	Total Amount	Proportion of the total amount			
Real estate development & sales	2,167,331,264	62%	389,021,984	61%	1,668,859,051	23%	Real estate development & operation
Operation of the leased property	196,360,610	6%	86,527,246	14%	99,622,612	49%	Real estate development & operation
Power & water supply to residence estates	692,224,603	20%	137,434,791	22%	553,532,544	20%	Power & water production and supply
Petrochemical distribution	385,908,569	11%	11,244,608	2%	374,157,084	3%	Oil gas storage & transport and supply

Remarks: The revenue from the petrochemical distribution business was consolidated up to February 28, 2004.

(1) Real estate development and sales

In the report period, the central government strictly controlled the land supply, definitely implemented the land assignment by means of public auction and continued control over the credit line for real estate. Changes in land and credit fund supply have produced deep influence upon the real estate industry. The Company's superiority lies in the fact that as a professional big real estate enterprise its position in competition in the real estate sector has been rising. Meanwhile, promoted by various factors, such as prediction of negative interest rate and value rise of Renminbi, improvement of consumption capacity and urbanization, the demand of the real estate market is vigorous; the real estate price in major cities, including Shenzhen, has risen somewhat. Although the central bank has increased the interest rate at the end of the year, yet the rising part is only part of the foam in the demand has been restrained and the demand growth has not been completely kept within limits.

Description	Total Planned Floorage	Floorage at Start	Floorage at End	Area in construction	Completion/planned completion time
Coast of Rainbow	16.10		16.10	16.10	2004.08
City Image	4.21		4.21	4.21	2004.10
1# Plot of Garden City Phase III	5.01		5.01	5.01	2004.12
Hill-Slope Sea-View Phase I. Lanxi Valley	12.40		12.40	12.40	2004.10

China Merchants Sea- Moon Phase III (South Area)	8.90			8.90	2005.06
China Merchants East Garden City	27.56	27.56		27.56	2006.12
City Host Site	8.18			8.18	2005.08
2# Plot of Garden City Phase III	11.03	11.03		11.03	2006.10
Tianjin Zhongbei Town Project	29.71	9.60		9.60	2005.12
Total	123.10	48.19	37.72	102.99	

Notes: 1. City Image is a project developed by Shekou Xinghua Industrial Co., Ltd. The Company indirectly holds its equity by totally 62.28%.

2. The original name of China Merchants Eastern Garden City was Shenzhen New Asia;

3. City Host Site is a project jointly developed by China Merchants Real Estate, one of the Company's subsidiaries and Shenzhen TCL Investment Co., Ltd. In the report period, the Company completed acquisition of the equity in City Host Site project held by TCL.

4. Tianjin Zhongbei Town Project is a project jointly developed by CMRE, one of the Company's subsidiaries and Tianjian Wanke Real Estate Co. CMRE holds 45% of the equity in the project company. The project listed on this table is the first phase;

5. This table is the commodity housing projects available for sale. For the projects for lease, refer to the "Properties for Lease in Construction".

In the report year, the Company seized the juncture of the market environment reform and promoted at top speed the real estate development and sales business. In 2004, the Company constructed 1.03 million m² of commodity housing and newly started construction with floorage of 482,000 m². Ended the report period, the Company carried forward 292,700 m² of commodity housing, a 49.2% growth over the previous year; realized a turnover amounting to RMB 2,167.33 million, a 49.1% growth over the previous year. The properties sold out or carried forward in the report year are: Mountain-slope Sea-view-Lanxi Valley, Coast of Rainbow, 1# Plot of Garden City Phase 3, City Image, Sea Moon Phase 2, Jinduan Zhibin, etc.

In respect of land reserve, the Company adopted the land reserve strategy of focusing on the regions with superiority and steady expansion to the whole country. On the one hand, the Company continuously increased the land reserve quantity in Shenzhen and expanded its market share in this area; On the other hand, it gradually increased the land reserve in the major cities in the Pearl River Delta, the Yangtze River Delta, the Around-the-Bohai-Sea Region and the secondary economic regions with development potential.

The Company is now holding land reserve for floorage of about 2.58 million m², which is distributed in Shenzhen, Guangzhou, Shanghai, Suzhou, Beijing, Tianjin, Chongqing, etc. An embryonic form of nationwide land reserve has come into being. In addition, the Company is facing industrial upgrading, and enjoys favorable conditions in acquiring the land with added value potential in Shekou as well as in China Merchants Zhangzhou Development Zone with planned area of 40 km². In addition, it is going to develop an industrial park with an area of 2 km² located in Baoan, Shenzhen by holding equity in China Merchants Guangming Technology Park Co., Ltd. As a result, the Company has formed an abundant potential land reserve.

Land Reserves for Commodity Housing Development (Ended December 31, 2004)						
Description	Regions	Land application	Land Area 10,000 m ²	Planned Floorage 10,000 m ²	Planned Start	Planned Completion
Mountain-slope Sea-view Garden, Phase II	Shekou, Shenzhen	Residence	4.70	14.78	05/03	06/10
North Area of China Merchants Sea-Moon Phase III	Shekou, Shenzhen	Commercial and Residence	3.10	7.6	05/06	06/12
Jiangangshan Phase I	Baoan, Shenzhen	Residence	21.32	10.66	05/06	07/12
Jiangangshan Phase II	Baoan, Shenzhen	Commercial and Residence	38.69	19.65	06/01	07/06
Jiuting, Songjiang, shanghai	Songjiang, shanghai	Residence	13.46	9.42	05/04	06/09
Panyu Jinshan Project	Panyu District, Guangzho u	Residence	83.55	94.61	05/12	13/12
Dongjiaxi Project, Chongqing	Jiangbei, Chongqin g	Commercial and Residence	16.38	46.95	06/02	08/06
Xiangcheng Plot Project, Suzhou	Xiangchen g District, Suzhou	Commercial and Residence	22.57	22.57	05/01	07/12
East Balizhuang, Beijing	Chaoyang District, Beijing	Commercial and Residence	15.68	31.55	05/12	10/06
Total			219.45	257.79		
Notes: 1. The original name of Panyu Jinshan was Panyu Feiling;						
2. East Balizhuang Project was located on the east side of Honglingjin, Chaoyang District, Beijing;						
3. The land reserve project located at Liuquan, Fengtai, Beijing as disclosed in the annual report of the previous year has not been listed in the statement due to change of the policy.						
4. Jiangangshan is a project jointly developed by CMRE, one of the Company's subsidiaries and Shenzhen OCT Real Estate Co., Ltd. and CMRE holds 50% of the equity in the project company.						

(2) Operation of Leased Property

In addition to real estate development and sales, the Company has also invested properties for lease and is enjoying rental return with steady growth on long term basis. Ended the report period, the Company held 404,000 m² of constructed properties available for lease. Such properties, including villas, apartments, office buildings, factory buildings, shop buildings, are mainly located in Sheshou, Shenzhen.

Properties for Lease Completed in 2004						
	Floorage for lease	Total floorage leased	Rental income	Lease rate	Symbolic building	Notes
	10'000 m ²	10,000 m ²	RMB'000			
Total	40.37	356.89	196,360	88%		
Incl.: apartment	2.63	28.18	17,634	87%	Seaside Apartment	3000 m ² sold
villas	6.46	69.19	59,204	91%	Jingshan Villas	
office building	7.52	74.45	33,370	82%	Financial Center	2000 m ² for self use or other purposes;
Factory buildings (others)	15.65	100.31	45,156	93%	Science & Technology Building	3000 m ² changed into warehouse; 64,500 m ² added;
Shop building	8.11	84.77	40,996	89%	Shekou Walmart	3,300 m ² relocated.

In the report period, benefited from the favorable situations that the overall real estate market in Shenzhen was turning better and the construction of Shenzhen-Hong Kong Cross-sea Bridge and Shenzhen Metro, the properties in Shenzhen experienced upward revaluation. The Company also maintained the years' steady growth trend in the operation achievements in its property lease business. In the report period, the lease rate of various lease products was also steadily rising with annual lease rate up to 88%. The Company realized a total accumulative lease floorage of 3.57 million m², a 6.3% growth over the previous year and achieved rental income amounting to RMB196.630 million, a 11.03% growth over the previous year.

Properties for Lease in Construction				
Description	Application	Area in construction	Location	Predicted time of completion
		10,000 m ²		
Garden City Phase II	Shop building	7.40	Nanhai Avenue, Shekou, Shenzhen	Dec.,2005
Taige Apartment	Apartment	4.24	Nanhai Avenue, Shekou, Shenzhen	Apr., 2005
Total		11.64		

Meanwhile, the Company further further increased investment in the properties for lease. For instance, Taige Apartment, the newly constructed top grade apartment buildings located on hill slope in Shekou, is going to be available for lease in 2005. This apartment building has adopted the up-to-date design concept, engaged international renowned service based apartment management company for management. It is predicted that after the project is put into operation, it shall further promote the properties for lease held by the Company to develop with orientation of high side and intensification.

(3) Power and Water Supply to Industrial Parks and Residence Estates

The place where the Company conducts power and water supply to industrial parks and residence estates is mainly in Shekou at present. With the increasing demand on power and water supply by both industrial and resident customers in Shekou, the Company's power and water supply business has been experiencing a trend of continuous growth year after year. In 2004, the Company's revenue from power supply hit RMB 613.73 million, a 6.4% growth over the previous year; the revenue from water supply reached RMB 78.49 million, a 6.7% growth over the previous year.

Power & Water Supply Business				
Description	Unit	2004	2003	2002
Power supply	10,000 kwh	87,463	82,382	72,204
Water supply	10,000 tons	3,022	2,878	2,670

In the report period, the Company was once again elected component index by Shenzhen Stock Exchange; was elected one of the Top 10 Listed Real Estate Companies in China by such certification institutions as the New Real Estate, a renowned magazine in China; won the annual major prize from the New Real Estate; ranked the third in comprehensive power among the listed real estate companies in China and ranked the second in wealth creation ability through appraisal by the Research Team of Top 10 China's Real Estate Powers; China Merchants Real Estate, one of the Company's subsidiaries, honorably ranked the second in comprehensive power among real estate development enterprises in Shenzhen.

(II) Operation and Performances of the Principal Subsidiaries and Holding Companies

Ended the report period, the Company had three principal subsidiaries, namely China Merchants Real Estate, China Merchants Power Supply and China Merchants Water Services, whose operation and performances are summarized as follows:

1. China Merchants Real Estate (CMRE)

Established in 1984, CMRE has the registered capital of RMB 106 million. The Company holds 95% of its equity. Ended the report period, its total assets reached RMB 5080.66 million and net assets was RMB 1,250.67 million. Ended 2004, CMRE had a history of 20 years. During the 20 years, CMRE developed altogether 5 million m² of various properties with the business extending to all China. In addition, it has also developed a number of residence estates and commercial buildings well-known in China. CMRE has ranked the third in comprehensive development power for successively three years in Shenzhen. In the report period, the Company's real estate business was mainly carried out by CMRE. Over the past years, CMRE has entered a stage of rapid development - while developing continuously the property lease business, it carries out the real estate business with Shenzhen as the center and at the same time rapidly extends to all China.

In the report period, CMRE realized net profit amounting to RMB 294.20 million, an 11.29% increase over the previous year.

2. China Merchants Power Supply (CMPS)

Established on November 9, 1980, CMPS has the registered capital of RMB 57 million. The Company holds 99.75% of its equity. Ended the report period, its total assets reached RMB 902.61 million and net assets was RMB 268.51 million. In the report period, CMPS

sold 875 million KWH of power products, a 6.2% growth over the previous year, and realized net profit amounting to RMB 130.4 million. CMPS is the unique authorized power supply enterprise in Shekou, enjoying significant regional superiority. The Company has prepared an advanced overall plan for power supply network and exercises up-to-date technical management. In the report period, CMPS completed the communication line improvement work between No. 1 and No. 2 transformer stations, which has laid a foundation for safe peak power supply; confirmed the third submarine cable based power supply agreement executed with Hong Kong CLP GROUP and started preparation and construction work for laying the third submarine cable. In the report period, CMPS actively developed its business, acquired the authority for temporary power supply to Qianhaiwan Logistic Park in Shenzhen, and created a favorable condition for official power supply authority for the said area.

