



The Cheung Kong Group will examine every opportunity to maximise shareholders' return by making creative but prudent investments worldwide – a philosophy that ensures its continuing growth and keeps it ahead of the globalisation challenges.

Report of the Chairman and the Managing Director



New Concepts New Prospects

PROFIT FOR THE YEAR ●

The Group's audited consolidated net profit after tax for the year ended 31st December, 2001 amounted to HK\$7,291 million (2000 – HK\$19,436 million). Earnings per share were HK\$3.15 (2000 – HK\$8.42).

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DIVIDEND ●

The Directors have decided to recommend the payment of a final dividend of HK\$1.22 per share in respect of 2001, to shareholders whose names appear on the Register of Members of the Company on 23rd May, 2002. This together with the interim dividend of HK\$0.38 per share gives a total of HK\$1.60 per share for the year (2000 – HK\$1.60 per share). The proposed dividend will be paid on 28th May, 2002 following approval at the Annual General Meeting.

Report of the Chairman and the Managing Director *(continued)*

PROSPECTS ●

Steady Progress

Hong Kong's economy was adversely affected as the global economy continued to slow in 2001 and the decline was further aggravated by the September 11 incident. Most local enterprises came under increasing pressure, particularly when international competition intensified following the inexorable march of globalisation. In the face of these challenges, the Group was able to withstand the impact of economic volatility and perform steadily as it benefited from its spread of diversified business operations in different geographical locations.

The Group continued to develop its businesses in keeping with its philosophy, "To advance while maintaining stability, and to maintain stability while advancing". All of its businesses, whether in Hong Kong, the Mainland and overseas, reported steady progress during the past difficult year and continue to develop new concepts and new prospects for future growth:

1. Property Development – A Core Business of the Group

Local property transactions have recently shown signs of picking up as a result of successive interest rate cuts during the year. This augurs well for a steady recovery of the local property market supported by the underlying purchasing power of flat buyers. A number of the Group's property projects were launched last year, receiving encouraging responses from the market. It has been the Group's long-standing policy to strengthen its property business with a strong focus on quality enhancement and innovation. The Group continues to devise more responsive initiatives to satisfy the changing customer needs and market trends as the present transformation of Hong Kong's economy changes the local property sector.

The Group continues to strengthen its property business with a strong focus on quality enhancement and innovation.

The Group continued to expand its landbank with urban sites and agricultural land acquired at reasonable prices through various channels, such as government auction, tender and land exchange. Its existing landbank is sufficient to support its development in the next four or five years. In an ongoing drive to expand further its high-quality landbank, the Group will examine every opportunity to secure valuable sites with good development potential, laying a solid platform for the future development of quality projects.

Over the past few years, the Group has actively expanded its quality portfolio of investment properties both in Hong Kong and the Mainland, as illustrated by the growing number of its top-grade commercial projects and hotels. The recurrent rental income of the Group has steadily increased, following the completion of various grade-A office towers, shopping arcades and hotel developments. The further development of its rental properties continues to be a core objective for the Group, and a visible expansion in total rental floor area combined with improved long-term earnings growth capacity is expected in the coming years.

The Group is always on the lookout for growth opportunities overseas while reinforcing its sound foundation in the local property market. Several projects have been developed and marketed in the United Kingdom, Singapore and the Mainland. The Group will continue to pursue suitable investments in the overseas property markets that show good prospects for expansion.

2. Biotech and New Tech Businesses – Propeller of Future Growth

The Group always strives to attain new heights by venturing into new business arenas. Our biotech initiatives, a new focus of development in recent years, are led by CK Life Sciences Int'l., Inc. ("CK Life Sciences"). Its operations cover two dimensions – health and environmental sustainability, and its products are categorised into five areas – eco-agriculture, bioremediation, dermatological, nutraceutical and pharmaceutical. "NutriSmart" fertilizer, currently marketed in five countries, is the first product launched by CK Life Sciences. More biotech products are expected to come on stream in one or two years, with many of them being the subject of patent applications.

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Report of the Chairman and the Managing Director *(continued)*

The biotech industry is a promising and dynamic field with huge untapped potential. The Group will give full support to this business by providing ample resources for its research and development. As a new milestone in Hong Kong's biotech development, the Group's biotech initiatives also represent a new, exciting chapter for its global initiatives and should become a powerful driver for growth in the future.

