



machinery division

During the period under review, the Group continued to strengthen its machinery business and expanded its market coverage. As a result, the Group, recognised to be the No.1 hydraulic excavator dealer worldwide, recorded significant increases in unit sales volume by 129%.

The engine business performed very well, due to the significant increases in demand from the industrial and petroleum sectors. In addition, the parts and services business also benefited from the increase in sales, by leveraging on product support opportunities for the growing Caterpillar machines and engine sales, especially for hydraulic excavators.

In 2002, the Group opened three new branches in Nanyang, Henan province; Jinhua, Zhejiang province and Hefei, Anhui province to expand its distribution network to a total of 12 branches within the Group's authorised Caterpillar territory. In addition, the Group also installed the Caterpillar Dealer Business System in order to increase operational effectiveness between the head office and branches with Caterpillar. Not only will the system enhance the Group's machinery business, but it will also benefit the parts and services business and bring increasing value across all revenue streams.

Our expectations are high for the demand for hydraulic excavator to continue to surge as a result of the high level public spending and support on infrastructure development in eastern China, another emphasis in the Tenth Five Year Plan from 2001 to 2005. During this period, China will implement a series of infrastructure projects, ranging from flood control to river embankment repairs, flood drainage to irrigation enhancement works, all of which will contribute to the high demand of Caterpillar machines and equipment in future. As of the end of 2002, the Central Government also commenced the construction of two 1,300 km canals, part of the South-North Water Transfer project to direct water from the Yangtze River to the parched north of China. By capitalising on the anticipated high demand of heavy machinery for the completion of these projects, the Group is confident of a robust development for its machinery business and parts and services operations.



The Group distributes a wide range of **Caterpillar products**, including heavy equipment, power systems and engines, provides technical services in the China market. Among which, the hydraulic excavator is the main profit contributor in the division.





property division