3. China Merchants Water Services (CMWS)

The original name of CMWS was China Merchants Water Supply Co., Ltd. It was changed into the present name in the report period. Established on October 29, 1989, CMWS has the registered capital of RMB 43 million. The Company holds 99.75% of its equity. Ended the report period, its total assets reached RMB 197.26 million and net assets was RMB 147.54 million. CMWS is the unique authorized water supply enterprise in Shekou, enjoying significant regional superiority. In the report period, CMWS sold 30.22 million tons of water, a 5% growth over the previous year. In 2004, it made profit from the principal business amounting to RMB 10.71 million, basically the same as the previous year.

In November, 2004, Guangdong High People's Court made judgment of the second instance on the raw water dispute sued by Shenzhen Water Service (Group) Co., Ltd. (Water Service Group) against China Merchants Water Supply, a subsidiary of CMWS', which supported the judgment of the first instance according to which China Merchants Water Supply must repay RMB 20,250,560 to Water Service Group. Ended December 31, 2004, the case was still in process of mediation.

(III) Principal Suppliers and Customers

As the Company is a holding company, there exists big difference in suppliers and customers between the Company and its subsidiaries. It is impossible to make lateral comparison for each others' suppliers and customers. The purchases in real estate business take a relatively small share in the costs of real estate development while the principal customers of commodity housing are individuals. In contrast, the source power for power supply is purchased from CLP Group; the power supplied to the top five customers takes 58% of the Company's total power sales. The source water for water supply is from the three major reservoirs in Shenzhen; the water supplied to the top five customers takes 20.15% of the Company's total water sales.

(IV) Problems and difficulties occurred in operation and their solutions

In the report period, impacted by the interest rate increase from the central bank, stocks of real estate experienced a general falling for a time. In the Company's opinion, the implementation of a series of macro control policies, including decrease of land supply, implementation of land assignment by means of public auction and control over the credit line, adjustment of interest rate, shall bring about opportunity to big professional enterprises of real estate. The measure of interest rate increase from the central bank shall be favorable for rapid development of big professional enterprises of the sector in

the steady environment of the sector. The Company shall make better use of the opportunity, take various measures to control risks and speed up its development.

II. Investment in the year 2004

(I) Application of the Proceeds Raised through Share Offering

In November, 2003, the Company implemented a share allotment plan and placed shares to the whole shareholders on 3-for-10 basis at the price of RMB 8.93 per share. As a result, 39,289,560 shares were placed. The proceeds receivable amounted to RMB 350,855,771. Plus the interest of the fund applied for purchasing the frozen allotted shares and less such issuing expenses as the commission for underwriters and the service charges in trading, the proceeds actually received amounted to RMB 339,901,009. Application of the proceeds raised through share offering in the report period is summarized as follows:

In RMB'000

Projects for undertaking	Total Investment	Planned Investment of the Proceeds	Actual Investment of the proceeds	Has the project been changed (Y/N)	Amount of proceeds invested	Balance of the proceeds	Income from the projects	Does the project comply with the schedule and predicted income
Coast of Rainbow	688,210	200,000	200,000	N	200,000	-	140,760	It complied with the schedule, was carried forward upon completion and realized gross profit amounting to RMB 140.76 million in 2004 .
1# Plot of Garden City Phase III	178,300	150,000	139,900	N	139,900	-	20,420	It complied with the schedule, was carried forward upon completion and realized gross profit amounting to RMB 20.42 million in 2004.

(II) Principal projects invested with the fund not raised through share offering, the progress of the projects and returns:

1. Major Real Estate Projects Invested in the Report Period (in RMB'000)

Projects	Investment in report year	Growth over the previous year	Project progress	Earnings in the report year
Hillside Seaview · Orchard Valley	325,680	117.45%	Completed	realized gross profit RMB 173.03 million
City Image	62,860	54.37%	Completed	realized gross profit RMB 34.64 million
Project of	601,880	598.14%	Preliminary	No earning produced yet

Panyu Jinshan			planning	
Jiangangshan 1 st Stage	283,540	2,835.36%	Preliminary planning	No earning produced yet
City Host Site	248,050	1,239.33%	Nearly completion of pile foundation	No earning produced yet
Taige Apartment	147,750	435.36%	Base construction	No earning produced yet
Garden City Phase II	141,400	1,777.55%	Pile foundation completed	No earning produced yet
South Area of China Merchants Sea-Moon Phase III	134,710	274.58%	Roof covered of the main building	No earning produced yet
China Merchants Eastern Garden City	11,570	6.43%	Preliminary planning	No earning produced yet
North Area of China Merchants Sea-Moon Phase III	195	11.43%	Preliminary planning	No earning produced yet
Jiangangshan Phase II	84,250	New project in the report year	Preliminary planning	No earning produced yet
East Balizhuang, Beijing	55,306	New project in the report year	Preliminary planning	No earning produced yet
Dongjiaxi Project, Chongqing	36,338	New project in the report year	Preliminary planning	No earning produced yet
Xiangcheng Project, Suzhou	34,093	New project in the report year	Preliminary planning	No earning produced yet
Mountain-slope Sea-view Garden, Phase II	25,403	New project in the report year	Preliminary planning	No earning produced yet
Jiuting, Songjiang, Shanghai	20,313	New project in the report year	Preliminary planning	No earning produced yet
2# Plot of Garden City Phase III	13,641	New project in the report year	Base construction	No earning produced yet

2. In the report period, the Company invested RMB 85.5144 million in fixed assets, of which CMPS invested RMB 9.6238 million for updating and improvement of power equipment; CMPC invested RMB 1.3404 million for improving oil gas station and increasing motor vehicles and charging machinery; CMRE invested RMB 6.0816 million for updating electronic equipment and motor vehicles; CMWS invested RMB

6.3292 million for updating and improving water supply pipelines and innovation of the water works; Huangjintai Company invested RMB 60.7442 million for constructing Huangjintai Commercial Building; The head office and other subsidiaries invested RMB 1.3952 million for updating electronic equipment and motor vehicles.

III. Financial Position and Operation Achievement Analysis (in RMB '000)

Items	December 31, 2004	December 31, 2003	Increase/Decrease	Increase/Decrease Rate
Total assets	8,455,000	5,923,650	2,531,350	42.73%
Accounts receivable	74,940	282,880	(207,940)	-73.51%
Account prepaid	50	30,940	(30,890)	-99.84%
Inventories:	5,169,340	1,823,730	3,345,610	183.45%
Long-term equity investment	1,186,650	1,241,830	(55,180)	-4.44%
Short-term Loan:	1,740,750	680,570	1,060,180	155.78%
Accounts payable	1,692,920	349,470	1,343,450	384.42%
Shareholders' equity	3,451,290	3,118,870	332,420	10.66%
Profit from principal businesses	635,140	613,430	21,710	3.54%
Subsidy income	33,250	33,160	90	0.27%
Net profit	359,800	330,480	29,320	8.87%
Net increase of cash and cash equivalents	(293,600)	86,900	(380,500)	-437.86%

Major Causes of the Changes:

Total assets, inventories, short term loans, accounts payable: expansion of the Company's real estate development business size.

Accounts payment, accounts prepaid, long term equity investment: assignment of China Merchants Petrochemical in the report year.

Shareholders' equity: The increase amount in the report year was mainly due to the net profit realized and the income from sales of China Merchants Petrochemical; decreased amount in the report period was mainly due the cash dividends distributed according to the resolution of the shareholders' general meeting.

Profit and net profit from the principal business: big growth of the profit from real estate development and lease business, and the business of power and water supply to the industrial parks and residence estates.

Subsidy income: In the report year, the Company recovered RMB 32.25 million of the refunded power based VAT and received from the local Water Service Authority amounting to RMB 1 million.

Increase of cash and cash equivalents: In the report year, the Company experienced a big cash flow-out arising from such operation activities as big investment in the expanded business development and increase of land reserves.

IV. Operation plan for 2005

Under the influence of the factors including macroeconomic control, the competition environment of real estate industry has changed. The competition position of specialized large real estate enterprises in the industry has been enhanced. To the specialized companies that originally obtained land from open market, the difficulty and cost of obtaining land has been relatively lowered and the quantity of competitors has been somewhat reduced while the extent of intensive industrial operation is expected to be enhanced quickly. Large specialized enterprises will face opportunities.

In order to fully seize development opportunities, the Company has determined 2005 as the year of implementation and planned to focus on development in subdivided product markets and regions that have advantages. It will make more investment by means including the enhancement of liability ratio and increase of direct financing, further carry out standardization and strengthen the force of implementation to shorten development cycle, enhance fund turnover rate and continue to increase manpower and land resources. We will continue to deepen the standardization development of products, services and management, advocate “green real estate” and “human orientation”, all-roundly enhance the implementation ability of employees, enhance the level of talent reserve and consolidate and greatly develop real estate as core business.

In 2005, the Company planned to complete the sales of commercial houses with floorage of 0.21 million square meters, the lease of commercial houses with floorage of 3.73 million square meters on accumulative basis and the sales of electricity of 901.32 million KWH and water of 30.30 million tons.

V. Routine work of the board of directors

(I) The particulars of the meetings of the board of directors and the content of resolutions

The board of directors held 7 meetings in this year. The particulars of the meetings are as follows:

1. The 13th meeting of the 4th board of directors was held on March 5, 2004, which examined and adopted the following proposals:
 - (1) 2003 annual audit report
 - (2) 2003 annual report and the summary of annual report
 - (3) 2003 profit distribution preplan
 - (4) 2004 profit distribution policy

- (5) The proposal for amending the articles of association of the Company
- (6) The proposal for changing directors
- (7) The proposal for changing independent directors
- (8) The proposal for adjusting the subsidy for independent directors
- (9) The proposal for renewing the engagement of external audit organ
- (10) The proposal for the purchase of land use right from Shekou Industrial Zone by China Merchants Real Estate
- (11) The proposal for engaging Yang Zhiguang and He Jianya as deputy general managers of the Company
- (12) The proposal for holding 2003 shareholders' general meeting

The resolutions of the meeting were published on China Securities Journal, Securities Times and Ta Kung Pao on March 9, 2004.

2. The 4th board of directors of the Company examined and adopted the Proposal for Assigning State-owned Corporate Shares of Beijing University High-tech in Accordance with Agreement through voting by correspondence. The resolutions of the meeting were published on China Securities Journal, Securities Times and Ta Kung Pao on March 12, 2004.

3. The 14th meeting of the 4th board of directors was held on April 17, 2004, which examined and adopted the following proposals:

- (1) The report for the first quarter of 2004
- (2) The proposal for amending the articles of association of the Company

The resolutions of the meeting were published on China Securities Journal, Securities Times and Ta Kung Pao on April 19, 2004.

4. An interim meeting of the 4th board of directors was held on June 23, 2004, which made the resolution for making rectification against the problems found by Patrol Inspection Center of Shenzhen Securities Supervision Bureau.

The resolutions of the meeting were published on China Securities Journal, Securities Times and Ta Kung Pao on July 9, 2004.

5. The 15th meeting of the 4th board of directors was held on July 18, 2004, which examined and adopted the following proposals:

- (1) Semiannual report for 2004
- (2) The proposal for amending the articles of association of the Company
- (3) The proposal concerning the Company's qualification for issuing convertible corporate bonds
- (4) The proposal concerning the plan for issuing convertible corporate bonds
- (5) The proposal concerning the valid term of the plan for issuing convertible corporate bonds
- (6) The proposal concerning the utilization of the funds raised by issuing convertible corporate bonds
- (7) The proposal concerning the feasibility of the investment projects utilizing the funds raised by issuing convertible corporate bonds
- (8) The proposal for requesting the shareholders' general meeting to authorize the board of directors to handle the matters concerning the issuance of convertible corporate bonds

- (9) The statement of the status of utilization of the funds previously raised
- (10) The proposal for establishing China Merchants Guangming Technology Park Co., Ltd jointly with China Merchants Shekou Industrial Zone Co., Ltd.
- (11) The proposal for holding the second provisional shareholders' general meeting in 2004

The resolutions of the meeting were published on China Securities Journal, Securities Times and Ta Kung Pao on July 21, 2004.

6. The 16th meeting of the 4th board of directors was held on October 15, 2004, which examined and adopted the Report for the Third Quarter of 2004.

The resolution of the meeting was published on China Securities Journal, Securities Times and Ta Kung Pao on October 19, 2004.

7. An interim meeting of the 4th board of directors was held by correspondence on December 3, 2004, which examined and adopted the Proposal for Continuing the Lease of Assets to China Merchants Harbor Service Co., Ltd.

