



Dr. Fu Yuning,
Chairman

Chairman's Statement

At this 10th anniversary of the listing of China Merchants Holdings (International) Company Limited, on behalf of all my colleagues, I would like to express my gratitude to all members of the public who care about the Company.





- The net assets of the Company and its subsidiaries have increased 67 times since listing, from HK\$172,000,000 in 1992 to HK\$11,400,000,000 as at the end of 2002.
- The profit attributable to shareholders also increased 16.5 times from HK\$53,482,000 to HK\$882,487,000 as at the end of 2002.

- Turnover increased to HK\$1,689,000,000, representing an increase of 40%
- Profit attributable to shareholders increased to HK\$1,082,490,000 (before provision for impairment on land and buildings of HK\$200,000,000), representing an increase of 15.2%
- Earnings per share amounted to HK\$0.4293, representing an increase of 10.1%

I am pleased to present the 2002 Annual Report and the audited accounts for the year ended 31 December 2002 of China Merchants Holdings (International) Company Limited and its subsidiaries.

RESULTS OF THE YEAR

The Group recorded double-digit growth in their major performance indices for the Current Year.

Turnover of the Group increased by 40% to HK\$1,689,000,000 as compared to that of HK\$1,206,100,000 in 2001. Consolidated profit after tax and minority interests amounted to HK\$882,490,000, net of a provision for impairment on land and buildings of HK\$200,000,000, representing an increase of 10.3% over HK\$800,210,000 in 2001. Excluding the non-cash provisions in both years, profit attributable to shareholders for the Current Year was HK\$1,082,490,000, representing an increase of 15.2% over HK\$939,770,000 in 2001.

More than 50% of the operating profit arose from ports and port-related businesses, amounting to HK\$521,700,000, which was 31.6% higher than HK\$396,400,000 in 2001.

Earnings per share for the Current Year amounted to HK\$0.4293, representing an increase of 10.1% over HK\$0.3898 in 2001.

PROPOSED FINAL AND SPECIAL DIVIDENDS

The Board has recommended a final dividend of HK 10 cents per share for 2002 (2001: HK 9 cents). For the tenth anniversary of the Company's listing, the Board has also recommended a special dividend of HK 5 cents per share (2001: HK nil cent). The final dividend and special dividend together with the interim dividend of HK 7 cents will make a total dividend of HK 22 cents per share for the Current Year, which was HK 6 cents higher than in 2001. The dividend payout ratio was 51.2% representing an increase of 10.2% as compared to the corresponding figure after provisions last year. Subject to shareholders' approval at the forthcoming Annual General Meeting, the final and special dividends will be payable on 18 July 2003 to the shareholders whose names appear on the Register of Members of the Company on 6 June 2003.

Chairman's Statement

The Board is confident of the prospects of the Company and considers that the Company has a solid financial position. The Company has steady and frequent cash inflow and profit growth, and funds for future investments of the Company are ensured. Therefore, the Company is capable of achieving higher returns for shareholders.

REVIEW OF THE YEAR

The outstanding performance of the PRC economy in 2002 has brought about an impressive 8% growth in the country's GDP. Given the strong growth in foreign trade, the Company's ports business fared particularly well. The throughput of the container terminals and the bulk and general cargos terminals in the western Shenzhen ports went up by 46% and 26% respectively and the throughput of Modern Terminal Limited in Hong Kong has also recorded growth. Other businesses of the Company also achieved relatively satisfactory returns.

I am pleased to see that the Group has been pro-active in establishing and strengthening their leading positions in the ports business in the PRC.

PROSPECTS AND OUTLOOK

The growth in the PRC economy and foreign trade is expected to continue in 2003. Therefore, the ports, container manufacturing business and other related businesses of the Company will yield even higher returns. All other businesses will also continue to benefit from this favourable business condition.

The Company will continue to focus on its transportation and infrastructure businesses as its future strategy, with ports business being its core. The Company will further strengthen its operation management and use of capital in both its

Results of the year

	2002	2001
Turnover (HK\$ million)	1,689	1,206
Consolidated profit (HK\$ million)		
• Pre-provision	1,083	940
• Post-provision	883	800
EPS (HK cents)		
• Basic	42.9	39.0
• Fully diluted	42.6	38.9

Dividends

	2002 HK cents	2001 HK cents
Interim Dividend	7	7
Final Dividend	10	9
Special Dividend	5	nil
Total	22	16

existing businesses and new businesses so as to enhance its competitiveness in capturing market share and operation efficiency, thereby maximising values for its shareholders.

CORPORATE GOVERNANCE

Integrity is extremely important for listed companies. It forms the cornerstone of investors' faith in the company. Given the Enron incident and other corporate accounting scandals, and coupled with the recent findings of fraud, non-disclosure and disclosure of misleading information in some Hong Kong-listed companies, investors are naturally very concerned about the governance of listed companies. The Company has been in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since its listing in 1992. The Company also has stringent internal control, supervisory measures and accounting policies and procedures so as to enable that there be no unauthorised use or misappropriation of the Company's assets. Transactions shall not be executed without instructions from the management, while accounting records shall be updated and accurately prepared. The Board pledges to act in accordance with the strictest Statement of Standard Accounting Practices and to embody the highest standard of commercial ethics in respect of financial reporting and compliance with local laws and regulations, the Listing Rules and accounting requirements. The Board also insists on having direct control over the Company's business strategies, financial, organisational and compliance matters, and will diligently supervise the delegates to ensure that they will carry out their duties in accordance with relevant policies.

In order to prevent any incident which may be detrimental or misleading to investors, the Company will continue to strengthen its corporate governance, enhance its

transparency, and comply with the relevant laws and business ethics in a strict manner.

SHARE CAPITAL AND CONVERTIBLE BONDS

Other than the new shares issued pursuant to the Company's share option scheme, the Company has not issued any new shares in 2002. As at the end of 2002, the outstanding balance of the convertible bonds issued by the Company in April 1999 with a maturity date of April 2004 was USD\$40,960,000 (approximately HK\$317,000,000). No conversion of such bonds took place during the Current Year. The Company believes that given its current healthy financial position, it will redeem such bonds pursuant to their terms and conditions as it thinks fit so as to enhance shareholders' interests.

ACKNOWLEDGEMENT

I am very pleased with the outstanding results achieved by the Company and its subsidiaries in 2002. I am very confident in facing the challenges ahead. My colleagues and I shall continue to strive to the success of business development and the maximisation of shareholders' values.

I would like to express my most sincere gratitude to all shareholders and members of the public for their support in the past 10 years, and to the Board and the staff for their excellent performance in the past year.

Dr. Fu Yuning

Chairman

Hong Kong, 10 April 2003