Other new tech and hi-tech operations of the Group, such as e-commerce and information-related businesses, are progressing well as planned. These businesses are expected to mature and enter the harvesting stage in one or two years. The Group will continue to venture into specific new tech areas with good potential for revenue growth and value creation, while adhering to its disciplined approach to investment.

3. The Cheung Kong Group – At the Forefront of Globalisation

Our vision of globalisation is shared by other companies within the Cheung Kong Group. Hutchison Whampoa Limited (“Hutchison Whampoa”), an associated company of the Group, has been the major arm in global expansion. A series of strategic worldwide investments were made last year, when Hutchison Whampoa continued to expand and strengthen its global quality assets and operations network. Some of its ventures, such as the 3G mobile services, are long-term investments and would not be expected to provide a contribution in the near term. As its prudent approach to financial and operations management remains in place, Hutchison Whampoa is poised to benefit from the tremendous potential of such businesses when they mature in a few years. The global visions and investment prudence of Hutchison Whampoa, coupled with its strong cash position and effective management, are the enviable advantages that drive it forward. Hutchison Whampoa will continue to position itself for investment opportunities that garner better return for its shareholders, and enhance its established position as a diversified global player.

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Cheung Kong Infrastructure Holdings Limited (“CKI”), a subsidiary of Hutchison Whampoa, continued to strengthen its energy and transportation portfolio during the year, providing a solid profit and cash base for its further growth. It also enriched its investment portfolio to include other infrastructure-related businesses. Driven by its commitment to geographic expansion and industry diversification, CKI will continue its initiatives to identify quality infrastructure investments in Asia, Europe and North America. Hongkong Electric Holdings Limited, an associated company of CKI, continued to generate a good contribution during the year. It remains committed to its overseas expansion wherever suitable opportunities arise.

Sound Financial Position

The Group’s strong financial capability is founded on its well-established capital structure, sound liquidity and reasonably low debt ratio. High long-term credit ratings were given to the Group in recognition of these advantages, which helped facilitate its financing activities and enhance its financial flexibility. The Group’s solid financial foundation allows it to seize suitable business opportunities quickly in order to maximise shareholder value.

Innovative Management

The Group has been able to meet different challenges and opportunities over the years, guided by well-defined objectives and strategies of the management. Our mindset is not confined to the traditional set of values and perspectives. We pursue ongoing innovation and improvement, and continue to cultivate a corporate culture based on intelligence and creativity. The Group is gearing up for the fast-changing environment in the knowledge-based era. It aims to sharpen its international competitive edge with stronger market alertness and responsiveness, better cost control and higher operational efficiency.

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Report of the Chairman and the Managing Director *(continued)*

Promising Prospects

2002 is expected to be another volatile year. Under the impact of globalisation, the economy worldwide will inevitably face greater challenges and difficulties. We are fully confident in the future of the Cheung Kong Group. The Group now has a geographically well-balanced portfolio of businesses spanning 36 countries around the globe, and the overseas businesses generated more profits than Hong Kong and the Mainland in 2001. Given its existing advantages of sound fundamentals and solid financial capability, we are optimistic about the business prospects for the Group in 2002.

While Hong Kong is facing external economic volatility and internal economic transformation, its prospects remain positive. China is set to be a major international market and a new focus for global investments following its accession to the WTO. As countless business opportunities will arise in the Greater China region, Hong Kong is well-positioned to benefit from this favourable trend if it can bring its unique advantages and competitiveness into full play, and tighten its cooperation with the Mainland.

The Cheung Kong Group will continue to be based in Hong Kong while actively pursuing global expansion. As a dynamic and innovative conglomerate, the Group is striving to extend its diversified business portfolio that bridges the Old and New Economies to create more value. Making creative but prudent investments has been the thrust of the Group's philosophy of expansion – a philosophy that ensures its continuing growth and keeps it ahead of the globalisation challenges.

Acknowledgement

Our excellent management team and diligent employees worldwide are a significant intangible asset of the Group and a major force supporting its solid growth. We take this opportunity to extend our thanks to our colleagues on the Board and the staff members of the Group for their hard work, loyal service and continuing support during the year.

Li Ka-shing

Chairman

Li Tzar Kuoi, Victor

Managing Director

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Hong Kong, 21st March, 2002