The resolution of the meeting was published on China Securities Journal, Securities Times and Ta Kung Pao on December 7, 2004.

(II) The status of implementation of the resolutions of the shareholders' general meeting by the board of directors

1. The status of implementation of the authorization of the shareholders' general meeting by the board of directors

The board of directors strictly implemented all resolutions of the shareholders' general meeting this year without serious deviation and errors. It also strictly implemented the authorization of the shareholders' general meeting in respect of the matters concerning the application for issuing convertible corporate bonds. Relevant application materials were officially submitted to relevant department of China Securities Regulatory Commission at the end of August 2004.

2. The status of implementation of the Company's profit distribution plan by the board of directors

2003 shareholders' general meeting held on April 9, 2004 examined and adopted 2003 Profit Distribution Plan. Based on 515,685,560 shares issued, the Company paid 2 bonus shares and cash dividend of RMB 1 (including tax) for every 10 shares to all shareholders. 103,137,112 bonus shares and cash dividends of RMB 51,568,556 were paid in total. No capital surplus was capitalized this year.

The Company published 2003 Dividend Payment Announcement on China Securities Journal, Securities Times and Ta Kung Pao respectively on May 18, 2004 and May 26, 2004 and determined May 31, 2004 as stock right registration day and June 1, 2004 as ex-right and ex-dividend right.

VI. 2004 profit distribution preplan or preplan for capitalization of capital surplus
According to the provision of adopting the lower amount between Chinese Accounting

Standards and International Accounting Standards as the maximum for distribution, the profit available for distribution is RMB 803,282,852 in 2004.

According to the requirements of the relevant regulations and the Articles of the Association, the profit distribution scheme suggested by the Board in 2004 is as follows:

1. Appropriating 10% of net profit under Chinese Accounting Standards as statutory public reserve amounting to RMB 35,980,293;
2. Appropriating 5% of net profit under Chinese Accounting Standards as statutory public welfare amounting to RMB 17,990,147;
3. From net profit in the year, based on the issued shares amounting to 618, 822,672 shares, the Company allots bonuses at the rate of RMB 1.50 (tax included) for every 10 shares, and cash dividends amounting to RMB 92, 823,401.
4. The Company shall neither convert capital public reserve into share capital this time nor allotting bonus shares.

VII. Other matters

(I) Special statement of certified public accountants on the status of fund occupation by the controlling shareholder and other related parties

To the board of directors of China Merchants Property Development Co., Ltd.:

We accepted the entrustment of China Merchants Property Development Co., Ltd. (“the Company”) and audited its balance sheet as at December 31, 2004 and profit and profit distribution statement and cash flow statement for the year then ended in accordance with the Independent Audit Standards of Chinese Certified Public Accountants and issued DSB(S)Z(05) No. PSZ001 unqualified audit report on January 31, 2005.

According to the requirements of the Circular Concerning Regulating the Fund Transfer between Listed Companies and Related Parties and Several Issues about the Guarantee Provided by Listed Companies issued by CSRC and State-owned Asset Commission of the State Council, the Company prepared the investigation form of fund occupation by the Company as of December 31, 2004 attached hereafter (“Investigation Form”).

The Company is responsible for preparing the Investigation Form according to facts and disclosing the same and for ensuring its truthfulness, legality and completeness. We checked the information contained in the Investigation Form and the accounting data rechecked by us when we audited the financial report of the Company for 2004 and did not find any discrepancy in all major respects. Except relevant audit procedure of related transactions carried out in the audit of financial statements of the Company for 2004, we did not carry out additional audit procedure to the information contained in the Investigation Form.

This letter shall be used by the Company only for reporting the status of fund occupation by the controlling shareholder and other related parties for 2004 to CSRC and shall not be used for any other purpose without our written consent.

Attachment (I):

Questionnaire on Fund Occupancy in China Merchants Property Development Co., Ltd.

Fund Occupancy	Related parties	Relationship	Amount	Accounting Items	Balance at year end	Remarks (w/wo consideration)
Purchase of land use right	China Merchants Shekou Industrial Zone Co., Ltd	Controlling shareholder	69,194	Other payables	37,209	Without consideration
Payment for rental of land use	China Merchants Shekou Industrial Zone Co., Ltd	Controlling shareholder	1,368	Other payables	357	Without consideration
Transaction funds	China Merchants Guangming Technology Park Co., Ltd.	Associate	9,713	Other payables	9,713	Without consideration

(II) Special statement and independent opinions of independent directors on the external guarantee of the Company on accumulation basis and in the current period

According to the Circular Concerning Regulating the Fund Transfer between Listed Companies and Related Parties and Several Issues about the Guarantee Provided by Listed Companies (ZJF (2003) No. 56 Document) and the Circular Concerning Strengthening the Disclosure of information about Fund Occupation and Regulation-violating Guarantee of Listed Companies (SZJFZ (2004) No. 338), we seriously and responsibly examined the external guarantee of the Company and hereby make the following statement on relevant status. The Company provided guarantee of RMB 0 to others in the report period and the balance of external guarantee at the end of the report period was RMB 0. The Company provided guarantee of RMB 0 to controlled subsidiaries in the report period and the balance of the guarantee provided to controlled subsidiaries at the end of the report period was RMB 0.

In our opinion, the Company regulated its external guarantee and controlled the risk of external guarantee strictly according to the provisions of its Articles of Association. In the report period, the guarantee provided by the Company to its controlled subsidiaries was required by its production and operation and the reasonable utilization of funds. The decision making procedure of guarantee was legal and reasonable and did not harm the interests of the shareholders, especially small and middle shareholders, of the Company.

Independent directors: Liu Hongyu, Shi Xinping and Li Tiancai

Section IX. Report of the Supervisory Committee

I. The Supervisory Committee of the Company has patiently performed its duty according to Company Law and Article of Association and other relevant regulation. In the report period, the Supervisory Committee totally held two meetings, attended all meetings of the Board of Directors as non-voting delegates, participated in the discussion about the significant decision-making issues of the Company, examined the periodic report of the Company. The Supervisory Committee supervised over the procedures of holding and decision-making of the Shareholders' General Meeting and the Board of Directors, implementation of the resolutions of the Shareholders' General Meeting by the Board of Directors, duty performance by senior executives as well as the performance of the management system of the Company, legal operation and scientific decision-making of the Board of Directors and ensured the normative operation of the Company's financing according to relevant laws and regulations.

In the report period, the meetings held by the Supervisory Committee of the Company are as follows:

(I) The 11th meeting of the 4th Supervisory Committee was held on March 5, 2004 and the meeting mainly examined the following proposals:

1. "The Report of the Supervisory Committee" in 2003 Annual Report
2. Giving opinions on the resignation of Independent Director Mr. Li Tiancai
3. Proposal on CMPD Purchasing Land Using Right from CMSIZ in 2004

The resolution was disclosed on Securities Times, China Securities and Ta Kung Pao dated March 9, 2003.

(II) The 12th meeting of the 4th Supervisory Committee was held on Jul. 18, 2004 and the meeting mainly examined the following proposals:

1. 2004 Semi-annual Report
2. Proposal on the Company Planning to Issue Convertible Bonds
3. Explanation of Usage of Raised Proceeds Last Time
4. Proposal on Jointly Setting up Shenzhen China Merchants Everbright Technology Park Co., Ltd. with CMSIZ

The resolution was disclosed on Securities Times, China Securities and Ta Kung Pao dated Jul. 21, 2004. .

II. The Supervisory Committee expressed independent opinions on the following matters

(I) Operation according to law

The Company established legal person administration structure and more perfect internal control system according to relevant laws, regulations and Article of Association. The procedures of decision-making of the Company are in compliant with the laws and regulations and there existed no actions of breaking the laws, regulations and Article of Association and harmful to the Company's interest in terms of implementation of the Company's duty by the directors and managers.

(II) Financial inspection

Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants Ltd. audited 2004 financial statements of the Company respectively and all issued the auditor's reports with standard non-reservation opinion. According to the commitment of Share Allotment Explanation, the raised capital had been put into use of two lot projects, "The bank of Rainbow", "The Park City III Period 1#" and used up. In the report period, the above two projects obtained income accounting to RMB 140.76 million and RMB 20.42 million.

(III) Application of raised funds

In Nov., 2003, in the report period, the Company executed share allotment and the actual raised capital was RMB 339,901,009. The Supervisory Committee supervised over the collection and use of the raised capital and the collected capital has been put into use of the items that were promised in Allotment Share Explanation and obtained prospective income.

(IV) Purchase or sales of assets and correlative transactions

In Feb., 2004, the Company sold share equity of CMP and the trading prices were reasonable. Neither inside trading has been found, nor there occurred damage of the interests and rights of some shareholders or loss of the Company's assets. The Company conducted relevant corrective transactions strictly according to the legal procedures required by the government authority and didn't damage the listed company's interest.

Section X. Significant Events

I. Material lawsuits and arbitration

In the report period, the Company had no significant lawsuits and arbitrages.

II. Significant acquisition, sales of assets and merger and consolidation

On Feb. 6, 2004, 2004 1st Provisional Shareholders' General Meeting of the Company examined and approved Proposal on Selling 75% share equity of CMP held by the Company, and agreed to transfer 10% and 65% share equity of CMP respectively to CMSIZ and CML. The share equity transfer was priced based on 12.7 times net profit of CMP as audited, and negotiated and confirmed by transaction parties. 10% and 65% share equity of CMP assigned by the Company were priced RMB 61,568,934 and RMB 400,198,070 respectively. The assigning payment was paid in cash. On Feb. 26, 2004, the change of commercial and industrial procedures accomplished. On Mar. 2, 2004, the Company disclosed Public Notice on Accomplishment of Significant Sale of Assets about Transfer of Share Equity of CMP. The Company would no longer undertake gains and losses of CMP since Feb. 27, 2004.

In 2003, the proportion of the core business revenue of CMP in the total revenue was 52.37%, but contribution to the net profit accounted 10.96% of the consolidated profits of the Company. After peeling off petrochemical business, income from core business of the Company though decreased by a big margin, profit from core business was influenced comparatively small. In the report period, net profit of the Company exceeded that of last year. The influence of selling petrochemical business on the profit of the Company eliminated.

III. Significant Related Transactions

(I) In the report period, the Company had no significant related transactions of selling goods and supplying labor service on credit.

(II) Related transactions occurred from transfer of assets and share equity

On Mar. 5, 2004, 13th Meeting of the 4th Board of the Company and 11th meeting of the 4th Supervisory Committee examined and approved Proposal on CMPD Purchasing Land Using Right from CMSIZ in 2004. On Mar. 5, 2004, Shenzhen CMPD signed Transfer Agreement of Land Using Right with CMSIZ, planning to purchase land-using right with the construction area amounting to 373,796 square meters from CMSIZ at the price of RMB 692 million. On Apr. 9, 2004, the Company held 2003 Annual Shareholders' General Meeting to examine the above proposals. Ended Dec. 31, 2004, the Company paid transfer payment amounting to RMB 319,845,335 and the rest would be paid based on the actual development schedule according to relevant agreement and paid up before Dec. 31, 2006.

The price of the above land using right referred to standard land price regulated by Notice about Promulgating Standard Land Price of Shenzhen in 2004 by Shenzhen Bureau of Planning and State Recourses (Shenzhen Municipal Government Public Issue No. 45 of 2003). The Company comprehensive considered the actual conditions of the transfer lot. As negotiated and confirmed by both parties, the total payment of land using right was RMB 692 million.

Through the transaction, Shenzhen CMPD would obtain land-using right of Taige Apart, Hillside Seaview Garden 1st Stage, 2nd Stage, Flower Garden 2nd Stage and Flower Garden 3rd Stage Plot 1# and Plot 2#, which would further increase land reserve of good quality in Shekou District, help consistent increase of real estate business and facilitated long-term development of the Company.

Public Notice on Related Transactions and Financial Consultant Report were published on China Securities, Securities Times and Hong Kong Ta Kung Pao on Mar. 9, 2004.

In addition, 75% share equity of CMP sold by the Company at the beginning of the year also belonged to significant related transactions. See the details, please refer to II. Significant acquisition, sales of assets and merger and consolidation of this Section.

