

## Consolidated Income Statement

|                                                                                                       | 2003           | 2002        |
|-------------------------------------------------------------------------------------------------------|----------------|-------------|
|                                                                                                       | HK\$million    | HK\$million |
| Turnover                                                                                              |                |             |
| Port                                                                                                  | 591.6          | 384.0       |
| Container manufacturing and related business                                                          | 1,086.4        | 872.8       |
| Toll Road                                                                                             | 23.9           | 23.3        |
| Oil tanker                                                                                            | 404.1          | 384.3       |
| Others                                                                                                | 24.4           | 24.7        |
| <b>1-1</b> Total turnover                                                                             | <b>2,130.4</b> | 1,689.1     |
| Turnover (including share of turnover in associates and jointly controlled entities)                  |                |             |
| Port                                                                                                  | 3,035.5        | 2,413.5     |
| Container manufacturing and related business                                                          | 4,166.5        | 3,349.0     |
| Toll road                                                                                             | 275.8          | 269.1       |
| Oil Tanker                                                                                            | 404.1          | 384.3       |
| Others                                                                                                | 24.4           | 24.7        |
| <b>1-2</b> Total turnover (including share of turnover of associates and jointly controlled entities) | <b>7,906.3</b> | 6,440.6     |
| Cost of sales                                                                                         | (1,460.8)      | (1,138.7)   |
| <b>2</b> Gross profit                                                                                 | <b>669.6</b>   | 550.4       |
| <b>3</b> Other revenues                                                                               | <b>55.0</b>    | 81.1        |
| <b>4</b> Distribution costs                                                                           | <b>(163.9)</b> | (141.1)     |
| <b>5</b> Administrative expenses                                                                      | <b>(206.8)</b> | (147.5)     |
| <b>6</b> Gain on disposal of interests in an associate/infrastructure joint ventures                  | <b>204.1</b>   | 22.1        |
| <b>7</b> Provision for impairment loss on land and buildings                                          | —              | (200.0)     |
| <b>8</b> Operating profit                                                                             | <b>558.0</b>   | 165.0       |
| <b>9</b> Finance costs                                                                                | <b>(20.5)</b>  | (39.7)      |
| <b>10</b> Share of results of associates/jointly controlled entities                                  | <b>1,188.7</b> | 959.1       |
| Profit before taxation                                                                                | <b>1,726.2</b> | 1,084.4     |
| Taxation                                                                                              | <b>(182.2)</b> | (137.2)     |
| Minority interests                                                                                    | <b>(78.4)</b>  | (64.7)      |
| <b>11</b> Profit for the year                                                                         | <b>1,465.6</b> | 882.5       |

**1-1** Turnover increased by HK\$441 million from last year, which was derived from (1) sales of Hempel-Hai Hong increased by HK\$210 million from last year; (2) turnover of China Merchants Port Services increased by HK\$140 million from last year; (3) turnover from container services increased by HK\$50 million; (4) taking into account turnover of HK\$18 million derived in November and December as a result of the increase in investment of Zhangzhou China Merchants Port to be a subsidiary of the Company.

**1-2** Total turnover (including share of turnover of associates and jointly controlled entities) increased by HK\$1,466 million from last year. Apart from the increase in turnover for the subsidiaries above of HK\$441 million, the Group's share of turnover from associates and jointly controlled entities increased by HK\$1,025 million, which was derived from: (1) share of turnover from associates and jointly controlled entities of container manufacturing and jointly controlled entities increased by HK\$600 million, of which CIMC group increased by HK\$550 million and PPG Coatings increased by HK\$50 million from last year; (2) share of turnover from associates and jointly controlled entities of ports industry increased by HK\$420 million from last year, of which Nanshan Group increased by HK\$150 million, SCT Phase I and II increased by HK\$100 million, Chiwan Container Terminal increased by HK\$70 million and CMSH increased by HK\$50 million.

**2** Gross profit increased by HK\$119 million from last year, which was mainly derived from the increase in gross profit from the port business of HK\$88 million and gross profit from sales of paints and oil tanker business increased by HK\$13 million from last year. In addition, depreciation for the year fell by HK\$5,000,000 from this year as a result of the provision on impairment loss for the Group's land and buildings.

**3** Other revenues decreased by HK\$26 million from last year. Three toll roads disposed of by the Group last year did not contribute to the Group this year, which resulted in the decrease of other revenues by HK\$36 million. Interest income for the year increased by about HK\$10 million from last year.

**4** Distribution costs increased by HK\$22 million from last year, which was attributable to the increase in the sales of paint that resulted in the increase in costs of transportation and warehouse storage.

**5** Administration expenses increased by HK\$59 million from last year. With the substantial increase in sales of paints and throughputs at ports, administration expenses for these two sectors also increased during the year by HK\$21 million and HK\$24 million respectively. Moreover, as Zhangzhou China Merchant Port became a subsidiary of the Company during the year, as well as the amortisation expenses for port projects, administration expenses increased by HK\$16 million.

**6** The Group recorded an exceptional gain of HK\$160 million as a result of issue of shares by CIMC Group during the year. Disposal of Shekou Holding recorded an exceptional gain of HK\$44 million.

