



*Dr. Fu Yuning*  
*Chairman*

# Chairman's Statement

I am pleased to present the 2001 Annual Report and the audited accounts for the year ended 31 December 2001 (the "Current Year") of China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (the "Group").

## Review for the year

The Group recorded a consolidated profit after tax and minority interests of HK\$800,200,000 for the Current Year, representing a decrease of 8.9% from the corresponding figure of HK\$878,100,000 in 2000. Earnings per share for the Current Year was HK 38.98 cents, representing a decrease of 9.2% compared with that of HK 42.94 cents in 2000. The main reason for the decrease in the Group's consolidated profit after tax and minority interests was because of a provision of HK\$140,000,000 made for impairment on the Group's interests in toll road projects in the Current Year.

The global economy began a downward trend and the "September 11" tragedy sent a further blow to the global economy. Notwithstanding that, the Group

continued to focus on the development of its core businesses. The ports and port-related operation has achieved a satisfactory performance, reporting a 11.3% increase in profit in the year (see Table A). Also during the year, the Group has made several value-adding acquisitions in order to achieve its target of developing into a leading port and infrastructural operator in China.

## Prospects & Outlook

With China's successful entry into the World Trade Organization ("WTO"), the intention of the Central Government to maintain an annual GDP growth rate of above 7% and the possible recovery of the US economy before the end of this year, foreign trade volume is expected to maintain continual growth. It is expected that all Chinese ports will continue to

**Table A**  
2001, 2000 & 1999 FY Container Throughput Review

Name of Ports & Terminals	2001 FY TEU (000)	YOY % Change	2000 FY TEU (000)	1999 FY TEU (000)	YOY % Change
SCT	751	4.2	720	574	25.4
Chiwan Container Terminal	644	43.0	450	350	28.7
Chiwan Wharf	253	33.1	190	131	44.8
CM Shekou	430	32.3	325	274	18.9
Haixing Port	147	20.9	122	36	236.6
Total for Western Shenzhen	2,225	23.1	1,808	1,366	32.4
MTL	3,310	1.8	3,252	2,633	23.5



## VISION:

The leading port and infrastructural operator  
in China



record satisfactory growth in 2002. After last year's eleventh round of interest rate cuts, there is now a concern of an upward revision of interest rates later this year, but we believe that this will not take place until the economy and consumer confidence have recovered.

In order to realize the Group's strategy of expanding its ports business, the Group announced the acquisition of all of the equity interest in Shenzhen China Merchants Port Services Company Limited ("CM Port") and China Merchants Container Services Limited ("CM Container") in November 2001, which were approved at an extraordinary general meeting of the Company in December 2001. Given the Group's strategy to further expand its ports and port-related business, the Group will continue to look for high quality port assets and will streamline and consolidate the Group's existing port business.

Furthermore, in relation to the toll road and industrial manufacturing businesses, the Group will continue to make efforts to improve the value of its existing assets.

The year 2002 marks the tenth anniversary of the listing of the Company. Looking forward, with the backing of a strong Chinese economy and the continuous effort of the Group's staff, the Group is poised to achieve even better results in the future.

Recently, the global investment community has expressed great concern on corporate governance. The Group, as one of the best managed "red chip" corporations in Hong Kong, will endeavour to refine its corporate practice and implement necessary procedures to maximise the protection of shareholders' interest.

### Dividends

The board of directors of the Company (the "Board" or the "Directors") will recommend a final dividend of HK9 cents per share at the forthcoming Annual General Meeting. Together with the interim dividend of HK7 cents per share paid in October 2001, a total dividend of HK16 cents per share will be paid out for the Current Year. This represents a dividend payout ratio of 40% and an increase of 23.1% over the total dividend payout of HK13 cents for 2000. Upon approval by shareholders at the forthcoming Annual General Meeting, dividends will be paid on 19 July 2002 to those shareholders whose names appear on the Register of Members as at 5 June 2002.

### Share Capital and Convertible Bonds

Saved for new shares issued pursuant to the Company's Share Option Scheme adopted by the shareholders of the Company (the "Shareholders") on 26 June 1992, the



## MISSION:

To maximize shareholders' value



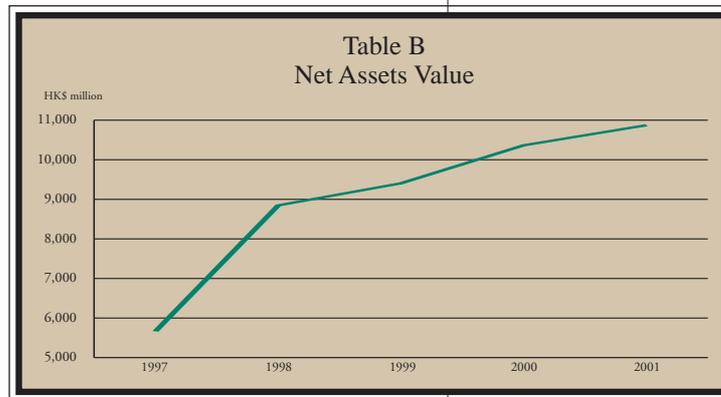
Company has not issued any new shares in 2001. As at the end of 2001, the outstanding balance of the convertible bonds issued by the Company in April 1999 was US\$40,960,000. No conversion of such bonds took place during the year. The Group's net assets value increased by 4.9% from HK\$10,364,600,000 in 2000 to HK\$10,872,900,000 in 2001 (Table B shows net assets value movement in the past 5 years).

### Investor Relationships

The Group has, over the past few years, pro-actively improved its relationship with investors and increased the transparency of its business operations. In 2001, the Company had more than 110 interviews with investors and analysts. Also, the Group participated in various conferences in 2001 to give presentations on the Group's management and operations, in order to allow investors to have a better understanding of the Group. The feedback from investors to the Group's efforts in improving investor relationships has been positive and the Group believes that such interaction with investors will be even more beneficial to both parties in the future.

### Management

The Group has announced the appointment of Mr. David Y. Li as the



Group's new Managing Director with effect from 1 November, 2001. The previous Managing Director of the Group, Mr. Zhao Huxiang, has been promoted to Vice Chairman of the Group.

### Acknowledgement

I would like to express my most sincere gratitude to the Board, the staff, the shareholders, and the general public for their support to the Group in 2001. This support is the key element behind the motivation of the Group's staff in working towards its mission: maximization of shareholders' value.

### Dr. Fu Yuning

*Chairman*

Hong Kong, 22 April 2002