(III) Related transactions occurred from investment together by the Company and related party

Along with the transform and upgrading of Shekou from industrial zone to Comprehensive Park, Shekou industrial zone with the limited scope must be speedily take back the land for industrial use and change its usage in order to adapt for the function transform of the city zone. Enterprises within Shekou industrial zone encounter the conflict between reproduction on an extended scale and the narrow space of existing land or plant, so it is inescapability that enterprises spontaneously move out from Shekou Industrial Zone or from Shenzhen. In order to provide the new development space to the advantage manufacturing enterprises and Hi-tech enterprises moving out, at the same time, to use the advantage of China Merchants Group in respect of brand, capital, administration, experience and project and etc., CMPD and CMSIZ fully negotiate that they plan to jointly invest and set up Shenzhen China Merchants Everbright Technology Park Co., Ltd..

15th meeting of the 4th Board of the Company and 2004 2nd Provisional Shareholders' General Meeting examined and approved Proposal on the Company Jointly Investing and Set up Shenzhen China Merchants Everbright Technology Park Co., Ltd. with China Merchants Shekou Industrial Zone, and agreed the Company to invest and set up Shenzhen China Merchants Everbright Technology Park Co., Ltd. with China Merchants Shekou Industrial Zone. On Sep. 22, 2004, Shenzhen China Merchants Everbright Technology Park Co., Ltd. was set up formally with the registered capital amounting to RMB 200 million. The Company and CMSIZ respectively invested RMB 98 million and RMB 102 million, taking 49% and 51% respectively share equity. The operating scope was real estate development and property management and investment for industries.

(IV) Current of credit and debt and guarantee of the Company and related parties (including the subsidiaries not in consolidated scope)

1. Ended Dec. 31, 2004, controlling shareholder CMSIZ provided bank loan guarantee of USD 16.55 million and HKD 33 million for the Company; provided bank loan guarantee of USD 69,824,200 and HKD 36,641,500 for the subsidiary of the Company China Merchants Power Supply;

2. Ended Dec. 31, 2004, the Company should pay controlling shareholder CMSIZ RMB 375,656,800;

3. Ended Dec. 31, 2004, the Company should pay the affiliated company, Shenzhen China Merchants Everbright Technology Park Co., Ltd. RMB 97,131,400;

(V) Other related transactions

1. China Merchants Water proved water for daily life and production for first controlling shareholder CMSIZ and controlling subsidiaries. The transaction happened since the establishment of China Merchants Water. The price of water was complete market open price. All water inside the Shekou Park District was supplied by China Merchants Water.

2. China Merchants Electricity Supply proved water for daily life and production for first controlling shareholder CMSIZ and controlling subsidiaries. The transaction happened since the establishment of China Merchants Electricity Supply. The price of electricity was complete market open price. All electricity inside the Shekou Park District was supplied by China Merchants Electricity Supply.

3. Related transactions of land use

The facilities, equipments, and offices locations of supplying electricity and water business of the Company were located in Shekou. Most of the leasing properties in real

estate business were built in Shekou. Therefore, the Company and subsidiaries rent land of CMSIZ since they were set up. In 2004, land using expenses of the Company and controlling subsidiaries were totaled to RMB 15,458,282.

IV. Significant contracts and the implementation

(I) In the report period, the Company existed no custody, contract, or leasing assets of other companies.

(II) Significant guarantee

According to the requirements of Notification on Standardizing Capital Current between the Listed Companies and Related Parties and Several Problems about External Guarantee of Listed Companies (ZJF[2003] No. 56) promulgated by CSRC, the Company checked itself about the capital current with the related parties and external guarantee:

In the report period, there existed no capital of the Company occupied by control shareholder and other related parties of the Company. There didn't provide capital directly and indirectly for control shareholders.

In the report period, there existed no external guarantee and guarantee out of line; at the end of the report period, the external guarantee of the Company was RMB 0.

In the report period, the Company provided guarantee controlling subsidiary Shenzhen China Merchants Property Development Co., Ltd. with the guarantee amounting to RMB 200 million; at the end of the report period, the guarantee balance of the Company for controlling subsidiaries was RMB 0.

(III) The Company had no entrusted financing.

(IV) Other significant contracts in the report period

(1) The Company signed circling loan contract of 40 million USD or equivalent to HKD with the bank group whose lead bank was Yongheng Commercial Bank and the loan term was from Aug. 16, 2004 to Aug. 16, 2005.

(2) The Company signed circling loan contract of 50 million USD with Shenzhen branch of Bank of China (Hong Kong) Co., Ltd. and the loan term was from Jan. 5, 2004 to Jan. 5, 2005.

(3) The Company signed circling loan contract and credit extension contract of 50 million USD with Shenzhen Branch of Nanyang Commercial Bank and the loan term was from Mar. 5, 2004 to Jul. 31, 2005.

(4) The Company signed agreement with the credit line amounting to RMB 400 million with Shekou branch of Industrial and Commercial Bank and the loan term was from July 2004 to July 2007.

(5) The Company signed agreement with Shekou branch of Construction Bank with the credit line amounting to RMB 350 million and the loan term was from Jun. 23 2003 to Jun. 23, 2006.

(6) Shenzhen China Merchants Property Development, the subsidiary of the Company signed agreement with Taizi Road branch of China Merchants Bank with the credit line amounting to RMB 450 million and the loan term was from Sep. 10, 2003 to Sep. 10, 2006.

(7) Shenzhen China Merchants Property Development, the subsidiary of the Company signed agreement with Shenzhen branch of Bank of China with the credit line amounting to RMB 450 million and the loan term was from Dec. 31, 2002 to Dec. 30, 2005.

(8) The Company signed agreement with the credit line amounting to RMB 800 million with Shekou branch of Industrial and Commercial Bank and the loan term was from Feb. 13 2003 to Feb. 13, 2005.

The Company provided guarantees for the above Credit Extension Contracts signed by Shenzhen China Merchants Property Development Co., Ltd. and the banks.

Except above contracts, the Company had no contracts involving amount over 10% of net assets of the Company.

V. Commitment

CMSIZ, the control shareholder of the Company, promised not to engage in any business or activities possibly competing with the Company in terms of business, new commodities and new technology in any forms (including but not limited to direct operation, indirect operation, joint investment). It also promised to urge its wholly or partially (over 50% equity) owned subsidiaries and actually controlled affiliates to follow the promise.

In the report period, the control shareholder strictly implemented such commitment.

VI. Engagement and Disengagement of Certified Public Accountants

The Company firstly engaged Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as domestic auditors and Deloitte Touche Tohmatsu Certified Public Accountants as overseas auditors of the Company on Nov. 30, 2001. On Apr. 9, 2004, 2003 Shareholders' General Meeting of the Company approved relevant proposals on Reengaging the above Auditors. Dated the end of the report period, they have provided the audit service for the Company for 4 years.

In the report period, the Company should pay audit expense amounting to RMB 0.87 million to Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and HKD 1.36 million to Deloitte Touche Tohmatsu Certified Public Accountants for 2004.

VII. Neither the Company, nor its Board or directors were criticized or punished by relevant securities authorities in the report period.

VIII. Other significant matters

(I) On Mar. 11, 2004, the 4th Board of the Company adopted communication voting method, examined and approved Proposal on Transferring State-owned Legal Person's Shares of Beijing University Hi-tech, and agreed the Company transferred 6,219,105 shares of Shenzhen Beijing University Hi-tech Co., Ltd. held by the Company to Beijing CAU Technology Business Incubator Co., Ltd. with the transfer payment amounting to RMB 13,682,031 at the price of RMB 2.2 per share. Ended the disclosure day of the report, the above share equity transfer was waiting for approval of State-owned Assets Administration Department. The relevant resolutions were published on Securities Times and China Securities and Hong Kong Ta Kung Pao on Mar. 12, 2004.

(II) According to the requirements of Inspection Measures of Listed Companies and CSRC, Shenzhen branch conducted 5-day routine inspection on the Company from Mar. 22, 2004 to Mar. 26, 2004. The inspection contents were mainly the operation in aspects including corporate governance, use of raised proceeds, information disclosure, and financial accounting etc. in the latest three years. According to checking results, on Apr. 9, Shenzhen branch delivered Notification on Requiring Rectification of China Merchants Shekou Holdings Co., Ltd.. The directors, supervisors, and other senior management staff of the Company also paid much attention on the inspection on the Company by the supervision, and actively cooperated in inspection process, and attend inspection report meeting. After obtaining questions and suggestions on the Company by supervision institutions, the Company seriously explored renovation methods, and the Board of the Company formed Resolution on Implementing Rectification according to Shenzhen Branch of CSRC, proposed resolutions with respect to the problems found in inspection, revised the relevant contents of the Articles of the Association, and tried further standardization of the Company's operation. The above resolutions were published on Securities Times and China Securities and Hong Kong Ta Kung Pao on Jul. 9, 2004.

(III) The Company belonged to the real estate field. According to the relevant regulations of People's Republic Bank of China, the Company should provided mortgage loan guarantee for the purchaser of commercial houses. At present, the guarantee that the Company provided for he purchaser of commercial houses was staggered collateral guarantee with the guarantee term from the date that the mortgage bank gives loan to the date the purchaser transact certificate of house ownership. Provided that the purchaser didn't fulfill the obligation of debtors, the Company was authorized to call back the houses sold. Therefore, the guarantee would not cause actual loss to the Company. At the end of the report period, the above mortgage guarantee provided by the Company was RMB 1261.99 million.

(IV) Significant matters of land reserve

On Aug. 25, 2004, the Company obtained land-using right of No. 2004-B29 Lot with area amounting to 225,676 square meters located in Suzhou Yangcheng Lake East Road North and Xuyang Road West at the price of RMB 338,514,000 through auction.

On Aug. 27, 2004, the company signed Transfer Agreement of Land for Chongqing Dongjiayi Lot Development Project with Chongqing City Construction Investment Company. The Company was assigned land-using right of Lot with the area amounting to 163,741.52 square meters located in Dongjiayi, Jiangbei District, Chongqing City, at the price of RMB 363,375,000.

In October, 2004, the controlling subsidiary of the company Shenzhen China Merchants Property Development signed Frame Agreement on Cooperating Xinghai Company with Tianjin Wanke Real Estate Co., Ltd., controlling subsidiary of Wanke Enterprise Co., Ltd., to develop Xiqing District Project possessed by Xinghai Company. The project occupied land amounting to 228,551 square meters and the total price of the land was RMB 200.56 million. Shenzhen China Merchants Property Development Co., Ltd. was assigned 45% share equity of Xinghai Company at the price of RMB 6.75 million, and invested and undertook gains and losses in the cooperation project according to the share equity proportion.

On Nov. 26, 2004, Shenzhen China Merchants Property Development Co., Ltd., the controlling subsidiary of the Company and Shenzhen OCT Real Estate Co., Ltd. cooperated and obtained land use right of 4 lots located in the conjunction of branch office of Xinan Street and Xixiang, Baoan District, Shenzhen. The arease of lots were amounted to 386,861.94 square meters and the price of lots was RMB 1685 million. Both parties bore 50%.

On Dec. 10, 2004, Shenzhen China Merchants Property Development Co., Ltd., the controlling subsidiary of the Company obtained land using right of State-owned Lot located East Bali Village, Chaoyang District, Beijing through project transfer. The area of the Lot was 103,707.14 square meters and the price of land transfer was RMB 433.1 million.

Section XI. Financial Report
(Refer to attachment)

Section XII. Documents for Reference

1. Financial Statements with signatures and seals of the legal representative, Chief Accountant and person in charge of accounting affairs
2. Original of the Auditors' Report with seal of Certified Public Accountant and signatures of certified public accountants.
3. Original of all documents and announcements publicly disclosed in the newspapers designated by CSRC in 2004.
4. English version of 2004 Annual Report.

**Board of Directors of
China Merchants Property Development Co., Ltd.**
Jan. 31, 2005

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD.