**7** No provision for impairment loss on land and buildings was made during the year.

**8** Without taking into account the effect on provision for loss on land and buildings and exceptional gain, operating profit for the year increased by 3% from last year. Operating profit of port business and oil tanker business for the year increased. As a result of the increase in the price of raw materials, administration expenses increased and operating profit for the year decreased slightly from last year.

**9** Finance costs further decreased from last year, which was attributable to conversion of convertible bonds issued by the Group during the year and resulted in the decrease of interest expenses.

**10** Share of results of associates and jointly controlled entities increased by HK\$230 million from last year. The port companies invested by the Group contributed HK\$168 million to profit. Profit contribution from CIMC for the year increased by HK\$80 million. Profit contribution from toll road business decreased by HK\$23 million for the year.

**11** Please see "Analysis on profit in terms of segments" below.

## Consolidated Balance Sheet

|                                                           | 2003        | 2002        |
|-----------------------------------------------------------|-------------|-------------|
|                                                           | HK\$million | HK\$million |
| Non-current assets                                        | 12,578.7    | 10,921.5    |
| 12 Goodwill                                               | 157.0       | 149.0       |
| 13 Toll road operating rights                             | 311.7       | 319.7       |
| 14 Property, plant and equipment                          | 4,545.3     | 2,923.1     |
| 15 Interest in associates and jointly controlled entities | 6,514.9     | 6,800.6     |
| 16 Other non-current assets                               | 1,049.8     | 729.1       |
| Net current assets                                        | 1,388.8     | 1,228.4     |
| 17 Other net current assets                               | 432.0       | 405.6       |
| 18 Bank balance and cash                                  | 956.8       | 822.8       |
| Total assets less current liabilities                     | 13,967.5    | 12,149.9    |
| 19 Non-current liabilities                                | (7.6)       | (367.8)     |
| Bank borrowings - due after 1 year                        | —           | (53.5)      |
| Convertible bonds                                         | —           | (314.3)     |
| Other long-term liabilities                               | (7.6)       | —           |
| Minority interests                                        | (1,151.5)   | (340.5)     |
| Shareholders' equity                                      | (12,808.4)  | (11,441.6)  |
| Share Capital                                             | (214.0)     | (205.7)     |
| Share premium                                             | (8,475.3)   | (8,058.4)   |
| Other reserves                                            | (57.1)      | 43.2        |
| 20 Retained Earnings                                      | (4,062.0)   | (3,220.7)   |
| Including: proposed dividend                              | (620.6)     | (308.5)     |
| Non-current liabilities and shareholders' equity          | (13,967.5)  | (12,149.9)  |

12 Goodwill increased by HK\$8,000,000, of which goodwill of HK\$11 million was arisen from 11% of equity interests in Zhangzhou Terminal and goodwill amortised during the year was HK\$3,000,000.

13 Amortisation of toll road operating rights of Ningzhenluo Expressway.

14 Property, plant and equipment increased by HK\$1,622 million, which was mainly attributable to China Merchants Port (as to HK\$200 million), Mawan (as to HK\$610 million), Zhangzhou China Merchants Port (as to HK\$880 million) after being consolidated into the Group's financial statements. Slight increase in property, plant and equipment was also recorded for Shekou Container Terminal and paint manufacturing, and was offset by the overall depreciation, disposal and written off.

15 Interests in associates and jointly controlled entities decreased by HK\$286 million. Of which, profit for the year was HK\$1,060 million, increase in investment to CMF Technology Fund by HK\$20 million, increase in investment at Shekou Container Terminal Phase II by HK\$290 million, increase in investment at Ningbo Daixie by HK\$60 million, further issue of new shares in CIMC by HK\$190 million at HK\$1,620 million in total. Receipt of dividend and return of HK\$640 million, repatriation of investment of HK\$400 million, and with Zhangzhou Terminal becoming a subsidiary decreased by HK\$360 million, disposal of Shekou Holding by HK\$460 million and reorganisation of interests in Chiwan Container Terminal decreased by HK\$40 million, which decreased by HK\$1,900 million in total.

16 Other non-current assets increased by HK\$321 million, of which other investments (remaining interest in Shekou Holding) increased by HK\$30 million, deposit for the land of Shekou Terminal Phase III of HK\$500 million, increase in deferred tax assets of HK\$20 million, whilst capitalisation of advances to port projects last year decreased by HK\$229 million.

17 Other net current assets increased by HK\$26 million, which was mainly attributable to the increase in short-term investment by HK\$77 million, repayment of bank borrowings within one year of HK\$51 million and increase in inventory by HK\$23 million. In addition, net accountable receivables for the paint manufacturing business decreased by HK\$35 million from last year. Loan from the Group to Nanyou of HK\$94 million also constituted the difference between the year and last year.

18 Please see analysis of cash flow for details of bank balances and cash.

19 Non-current liabilities decreased by HK\$360 million. Convertible bonds were all converted into shares of the Company during the year. All long term bank borrowings were repaid by the Group and decreased by HK\$368 million in total. Deferred tax liabilities increased by HK\$8 million.

20 Retained earnings increased by HK\$841 million. Of which, profit for the year increased by HK\$1,466 million, which was reduced by dividend paid of HK\$591 million and allocation to reserves of HK\$34 million.

## Consolidated Cash Flow Statement

|                                                                                          | 2003        | 2002        |
|------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                          | HK\$million | HK\$million |
| Net Cash inflow from operating activities                                                | 448.9       | 291.6       |
| 21 Net cash inflow from operations                                                       | 486.3       | 314.4       |
| Taxation                                                                                 | (37.4)      | (22.8)      |
| Net cash flow from investing activities                                                  | 145.1       | (170.6)     |
| Dividend from associates and jointly controlled entities and returns on other investment | 522.0       | 508.3       |
| 22 Loan repaid by jointly controlled entities                                            | 133.8       | 311.6       |
| 23 Disposal of associates and jointly controlled entities                                | 404.3       | 390.0       |
| 24 Investments in associates and jointly controlled entities                             | (182.6)     | (388.5)     |
| 25 Purchase of subsidiaries                                                              | —           | (831.2)     |
| 26 Loans to related companies                                                            | (140.8)     | (145.3)     |
| 27 Purchase of property, plant and equipment                                             | (623.3)     | (40.9)      |
| Net cash inflow from other investing activities                                          | 31.7        | 25.4        |
| Net cash inflow from financing activities                                                | (395.2)     | (790.6)     |
| Proceeds from exercise of share option                                                   | 107.8       | 15.7        |
| 28 Bank loan repayment                                                                   | (142.1)     | (414.5)     |
| Interest payment                                                                         | (17.4)      | (37.3)      |
| Dividend payment                                                                         | (615.8)     | (346.0)     |
| Cash inflow from other financing activities                                              | 272.3       | (8.5)       |
| Increase/(decrease) of cash, net                                                         | 198.8       | (669.6)     |
| Cash balance, beginning of the year                                                      | 822.8       | 1,491.9     |
| Effect of Change in exchange rate                                                        | 0.6         | 0.5         |
| Cash and cash equivalents end of the year                                                | 1,022.2     | 822.8       |

- 21 Net cash inflow from operations increased by HK\$172 million, which was partly attributable to the increase in operating profit. Of which, China Merchants Port Services increased by HK\$53 million, oil tanker business increased by HK\$14 million, whilst account receivables of paint manufacturing business decreased by HK\$50 million.
- 22 Repayment of shareholder's loan by joint controlled entities decreased by HK\$178 million, which was mainly attributable to the proceeds from the disposal of Yixian Road of HK\$180 million in 2002.
- 23 Disposal of associates and jointly controlled entities this year increased by HK\$14 million, which was the balances on the disposal of Yixian Road and the difference on the proceeds from Zhangzhou 324 National Highway and Zhangxia Expressway.
- 24 Investments in associates and jointly controlled entities decreased by HK\$210 million, which was mainly comprised of investment in Shekou Container Terminal Phase II of HK\$100 million and Daixie Island of HK\$60 million for the year.
- 25 Expenditures for purchase of subsidiaries decreased by HK\$830 million. No expenditure on investment were made on acquisition of subsidiary during the year.
- 26 Loans to related companies decreased by HK\$5,000,000, which was mainly comprised of the shareholder's loan to Zhangzhou Terminals.
- 27 Expenditures for the acquisition of property, plants and equipment increased by HK\$580 million, which was mainly comprised of substantial increase in expenditures on the infrastructure of the Group's ports.
- 28 Repayment of bank loans decreased by HK\$270 million for the year. During the year, the Group settled certain short-term bank borrowings and all long-term bank borrowings. HK\$89 million were repaid by this segment, HK\$38 million were repaid by Zhangzhou Terminal and HK\$15 million were repaid by paint manufacturing business.

## Profit Analysis by Industries

|                            | 2003         | 2002        |
|----------------------------|--------------|-------------|
|                            | HK\$million  | HK\$million |
| Ports                      | <b>683.2</b> | 521.7       |
| Container-related services | <b>451.0</b> | 223.1       |
| Toll road                  | <b>147.9</b> | 239.2       |
| Oil Tanker                 | <b>145.1</b> | 125.2       |

### Analysis on profit in terms of industries

Profit from port business increased by HK\$160 million at a rate of 31%, which was mainly derived from the sound development in the ports business at various terminals in the Mainland China. Of which the profit contribution from Shekou Container Terminal, China Merchants Port Services and Zhangzhou Terminal being consolidated for the first time were most significant.

Profit from container manufacturing and related business increased by HK\$230 million at a rate of 102%. Of which, further issue of new shares by CIMC Group generated an exceptional gain of HK\$160 million for the Group. Without taking into the account the effect of such transaction, profit contribution increased by 30% from last year, which was mainly attributable to the significant increase in sales of containers and paints during the year.

Profit from toll road business decreased by HK\$90 million. Without taking into account the effect on the gain on the disposal of toll road projects and their contributions to operating profit, profit for this segment still achieved satisfactory growth.

Oil tanker business increased by HK\$20 million at a rate of 16%.