招商局地产控股股份有限公司

(FORMERLY KNOWN AS CHINA MERCHANTS SHEKOU HOLDINGS
COMPANY, LIMITED 招商局蛇口控股股份有限公司)

(A joint stock company with limited liability established in The People's Republic of China)

We have audited the accompanying balance sheet of China Merchants Property Development Co., Ltd. as of December 31, 2004 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
January 31, 2005

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>NOTES</u>	<u>2004</u> Rmb	<u>2003</u> Rmb
Turnover	3	3,352,686,162	4,751,795,645
Cost of sales		<u>(2,695,983,574)</u>	<u>(4,102,298,506)</u>
Gross profit		656,702,588	649,497,139
Other operating income	5	6,470,139	15,770,259
Interest income and foreign exchange gains		20,614,128	4,677,187
Dividend income from available-for-sale investments		2,419,626	5,980,118
Selling and distribution costs		(32,639,112)	(21,235,128)
Administrative expenses		(103,036,521)	(118,749,482)
Other operating expenses	6	<u>(57,417,541)</u>	<u>(76,772,792)</u>
Profit from operations	7	493,113,307	459,167,301
Finance costs	8	(30,871,135)	(5,088,038)
Share of results of associates		8,843,659	5,426,791
Loss on disposal of an associate		(300,043)	(580,478)
Profit on disposal of discontinuing operations	9	<u>50,857,397</u>	<u>-</u>
Profit before tax		521,643,185	458,925,576
Income tax expense	10	<u>(104,781,393)</u>	<u>(106,701,936)</u>
Profit after tax		416,861,792	352,223,640
Minority interest		<u>(21,401,969)</u>	<u>(26,849,908)</u>
Net profit for the year		<u><u>395,459,823</u></u>	<u><u>325,373,732</u></u>
Basic earnings per share	12		<u>restated</u>
Including discontinuing operations		<u>0.64 cents</u>	<u>0.55 cents</u>
Excluding discontinuing operations		<u><u>0.56 cents</u></u>	<u><u>0.49 cents</u></u>

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2004

	<u>NOTES</u>	<u>2004</u> Rmb	<u>2003</u> Rmb
ASSETS			
Non-current assets			
Property, plant and equipment	13	260,794,909	422,613,416
Construction in progress	14	10,836,957	19,214,103
Investment properties	15	1,455,398,868	1,416,611,756
Land use rights	16	15,329,581	17,244,562
Goodwill	17	583,739,924	759,647,757
Negative goodwill	18	(58,859,661)	(62,783,638)
Investments in associates	20	243,326,543	54,267,115
Interest in a property development project	22	-	20,014,427
Available-for-sale investments	23	20,051,843	31,689,195
		<u>2,530,618,964</u>	<u>2,678,518,693</u>
Current assets			
Inventories	24	3,626,693	108,573,497
Completed properties for sale		467,777,916	396,114,760
Properties under development	25	4,838,761,006	1,501,561,637
Trade and other receivables	26	252,688,184	546,591,726
Amounts due from associates	39	7,372,290	2,938,545
Bank balances and cash	26	401,432,202	695,034,863
		<u>5,971,658,291</u>	<u>3,250,815,028</u>
Total assets		<u><u>8,502,277,255</u></u>	<u><u>5,929,333,721</u></u>

	<u>NOTES</u>	<u>2004</u> Rmb	<u>2003</u> Rmb
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	618,822,672	515,685,560
Reserves	28	<u>2,760,154,864</u>	<u>2,517,131,714</u>
		<u>3,378,977,536</u>	<u>3,032,817,274</u>
Minority interests		<u>120,431,569</u>	<u>225,736,181</u>
Non-current liabilities			
Bank loans - due after one year	29	3,566,316	45,462,725
Rental received in advance	30	6,320,000	6,990,000
Deferred tax liabilities	31	<u>49,661,082</u>	<u>37,195,980</u>
		<u>59,547,398</u>	<u>89,648,705</u>
Current liabilities			
Trade and other payables	32	2,495,828,579	1,332,908,273
Provision for litigation claims	33	27,776,027	21,850,560
Receipts in advance and deposits received		460,794,941	453,262,880
Amounts due to associates	39	100,719,564	2,577,732
Tax liabilities		116,886,510	89,418,928
Bank loans - due within one year	29	<u>1,741,315,131</u>	<u>681,113,188</u>
		<u>4,943,320,752</u>	<u>2,581,131,561</u>
Total equity and liabilities		<u><u>8,502,277,255</u></u>	<u><u>5,929,333,721</u></u>

The financial statements on pages 2 to 37 were approved and authorised for issue by the board of directors on January 31, 2005 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Share capital</u> Rmb	<u>Share premium</u> Rmb	<u>Statutory surplus reserve</u> Rmb	<u>Discretionary surplus reserve</u> Rmb	<u>Statutory public welfare fund</u> Rmb	<u>Capital surplus</u> Rmb	<u>Other reserves</u> Rmb	<u>Exchange reserve</u> Rmb	<u>Retained profits</u> Rmb	<u>Total</u> Rmb
Balance at January 1, 2003	476,396,000	1,075,150,683	248,364,066	212,559,063	97,898,478	66,373,525	4,244,819	(7,082,676)	249,873,509	2,423,777,467
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	-	-	-	-	-	-	-	932,586	-	932,586
Rights issue of shares	39,289,560	311,566,211	-	-	-	-	-	-	-	350,855,771
Share issue expenses	-	(10,954,762)	-	-	-	-	-	-	-	(10,954,762)
Net profit for the year	-	-	-	-	-	-	-	-	325,373,732	325,373,732
Transfer to (from) reserves	-	-	11,888,458	(72,439,025)	10,613,256	-	-	-	49,937,311	-
Dividend (note 11)	-	-	-	-	-	-	-	-	(57,167,520)	(57,167,520)
Balance at December 31, 2003 and January 1, 2004	515,685,560	1,375,762,132	260,252,524	140,120,038	108,511,734	66,373,525	4,244,819	(6,150,090)	568,017,032	3,032,817,274
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	-	-	-	-	-	-	-	2,268,995	-	2,268,995
Bonus issue of shares	103,137,112	-	-	-	-	-	-	-	(103,137,112)	-
Net profit for the year	-	-	-	-	-	-	-	-	395,459,823	395,459,823
Transfer to (from) reserves	-	-	35,980,293	-	23,478,482	-	-	-	(59,458,775)	-
Dividend (note 11)	-	-	-	-	-	-	-	-	(51,568,556)	(51,568,556)
Balance at December 31, 2004	<u>618,822,672</u>	<u>1,375,762,132</u>	<u>296,232,817</u>	<u>140,120,038</u>	<u>131,990,216</u>	<u>66,373,525</u>	<u>4,244,819</u>	<u>(3,881,095)</u>	<u>749,312,412</u>	<u>3,378,977,536</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
	Rmb	Rmb
OPERATING ACTIVITIES		
Profit from operations	493,113,307	459,167,301
Adjustments for:		
Amortisation of goodwill	40,611,089	52,907,142
Depreciation of property, plant and equipment	39,733,791	52,500,486
Depreciation of investment properties	68,115,912	66,903,432
Amortisation of land use rights	325,619	670,092
Dividend income from available-for-sale investments	(2,419,626)	(5,980,118)
Impairment loss on property, plant and equipment	-	143,218
Reversal of impairment losses on property, plant and equipment	-	(463,750)
Reversal of impairment loss on goodwill	-	(4,360,108)
Impairment loss on available-for-sale investments	7,835,852	-
Interest income	(11,294,118)	(4,434,917)
Net loss on disposal of property, plant and equipment	11,296,679	99,142
Loss on disposal of an associate	300,043	580,478
Decrease in rental received in advance	(670,000)	(670,000)
Release of negative goodwill	(3,923,977)	(3,976,785)
Operating profit before working capital changes	643,024,571	613,085,613
Increase in inventories	(10,807,237)	(41,657,321)
Decrease in completed properties for sale	1,716,123,076	1,121,016,075
Increase in properties under development	(5,113,449,036)	(1,198,777,720)
Increase in trade and other receivables	(1,232,023)	(198,639,443)
Increase (decrease) in trade and other payables	1,504,267,147	(275,931,179)
Increase in provision for litigation claims	5,925,467	4,059,994
Increase (decrease) in receipts in advance and deposits received	7,532,061	(131,564,240)
Cash used in operations	(1,248,615,974)	(108,408,221)
Income tax paid	(60,610,195)	(54,919,517)
Interest expenses and other finance costs paid	(54,974,380)	(29,979,935)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,364,200,549)</u>	<u>(193,307,673)</u>

	<u>2004</u> Rmb	<u>2003</u> Rmb
INVESTING ACTIVITIES		
Increase in construction in progress	(68,501,266)	(36,661,064)
Additions of property, plant and equipment	(10,486,383)	(32,299,888)
Increase in investments in associates	(104,750,000)	(24,787,914)
Acquisition of interest in a property development project	-	(20,014,427)
Additions of investment properties	(8,164,407)	(11,499,983)
Acquisition of available-for-sale investments	-	(1,507,515)
Acquisition of additional interest in a subsidiary	-	(4,950,000)
Additions of land use rights	(15,000,000)	(1,470,000)
Net proceeds from disposal of a subsidiary (note 34)	256,260,291	-
Net partial proceeds received in advance from disposal of a subsidiary (note 34)	-	137,005,162
Dividend received from available-for-sale investments	2,419,626	5,980,118
Interest received	11,294,118	4,434,917
Proceeds from disposal of associates	-	3,929,970
Proceeds from disposal of property, plant and equipment	251,764	3,809,602
(Increase) decrease in amounts due from associates	(94,514,546)	1,226,894
Dividends received from associates	533,508	3,787,214
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	<u>(30,657,295)</u>	<u>26,983,086</u>
FINANCING		
New bank loans raised	4,388,885,118	2,640,595,365
Issue of shares	-	350,855,771
Contribution from minority shareholders of a subsidiary	-	1,500,000
Repayment of bank loans	(3,335,579,585)	(2,670,495,895)
Increase (decrease) in amounts due to associates	99,954,203	(360,915)
Dividend paid	(51,568,556)	(57,167,520)
Share issue expenses	-	(10,954,762)
Dividends paid to minority shareholders	(435,997)	(747,268)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>1,101,255,183</u>	<u>253,224,776</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(293,602,661)</u>	<u>86,900,189</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>695,034,863</u>	<u>608,134,674</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	<u><u>401,432,202</u></u>	<u><u>695,034,863</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. GENERAL

China Merchants Property Development Co., Ltd. (formerly known as China Merchants Shekou Holdings Company, Limited) is a limited liability company established in The People's Republic of China (the "PRC"). The Company is an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 19, 20 and 21, respectively.

These financial statements are presented in Renminbi ("Rmb") since that is the currency in which the majority of the Group's transactions are denominated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain available-for-sale investments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Any excess (deficiency) of the cost of acquisition over (below) the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is recognised as goodwill (negative goodwill).

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, taking into consideration of their residual values ranging from 5% to 10% using the straight-line method, on the following bases:

Plant and machinery, furniture, fixtures and office equipment	5 - 20 years
Buildings, open yards and warehouses	10 - 50 years
Motor vehicles	5 - 10 years
Water pipes	20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost including borrowing costs capitalised in accordance with the Group's accounting policy.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any recognised impairment losses at the balance sheet date.

Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives, using the straight-line method, over a period of 20 years.

Land use rights

Land use rights are stated at cost less depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of land use rights, using the straight-line method, over the respective periods of the land use rights.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Properties under development

Properties under development are stated at cost less any recognised impairment loss. Cost includes development expenditure, professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in the outflow of economic benefits that can be reasonably estimated.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Investments in securities - continued

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Trade payables

Trade payables are stated at their nominal value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Rental received in advance

Rental received in advance comprises fee received for granting of operating leases for the use of the Group's properties. The fees received are recognised as revenue over the period of the leases on a straight-line basis from the date of commencement of the leases.

Derivative financial instruments

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derivative financial instruments - continued

Changes in the fair value of designated fair value hedges and derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income from investment properties is recognised on a straight-line basis over the terms of the relevant leases.

Revenue arising from the development properties for sale is recognised upon the sale of properties or the issuance of the completion certificate by the relevant government authority, whichever is later. Deposits received on properties sold prior to the date of recognition of revenue are included in the balance sheet under current liabilities.

Revenue arising from the provision of water supply and electricity supply is recognised on delivery of the services to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Value added tax refund of imported electricity charges is recognised in the income statement when it becomes receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the net profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the terms of the relevant leases.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liabilities is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation the assets and liabilities of the Group's Hong Kong and overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

3. TURNOVER

An analysis of the Group's turnover is as follows:

	<u>2004</u> Rmb	<u>2003</u> Rmb
Property development	2,085,020,975	1,391,045,788
Electricity supply	612,678,360	566,381,231
Sales of petrochemical products	385,055,597	2,531,477,609
Investment property	196,659,877	190,852,331
Water supply	73,271,353	72,038,686
	<u>3,352,686,162</u>	<u>4,751,795,645</u>

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments, which are determined based on the Group's management and internal reporting structure.

The Group's activities are principally performed in the PRC (including Hong Kong) and the overseas segment does not have significant impact on the Group's revenue, results and assets.

Inter-segment pricing is determined on prices negotiated and agreed by both parties.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises the following main business segments:

Property development:	The construction and development of properties for sales
Investment property:	Property rental
Electricity supply:	Supply of electricity
Water supply:	Supply of water

In prior years, the Group was also involved in the trading of petrochemical products. That operation was disposed of with effect from February 26, 2004 (see note 9).

The average number of employees for each of the Group's business segments was as follows:

	<u>2004</u>	<u>2003</u>
Property development	712	436
Water supply	113	111
Electricity supply	91	94
Investment property	29	20
Head office and administration	23	19
Sales of petrochemical products	-	922
	<u>968</u>	<u>1,602</u>

4. SEGMENT REPORTING - continued

Segment information about these business segments is presented below:

	Continuing operations								Discontinuing operations				Consolidated	
	Property development		Investment property		Electricity supply		Water supply		Trading		Eliminations			
	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb	2004 Rmb	2003 Rmb
Revenue														
External sales	2,085,020,975	1,391,045,788	196,659,877	190,852,331	612,678,360	566,381,231	73,271,353	72,038,686	385,055,597	2,531,477,609	-	-	3,352,686,162	4,751,795,645
Inter-segment sales	-	-	388,237	1,516,910	32,420	9,601,214	4,985,203	48,081	346,095	-	(5,751,955)	(11,166,205)	-	-
Total revenue	<u>2,085,020,975</u>	<u>1,391,045,788</u>	<u>197,048,114</u>	<u>192,369,241</u>	<u>612,710,780</u>	<u>575,982,445</u>	<u>78,256,556</u>	<u>72,086,767</u>	<u>385,401,692</u>	<u>2,531,477,609</u>	<u>(5,751,955)</u>	<u>(11,166,205)</u>	<u>3,352,686,162</u>	<u>4,751,795,645</u>
Results														
Segment results	290,412,160	228,494,684	57,727,313	64,748,247	135,953,246	110,990,040	10,837,162	(2,799,316)	2,545,441	60,154,334	-	-	497,475,322	461,587,989
Net unallocated expenses													(4,362,015)	(2,420,688)
Profit from operations													493,113,307	459,167,301
Finance costs													(30,871,135)	(5,088,038)
Share of results of associates	4,458,409	888,644	2,218,250	2,418,837	-	-	-	-	2,167,000	2,119,310	-	-	8,843,659	5,426,791
Loss on disposal of an associate	-	-	-	(580,478)	-	-	-	-	-	-	-	-	(300,043)	(580,478)
Profit on disposal of discontinuing operations	-	-	-	-	-	-	-	-	50,857,397	-	-	-	50,857,397	-
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(104,781,393)	(106,701,936)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(21,401,969)	(26,849,908)
Net profit for the year													<u>395,459,823</u>	<u>325,373,732</u>
Balance sheet														
Segment assets	3,194,497,478	2,308,177,326	1,610,767,768	1,720,545,364	950,710,326	417,204,751	212,033,122	137,734,753	-	835,089,681	-	-	5,968,008,694	5,418,751,875
Investments in associates	133,712,966	36,322,736	109,613,577	10,994,198	-	-	-	-	-	6,950,181	-	-	243,326,543	54,267,115
Unallocated assets													2,290,942,018	456,314,731
Consolidated total assets													<u>8,502,277,255</u>	<u>5,929,333,721</u>
Segment liabilities	1,693,975,109	1,112,460,952	583,779,114	405,974,047	22,443,567	20,803,082	48,431,630	43,080,563	-	234,309,535	-	-	2,348,629,420	1,816,628,178
Unallocated liabilities													2,654,238,730	854,152,088
Consolidated total liabilities													<u>5,002,868,150</u>	<u>2,670,780,266</u>
Other information														
Capital expenditure	6,546,644	15,847,348	77,563,707	313,952,810	10,009,468	28,989,618	6,329,232	5,834,243	2,075,305	16,262,412	-	-	102,524,356	380,886,431
Depreciation and amortisation	9,873,218	8,538,647	68,914,990	68,708,902	14,408,732	14,714,943	12,182,410	12,077,706	2,795,972	16,033,812	-	-	108,175,322	120,074,010
Amortisation of goodwill	23,013,763	27,611,915	-	-	16,014,144	16,014,144	-	-	1,583,182	9,281,083	-	-	40,611,089	52,907,142
Release of negative goodwill	-	-	-	-	-	-	(3,923,977)	(3,976,785)	-	-	-	-	(3,923,977)	(3,976,785)
Impairment loss on property, plant and equipment	-	-	-	-	-	-	-	-	-	143,218	-	-	-	143,218
Net loss on disposal of property, plant and equipment	11,118,504	(31,758)	-	-	214,777	349,398	(36,602)	34,439	-	(252,937)	-	-	11,296,679	99,142
Impairment loss on available-for-sale investments	7,835,852	-	-	-	-	-	-	-	-	-	-	-	7,835,852	-

Inter-segment sales are charged at prevailing market rates.

5.	OTHER OPERATING INCOME		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Release of negative goodwill	3,923,977	3,976,785
	Other sundry income	2,482,860	7,135,933
	Profit on disposal of property, plant and equipment	63,302	297,433
	Reversal of impairment loss on goodwill	-	4,360,108
		<u>6,470,139</u>	<u>15,770,259</u>
6.	OTHER OPERATING EXPENSES		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Amortisation of goodwill	40,611,089	52,907,142
	Impairment loss on available-for-sale investments	7,835,852	-
	Provision for litigation claims	7,525,467	21,850,560
	Other sundry expenses	1,210,188	1,361,783
	Loss on disposal of property, plant and equipment	234,945	396,575
	Impairment loss on property, plant and equipment	-	143,218
	Customs duty and value added tax relating to prior years	-	113,514
		<u>57,417,541</u>	<u>76,772,792</u>
7.	PROFIT FROM OPERATIONS		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Profit from operations has been arrived at after charging (crediting):		
	Depreciation and amortisation	108,175,322	120,074,010
	Loss on disposal of property, plant and equipment (included in cost of sales)	11,125,036	-
	Value added tax refund of imported electricity charges	<u>(31,288,252)</u>	<u>(32,249,341)</u>
	Realised exchange gains on forward contracts	8,723,000	-
	Other exchange gains	<u>597,010</u>	<u>242,270</u>
		9,320,010	242,270
	Interest income	<u>11,294,118</u>	<u>4,434,917</u>
		<u>20,614,128</u>	<u>4,677,187</u>
	Staff costs:		
	Wages and salaries	69,289,652	76,105,062
	Retirement costs	3,689,889	4,421,904
	Other staff costs	<u>6,767,483</u>	<u>7,313,310</u>
		<u>79,747,024</u>	<u>87,840,276</u>

8. FINANCE COSTS

	<u>2004</u> Rmb	<u>2003</u> Rmb
Interest on bank loans and other borrowings	53,977,533	29,515,646
Less: interest capitalised in the cost of qualifying assets	<u>(28,212,123)</u>	<u>(25,785,206)</u>
Interest expenses	25,765,410	3,730,440
Foreign exchange losses	4,108,878	893,309
Other finance costs	<u>996,847</u>	<u>464,289</u>
	<u>30,871,135</u>	<u>5,088,038</u>

Interest capitalised in the cost of qualifying assets during the year arose on specific borrowings for expenditure on such assets.

9. DISCONTINUING OPERATIONS

On November 25, 2003, the Company entered into conditional sale and purchase agreements with China Merchants Shekou Industrial Zone Co., Ltd. 招商局蛇口工业区有限公司 ("SIZ") and 招商局物流集团有限公司 ("招商物流") to dispose of its 10% and 65% interest in 深圳招商石化有限公司 ("招商石化") to SIZ and 招商物流, respectively at a tentative consideration of approximately Rmb400 million and Rmb62 million, respectively. The transaction was approved by the shareholders in the general meeting held on February 6, 2004 at a total consideration of approximately Rmb499 million. The disposal was completed on February 26, 2004, on which date control of 招商石化 was passed to SIZ and 招商物流.

The results of the trading of petrochemical products, which have been included in the consolidated income statement, were as follows:

	1.1.2004 to <u>26.2.2004</u> Rmb	1.1.2003 to <u>31.12.2003</u> Rmb
Turnover	385,401,692	2,531,477,609
Cost of sales	(373,650,207)	(2,391,140,471)
Operating costs	(9,206,044)	(72,606,579)
Finance costs	<u>(813,563)</u>	<u>(3,887,617)</u>
Profit before tax	1,731,878	63,842,942
Income tax expense	<u>(755,260)</u>	<u>(9,634,545)</u>
Profit after tax	976,618	54,208,397
Minority interest	<u>(5,092)</u>	<u>(13,318,532)</u>
Net profit for the period/year	<u>971,526</u>	<u>40,889,865</u>

During the year, 招商石化 paid Rmb16.0 million (2003: Rmb142.8 million) in respect of the Group's net operating cash flows, paid Rmb1.3 million (2003: Rmb7.7 million) in respect of investing activities and contributed Rmb69.4 million (2003: paid Rmb2.4 million) in respect of financing activities.

9. DISCONTINUING OPERATIONS - continued

The carrying amounts of the assets and liabilities of 招商石化 at the date of disposal are disclosed in note 34.

A profit of Rmb50,857,397 arose on the disposal of 招商石化, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill (see note 34).

10. INCOME TAX EXPENSE

	<u>2004</u> Rmb	<u>2003</u> Rmb
Current tax:		
- PRC	89,892,526	99,225,690
Overprovision in prior years:		
- Overseas	<u>(2,352)</u>	<u>(3,088,865)</u>
	89,890,174	96,136,825
Deferred tax (note 31):		
- Current year charge	<u>12,465,102</u>	<u>9,637,459</u>
Taxation attributable to the Company and its subsidiaries	102,355,276	105,774,284
Share of taxation attributable to associates	<u>2,426,117</u>	<u>927,652</u>
	<u>104,781,393</u>	<u>106,701,936</u>

The income tax rates applicable to the entities in the Group are as follows:

The Company and its subsidiaries in the PRC	15%
A subsidiary in Singapore	20%
A subsidiary in Hong Kong	17.5%

The following is a reconciliation of income tax expense calculated at the applicable tax rates:

	<u>2004</u> Rmb	<u>2003</u> Rmb
Profit before tax	<u>521,643,185</u>	<u>458,925,576</u>
Income tax computed by applying tax rate of 15%	78,246,478	68,838,836
Effect on share of results of associates	1,099,568	113,634
Effect of non-deductible expenses	32,371,099	39,001,567
Effect of non-taxable income	(8,217,209)	(1,250,534)
Effect of different tax rates in other jurisdictions	<u>1,281,457</u>	<u>(1,567)</u>
Income tax expense	<u>104,781,393</u>	<u>105,774,284</u>

11. DIVIDENDS

During 2004, a final dividend of Rmb10 cents for the year ended December 31, 2003 (2003: Rmb12 cents for the year ended December 31, 2002) amounting to Rmb51,568,556 (2003: Rmb57,167,520) per share was paid to shareholders. In addition, a bonus issue of two new shares of Rmb1 each credited as fully paid for every ten shares held by the shareholders has been made.

In respect of the current year, the directors propose that a dividend of Rmb15 cents per share. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total estimated cash dividend to be paid is Rmb92.8 million.

12. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share including discontinuing operations is based on net profit for the year of Rmb395,459,823 (2003: Rmb325,373,732) and on 618,822,672 (2003: on weighted average of 586,322,412 as restated) shares in issue during the year.

The calculation of basic earnings per share excluding discontinuing operations is based on net profit for the year of Rmb343,630,900 (2003: Rmb284,483,867) and on 618,822,672 (2003: on weighted average of 586,322,412 as restated) shares in issue during the year.

The weighted average number of shares for the purpose of basic earnings per share for the year ended December 31, 2003 has been adjusted for the effect of the bonus issue as set out in note 27.

No diluted earnings per share is presented since there are no dilutive potential ordinary shares in existence during the years ended December 31, 2004 and 2003.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery, furniture, fixtures and office equipment Rmb	Buildings, open yards and warehouses Rmb	Motor vehicles Rmb	Water pipes Rmb	Total Rmb
COST					
At January 1, 2004	294,563,504	205,878,620	62,154,497	167,729,437	730,326,058
Additions	7,017,578	1,151,591	2,689,514	-	10,858,683
Transfer from construction in progress	4,710,857	75,901,377	-	2,214,915	82,827,149
Transfer to investment properties	-	(62,161,992)	-	-	(62,161,992)
Disposal of a subsidiary	(56,039,151)	(150,094,992)	(55,846,246)	-	(261,980,389)
Reclassification	35,000	-	(35,000)	-	-
Disposals	(390,095)	(13,752,983)	(910,408)	-	(15,053,486)
At December 31, 2004	<u>249,897,693</u>	<u>56,921,621</u>	<u>8,052,357</u>	<u>169,944,352</u>	<u>484,816,023</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
At January 1, 2004	132,775,108	73,228,777	34,946,988	66,761,769	307,712,642
Charge for the year	22,245,217	9,886,289	2,453,080	5,149,205	39,733,791
Transfer to investment properties	-	(113,360)	-	-	(113,360)
Reclassification	(206,063)	545,503	(339,440)	-	-
Eliminated on disposal of a subsidiary	(30,149,040)	(59,060,249)	(30,728,949)	-	(119,938,238)
Eliminated on disposals	(353,135)	(2,219,594)	(800,992)	-	(3,373,721)
At December 31, 2004	<u>124,312,087</u>	<u>22,267,366</u>	<u>5,530,687</u>	<u>71,910,974</u>	<u>224,021,114</u>
CARRYING AMOUNTS					
At December 31, 2004	<u>125,585,606</u>	<u>34,654,255</u>	<u>2,521,670</u>	<u>98,033,378</u>	<u>260,794,909</u>
At December 31, 2003	<u>161,788,396</u>	<u>132,649,843</u>	<u>27,207,509</u>	<u>100,967,668</u>	<u>422,613,416</u>

At December 31, 2004, the Group has pledged certain of its properties with an aggregate net book value of approximately Rmb12.8 million (2003: Rmb12 million) to banks as security for bank loans.

As part of the process of establishing the Company as a joint stock company in 1992, property, plant and equipment was valued by Zhong Hua (Shekou) Certified Public Accountants as at April 30, 1992. Pursuant to the approval document being issued by the Shenzhen Municipal Government Office on January 27, 1993, this valuation has been reflected in these financial statements as the deemed cost base of the assets of the Company upon its formation.

Buildings, open yards and warehouses of Rmb24 million (2003: Rmb49 million) were under the process of obtaining land use right certificates as of December 31, 2004.

Because of technical obsolescence of certain property, plant and equipment, the management considers that there had been an impairment loss on property, plant and equipment in respect of the trading segment. These assets were scrapped and an impairment loss in the amount of their carrying amount of Rmb143,218 was recognised for the year ended December 31, 2003.

14. CONSTRUCTION IN PROGRESS

	<u>Plant and machinery</u> Rmb	<u>Buildings and warehouses</u> Rmb	<u>Water pipes</u> Rmb	<u>Total</u> Rmb
COST				
At January 1, 2004	3,800,536	10,411,474	5,002,093	19,214,103
Additions	6,527,624	59,468,647	2,504,995	68,501,266
Transfer from land use rights	-	7,399,973	-	7,399,973
Transfer to property, plant and equipment	(4,710,857)	(75,901,377)	(2,214,915)	(82,827,149)
Disposal of a subsidiary	(770,429)	(656,289)	-	(1,426,718)
Disposals	-	(24,518)	-	(24,518)
At December 31, 2004	<u>4,846,874</u>	<u>697,910</u>	<u>5,292,173</u>	<u>10,836,957</u>

There was no significant amount of interest capitalised in construction in progress for both years.

15. INVESTMENT PROPERTIES

	Rmb
COST	
At January 1, 2004	1,795,200,149
Additions	8,164,407
Transfer from property, plant and equipment	62,048,632
Transfer from properties under development	<u>36,689,985</u>
At December 31, 2004	<u>1,902,103,173</u>
ACCUMULATED DEPRECIATION	
At January 1, 2004	378,588,393
Charge for the year	<u>68,115,912</u>
At December 31, 2004	<u>446,704,305</u>
CARRYING AMOUNT	
At December 31, 2004	<u>1,455,398,868</u>
At December 31, 2003	<u>1,416,611,756</u>

The property rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to approximately Rmb197 million (2003: Rmb190 million). Direct operating expenses arising on the investment properties in the period amounted to approximately Rmb108 million (2003: Rmb107 million).

Investment properties of Rmb463 million (2003: Rmb419 million) are under the process of obtaining land use rights certificates as of December 31, 2004.

The fair values of investment properties are approximately Rmb2,017,612,000 (2003: Rmb2,221,512,000) as of the balance sheet date in accordance with directors' estimation.

16. LAND USE RIGHTS

	Rmb
COST	
At January 1, 2004	22,815,464
Additions	15,000,000
Disposal of a subsidiary	(10,922,312)
Transfer to construction in progress	<u>(8,475,013)</u>
At December 31, 2004	<u>18,418,139</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At January 1, 2004	5,570,902
Charge for the year	325,619
Eliminated on disposal of a subsidiary	(1,732,923)
Transfer to construction in progress	<u>(1,075,040)</u>
At December 31, 2004	<u>3,088,558</u>
CARRYING AMOUNT	
At December 31, 2004	<u>15,329,581</u>
At December 31, 2003	<u>17,244,562</u>

The land use rights represent premium paid for using the lands for a term of 30 to 70 years from the date of grant of land use rights certificates.

17. GOODWILL

	Rmb
COST	
At January 1, 2004	981,338,911
Disposal of a subsidiary	<u>(190,933,564)</u>
At December 31, 2004	<u>790,405,347</u>
AMORTISATION	
At January 1, 2004	221,691,154
Charge for the year	40,611,089
Eliminated on disposal of a subsidiary	<u>(55,636,820)</u>
At December 31, 2004	<u>206,665,423</u>
CARRYING AMOUNT	
At December 31, 2004	<u>583,739,924</u>
At December 31, 2003	<u>759,647,757</u>

Goodwill is amortised over its estimated useful life range from 10 to 20 years.

18. NEGATIVE GOODWILL

	Rmb
GROSS AMOUNT	
At January 1, 2004 and December 31, 2004	<u>76,043,294</u>
RELEASED TO INCOME	
At January 1, 2004	13,259,656
Release in the year	<u>3,923,977</u>
At December 31, 2004	<u>17,183,633</u>
CARRYING AMOUNT	
At December 31, 2004	<u>58,859,661</u>
At December 31, 2003	<u>62,783,638</u>

Negative goodwill is released to income on a straight-line basis over the remaining weighted average useful life of 20 years of the depreciable assets acquired.

19. SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2004 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest</u> %	<u>Principal activity</u>
深圳招商房地产有限公司	PRC	95	Property development and investment
深圳招商供电有限公司	PRC	99.75	Supply of electricity
深圳招商供水有限公司	PRC	99.75	Supply of water
香港瑞嘉投资实业有限公司	Hong Kong	100	Investment holding
深圳招商新安置业有限公司 (formerly known as 深圳黄金台实业有限公司)	PRC	100	Property development and management
招商局花园城(北京)房地产开发有限公司	PRC	99.5	Property development
深圳城市主场投资有限公司 (formerly known as 深圳市 TCL 投资有限公司)	PRC	100	Property development and management

20. INVESTMENTS IN ASSOCIATES

	<u>2004</u> Rmb	<u>2003</u> Rmb
Share of net assets	153,245,742	54,267,115

Amount due from an associate	90,080,801	-
	<u>243,326,543</u>	<u>54,267,115</u>

The amount due from an associate is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the management, the amount is unlikely to be received within one year from the balance sheet date and is therefore classified as non-current.

Details of the Group's principal associates at December 31, 2004 are as follows:

<u>Name of associate</u>	<u>Place of registration and operation</u>	<u>Proportion of ownership interest</u> %	<u>Principal activity</u>
深圳海涛酒店有限公司 (formerly known as 蛇口酒店咨询培训服务公司)	PRC	45	Hotel management and training services
深圳招商物业管理有限公司	PRC	41.5	Property management
漳州招商房地产有限公司	PRC	50	Property development
深圳市招商局光明科技园有限公司	PRC	49	Property development and anagement
天津兴海房地产开发有限公司	PRC	45	Property development

21. JOINT VENTURE

In November 2004, a subsidiary of the Company established a jointly controlled entity 深圳招商华侨城投资有限公司 with a third party. At December 31, 2004 the Group has an effective interests of 47.5 per cent in 深圳招商华侨城投资有限公司, a company engaged in property development and management in the PRC.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of 深圳招商华侨城投资有限公司:

	Rmb
<u>At December 31, 2004</u>	
Current assets	303,371,000
Non-current assets	125,000
Current liabilities	253,727,000
Non-current liabilities	-
<u>Year ended December 31, 2004</u>	
Income	-
Expenses	231,000

22. INTEREST IN A PROPERTY DEVELOPMENT PROJECT

At December 31, 2003, the amount represented the Group's 65% interest in a property development project (the "project"). The Group was entitled to a proportionate share of the income received from the sales of completed properties of the development project and bore a proportionate share of the outgoings. During the year, the Group acquired the remaining interest in the project and, accordingly, the amount is reclassified as properties under development.

23. AVAILABLE-FOR-SALE INVESTMENTS

The amount represents investments in listed and unlisted equity securities that present the Group with opportunity for return through dividend income. The management considers that the carrying values approximate to their fair values.

24. INVENTORIES

	<u>2004</u> Rmb	<u>2003</u> Rmb
Finished goods	497,306	105,722,934
Spare parts and consumerables	3,129,387	2,850,563
	<u>3,626,693</u>	<u>108,573,497</u>

All inventories are carried at cost.

25. PROPERTIES UNDER DEVELOPMENT

	<u>2004</u> Rmb	<u>2003</u> Rmb
COST		
At January 1	1,501,561,637	1,598,758,488
Additions	5,133,463,463	1,198,777,720
Interest capitalised	28,212,123	25,785,206
Transfer to completed properties for sale	(1,787,786,232)	(1,296,888,024)
Transfer to investment properties	(36,689,985)	(24,871,753)
At December 31	<u>4,838,761,006</u>	<u>1,501,561,637</u>

26. OTHER FINANCIAL ASSETS

Trade and other receivables comprise:

	<u>2004</u> Rmb	<u>2003</u> Rmb
Trade receivables	59,057,426	327,486,278
Other receivables and prepayments	193,630,758	219,105,448
	<u>252,688,184</u>	<u>546,591,726</u>

26. OTHER FINANCIAL ASSETS - continued

The average credit period is 30 days. An allowance has been made for estimated irrecoverable receivable of Rmb6.2 million (2003: Rmb22 million). This allowance has been determined by reference to past default experience.

The management considers that the carrying amounts of trade and other receivables approximate to their fair values.

Bank balances and cash comprises cash and short-term deposits held by the group treasury function. The carrying amounts of these assets approximate to their fair values.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the management based on prior experience and their assessment of the current economic environment.

The Group generally does not require collateral from its customers and is exposed to credit-related losses in the event of non-performance by customers. However, the Group has no significant concentration of credit risk to individual customers, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds and derivate financial instruments is limited because the counterparties are banks with high credit-ratings.

27. SHARE CAPITAL

Registered, issued and fully paid up capital consisted of A and B shares of Rmb1 each.

	<u>A share</u> Rmb	<u>B Share</u> Rmb	<u>Total</u> Rmb
At January 1, 2003	287,871,950	188,524,050	476,396,000
Rights issue of shares (note 1)	<u>39,289,560</u>	<u>-</u>	<u>39,289,560</u>
At December 31, 2003 and January 1, 2004	327,161,510	188,524,050	515,685,560
Bonus issue of shares (note 2)	<u>65,432,302</u>	<u>37,704,810</u>	<u>103,137,112</u>
At December 31, 2004	<u><u>392,593,812</u></u>	<u><u>226,228,860</u></u>	<u><u>618,822,672</u></u>

Notes:

1. Pursuant to a resolution passed at the meeting of the shareholders of the Company held on July 18, 2003, the Company issued 39,289,560 new shares of Rmb1 each in the Company at Rmb8.93 per share to the then existing qualifying shareholders by way of 3 rights share for every 10 existing share then held. All shares issued rank pari passu with the then existing shares in all respects. The net proceeds of the rights issue of approximate Rmb339.9 million are used to finance certain properties development projects of the Group.
2. Pursuant to a resolution passed at the 2003 annual general meeting of the shareholders of the Company held on April 9, 2004, the Company issued 103,137,112 new shares of Rmb1 each in the Company to the then existing shareholders by way of 2 bonus shares for every 10 existing shares then held. All shares issued rank pari passu with the then existing shares in all respects.

28. RESERVES

(a) Statutory surplus reserve

According to the current PRC Company law and the Company's articles of association, the Company is required to transfer between 10% of its profit after tax to the statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after tax shall be the amount determined under PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issues provided that the balance after such issue is not less than 25% of the registered capital.

(b) Discretionary surplus reserve

The transfer to this reserve is subject to the approval by shareholders at general meetings. Its usage is similar to that of statutory surplus reserve.

(c) Statutory public welfare fund

According to the current PRC company law and the Company's articles of association, the Company is required to transfer 5% of its profit after tax to the statutory public welfare fund. For the purpose of calculating the transfer to this reserve, the profit after tax shall be the amount determined under PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The statutory public welfare fund can only be used for the collective welfare of the Company's employees such as the construction of staff quarters. The reserve forms part of the shareholders' equity as individual employees can only use these facilities, the titles of which will remain with the Company.

(d) Capital surplus

As stated in note 13, property, plant and equipment were valued on April 30, 1992 for the purpose of establishing of the Company as a joint stock company. Capital surplus represents the corresponding surplus arising from this valuation which has been reflected as the deemed cost base of the assets of the Company upon its formation.

The amounts transferred to the statutory surplus reserve and statutory public welfare fund for the year ended December 31, 2004 are to be approved at the Company's annual general meeting.

In accordance with the Company's articles of association, the net income for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with PRC accounting standards and regulations and IFRS. The Company's distributable reserve computed under PRC accounting standards and regulations as at December 31, 2004 included in the retained earnings amounted to approximately Rmb729 million (2003: Rmb620 million).

29. BANK LOANS

	<u>2004</u> Rmb	<u>2003</u> Rmb
Bank loans		
- unsecured	1,740,751,419	721,954,876
- secured	4,130,028	4,621,037
	<u>1,744,881,447</u>	<u>726,575,913</u>
The borrowings are repayable as follows:		
On demand or within one year	1,741,315,131	681,113,188
In the second year	3,566,316	541,812
In the third to fifth years inclusive	-	44,920,913
	<u>1,744,881,447</u>	<u>726,575,913</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,741,315,131)</u>	<u>(681,113,188)</u>
Amount due for settlement after 12 months	<u>3,566,316</u>	<u>45,462,725</u>

Over 90% of the unsecured bank loans of Rmb1,740,751,418 (2003: Rmb721,954,876) bear interest at 1% to 6% (2003: 1% to 6%) per annum which approximate prevailing market rates. Secured bank loans bear interest at the bank prevailing prime rate plus 1% per annum and are repayable in equal monthly instalments by June 2006. It is secured by a legal mortgage over the leasehold properties of a subsidiary with a carrying amount of approximately Rmb12.8 million (2003: Rmb12 million). The carrying amounts of bank loans approximate to their fair values because they bear interest at floating rates.

The Group's total bank loans outstanding at December 31 are denominated in the following currencies:

	<u>2004</u> %	<u>2003</u> %
United States of America dollars	95	86
Hong Kong dollars	4	13
Singapore dollars	1	1
Total	<u>100</u>	<u>100</u>

30. RENTAL RECEIVED IN ADVANCE

	<u>2004</u> Rmb	<u>2003</u> Rmb
At January 1	6,990,000	7,660,000
Release to income	<u>(670,000)</u>	<u>(670,000)</u>
At December 31	<u>6,320,000</u>	<u>6,990,000</u>

31. DEFERRED TAXATION

The movement for the year in the Group's deferred tax liabilities was as follows:

	<u>2004</u> Rmb	<u>2003</u> Rmb
At January 1	37,195,980	27,558,521
Charge for the year	<u>12,465,102</u>	<u>9,637,459</u>
At December 31	<u>49,661,082</u>	<u>37,195,980</u>

Deferred tax liabilities recognised by the Group are mainly attributable to the temporary differences on property, plant and equipment.

There is no significant unprovided deferred tax for the year or at the balance sheet date.

32. OTHER FINANCIAL LIABILITIES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period is 60 days.

The management considers that the carrying amounts of trade payables approximate to their fair values.

33. PROVISION FOR LITIGATION CLAIMS

	<u>2004</u> Rmb	<u>2003</u> Rmb
At January 1	21,850,560	17,790,566
Provided for the year	7,525,467	21,850,560
Payment for the year	<u>(1,600,000)</u>	<u>(17,790,566)</u>
At December 31	<u>27,776,027</u>	<u>21,850,560</u>

During 2004, claims for compensation have been brought by third parties against the Group relating to the delay in processing of certain building ownership certificates and the improper procurement of water supply from 深圳市水务(集团)有限公司, which have been confiscated by the District Court in Shenzhen, amounting to approximately Rmb7.5 million (2003: Rmb1.6 million) and Rmb20.2 million (2003: Rmb20.2 million), respectively. The Group, after seeking advices from solicitors, has made a provision of approximately Rmb27.7 million (2003: Rmb21.8 million).

34. DISPOSAL OF A SUBSIDIARY

As referred to in note 9, on February 26, 2004 the Group discontinued its trading business of petrochemical products at the time of the disposal of its subsidiary 招商石化.

The net assets of 招商石化 at the date of disposal and at December 31, 2003 were as follows:

	<u>26.2.2004</u>	<u>31.12.2003</u>
	Rmb	Rmb
Property, plant and equipment	142,042,151	142,731,208
Construction in progress	1,426,718	1,458,329
Land use rights	9,189,389	9,250,165
Goodwill	135,296,744	136,879,928
Investments in associates	9,170,691	7,329,848
Available-for-sales investments	3,801,500	3,801,500
Inventories	115,754,041	106,335,308
Trade and other receivables	427,896,365	335,092,318
Bank balances and cash	103,112,097	64,921,588
Trade and other payables	(341,346,841)	(234,309,525)
Tax liabilities	(1,812,397)	(3,679,091)
Bank loans	(35,000,000)	-
Minority interests	(124,010,305)	(123,772,515)
	<u>445,520,153</u>	<u>446,039,061</u>
Direct cost relating to the disposal	2,350,321	
Profit on disposal of discontinuing operations	<u>50,857,397</u>	
Total consideration	<u>498,727,871</u>	
Satisfied by:		
Cash	<u>498,727,871</u>	
Net cash inflow arising on disposal:		
Cash consideration	498,727,871	
Net partial proceeds received in advance in 2003	(137,005,162)	
Direct cost relating to the disposal	(2,350,321)	
Bank balances and cash disposed of	<u>(103,112,097)</u>	
	<u>256,260,291</u>	

The impact of 招商石化 on the Group's results in the current and prior year is disclosed in note 9.

35.	CONTINGENT LIABILITIES		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Bills of exchange discounted with recourse	-	14,526,000
	Guarantees given to banks in respect of mortgages entered into by customers	<u>1,261,988,000</u>	<u>1,080,018,000</u>
		<u>1,261,988,000</u>	<u>1,094,544,000</u>

36.	CAPITAL COMMITMENTS		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Contracted for but not provided in the financial statements in respect of:		
	Acquisition of property, plant and equipment	1,930,000	90,945,000
	Construction of properties under development	<u>622,730,000</u>	<u>1,678,961,000</u>
		<u>624,660,000</u>	<u>1,769,906,000</u>

37.	OPERATING LEASE ARRANGEMENTS		
	<u>The Group as lessee</u>		
		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Minimum lease payments under operating leases recognised in income for the year	<u>6,181,734</u>	<u>25,396,959</u>

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

		<u>2004</u>	<u>2003</u>
		Rmb	Rmb
	Within one year	12,645,000	7,808,000
	In the second to fifth years inclusive	33,547,000	16,054,000
	After five years	<u>45,219,000</u>	<u>43,837,000</u>
		<u>91,411,000</u>	<u>67,699,000</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a range of 3 to 18 years and rentals are fixed for an average of 3 years.

37. OPERATING LEASE ARRANGEMENTS - continued

The Group as lessor

Property rental income earned during the year was approximately Rmb197 million (2003: Rmb190 million). The Group's properties held for rental purposes are expected to generate rental yields of 14 per cent on an ongoing basis. All of the properties held have committed tenants for a range between 1 to 15 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<u>2004</u> Rmb	<u>2003</u> Rmb
Within one year	177,101,000	147,466,000
In the second to fifth years inclusive	185,233,000	144,385,000
After five years	96,300,000	78,722,000
	<u>458,634,000</u>	<u>370,573,000</u>

38. RETIREMENT BENEFITS PLANS

Defined contribution plans

The employees of the Group in PRC are members of state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of approximately Rmb3,690,000 (2003: Rmb4,422,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

39. RELATED PARTY TRANSACTIONS

Parties considered to be related to the Company include parties that have the ability, directly or indirectly through one or more intermediaries, to control or exercise significant influence over the financial and operating policies of the Company, or vice versa, or where the Company and the parties are subject to common control or common significant influence. Details of the related parties identified and their relationship with the Company are as follows:

<u>Name of Company</u>	<u>Relationship with the Company</u>
SIZ	Major shareholder
深圳市招商创业有限公司 ("招商创业")	A subsidiary of SIZ
深圳安达货运有限公司 ("深圳安达")	A fellow subsidiary of SIZ
招商港务(深圳)有限公司 ("招商港务")	A fellow subsidiary of SIZ
招商局漳州开发区有限公司 ("漳州开发")	A fellow subsidiary of SIZ
招商局漳州开发区公用事业公司 ("漳州公用事业")	A fellow subsidiary of SIZ
招商物流	A subsidiary of SIZ

- a) During 2004, the Group paid rental expenses of Rmb1.8 million (2003: Rmb17 million) and Rmb14 million (2003: Nil) to 招商创业 and SIZ, respectively.
- b) During 2004, the Group received rental income of Rmb11 million (2003: Rmb11 million) from 招商港务.
- c) During 2004, the Group supplied water and electricity to SIZ and its subsidiaries.
- d) On March 5, 2004, the Group entered into a conditional sale and purchase agreement with SIZ to acquire land use rights at a consideration of Rmb692 million. The transaction was approved by the shareholders in the 2003 annual general meeting on April 9, 2004. At December 31, 2004, the Group has made a partial payment of Rmb319.8 million to SIZ.
- e) At December 31, 2004, a guarantee of Rmb789 million (2003: Rmb203 million) has been given by SIZ to secure bank loans of the Group.
- f) At December 31, 2004, trade and other payables included amount due to SIZ of Rmb376 million (2003: Rmb308 million) and amounts due to subsidiaries of SIZ of Nil (2003: Rmb125 million). All the above balances with SIZ and its subsidiaries are unsecured, non-interest bearing and repayable on demand.
- g) At December 31, 2004, amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.
- h) On April 11, 2003, the Company acquired 45% and 5% interest in 漳州招商房地产有限公司 from 漳州开发 and 漳州公用事业 at a consideration of approximately Rmb8.6 million and Rmb0.9 million, respectively.

39. RELATED PARTY TRANSACTIONS - continued

- i) On May 30, 2003, the Company disposed of its 20% and 10% interest in 深圳市招商物流有限公司, an associate of the Company, to 招商物流 and 深圳安达 at a consideration of approximately Rmb2.6 million and Rmb1.3 million, respectively.
- j) On November 25, 2003, the Company entered into conditional sale and purchase agreements with SIZ and 招商物流 to dispose of its 10% and 65% interest in 招商石化 to SIZ and 招商物流, respectively at a tentative consideration of approximately Rmb400 million and Rmb62 million, respectively. The transaction was approved by the shareholders in the general meeting held on February 6, 2004 at a total consideration of approximately Rmb499 million.

The management is of the opinion that these transactions were concluded based on terms negotiated and agreed with both parties and were entered into in accordance with the relevant agreements.

In addition to the above, remuneration paid to directors during the year was Rmb0.48 million (2003: Rmb0.78 million).
