



*The Cheung Kong Group is steadfast in its global strategy and initiatives. It will continue to strengthen its solid growth with quality investments worldwide, leveraging on its strong financial strength, and following its philosophy of expansion embracing prudent and innovative investment.*

# Report of the Chairman and the Managing Director

*Excelling with  
Global Visions  
and Advantages*



## | PROFIT FOR THE YEAR |

The Group's audited consolidated profit attributable to shareholders for the year ended 31st December, 2002 amounted to HK\$8,876 million (2001 (restated) – HK\$7,237 million). Earnings per share were HK\$3.83 (2001 (restated) – HK\$3.12).

## | DIVIDEND |

The Directors have decided to recommend the payment of a final dividend of HK\$1.22 per share in respect of 2002, to shareholders whose names appear on the Register of Members of the Company on 22nd May, 2003. This together with the interim dividend of HK\$0.38 per share gives a total of HK\$1.60 per share for the year (2001 – HK\$1.60 per share). The proposed dividend will be paid on 27th May, 2003 following approval at the Annual General Meeting.

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## | PROSPECTS |

The transformation process required within Hong Kong has continued during 2002, accompanied by the inexorable march of globalisation. This enabled the overall economy to develop on a healthier track, while competition in all business sectors has intensified. The key to success in this highly competitive environment lies in the global vision and unique competitive edge of a company. The Group has continued its solid growth both locally and globally by capitalising on its unique and distinct advantages. Its philosophy of expansion embracing prudent and innovative investment, combined with its strong financial strength, have ensured the competitiveness of all of the Group's operations, and enabled it to seize new growth opportunities in this fast-paced business world.

### Explore New Dimensions with Prudence

#### Property Business

While the local property market continued to consolidate, the Group successfully launched a number of quality projects that met market trends and customer needs during the year. Sales of these projects were encouraging and exceeded the original target. Different kinds of unsatisfied needs for housing continued to be a fundamental supporting element of the Hong Kong property market, while the SAR Government's recent package to reduce the supply of land and different types of properties should stabilise flat prices. The property market should be able to exhibit a healthier development in the long run. The Group will continue to invest actively in the local property market with cautious optimism.

The Group's rental portfolio has continued to increase significantly in Hong Kong and the Mainland, following active efforts to strengthen the rental property business in recent years. In addition to a multitude of quality hotels, shopping arcades and office towers, the Group has also added all-suite hotels to its rental portfolio. These diversified investment properties with good potential for returns will generate a steady stream of rental revenue, boosting the Group's medium and long term capacity for earnings growth. Revenue from property rental is expected to rise significantly in 2003, following the completion and opening of various quality rental properties.

The Group's property portfolio outside of Hong Kong, including the United Kingdom, Singapore and the Mainland, has continued to expand. The recent promising growth of the Mainland's property market reflects the huge potential to be tapped. The Group will continue to position itself in most major cities in the Mainland to capture opportunities and expand its market riding on this favourable trend.

### New Tech Businesses

Following its successful listing in July 2002, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") reported an operating profit in the fourth quarter of 2002, earlier than the industry norm, and made visible progress in areas of research and development, and market expansion. The eco-fertiliser NutriSmart™ recorded multiple sales growth following its successful production and continuing expansion in distribution. Research on nutraceutical and pharmaceutical products showed better-than-expected results, and is expected to make significant strides between 2003 and 2004. The prospects for CK Life Sciences are promising. Its strong scientific base and robust financials will put CK Life Sciences in an enviable position to develop into a global life sciences company.

Various new tech and high tech projects of the Group, such as e-commerce, Internet access services and information-related businesses, are progressing well and they are poised to contribute their potential for generating good returns. The Group will continue to invest selectively in new tech projects which have the potential for long term profitability and value creation, strengthening further its established position in this knowledge-based era.

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*To create shareholder value by diversification and globalisation continues to be our shared vision.*

### Pursue Diversification to Create Better Value

To create shareholder value by diversification and globalisation continues to be a shared vision among companies within the Cheung Kong Group. All the businesses of Hutchison Whampoa Limited (“Hutchison Whampoa”) have performed well during the year. 3G telecommunications services, a focal point of market attention, were formally launched in Europe this March and the initial market response has been good. The expenditure for the 3G operations has been strictly controlled and is well within the budget. As about 100% of the license costs and approximately 70% of the capital expenditure required for starting up the 3G business will have been incurred by the end of 2003, no significant further expense is expected after 2003 and the total costs will be lower than expected. Good progress has been recorded for all other core businesses of Hutchison Whampoa with positive cash flow and ample liquidity. Its strong financial strength and cash-rich position will enable Hutchison Whampoa to pursue its global initiatives, with quality assets and businesses continuing to expand around the world. As most of its operations continue to grow steadily and become increasingly mature, Hutchison Whampoa is poised to enter a new harvesting stage in its overall development.

Guided by the globalisation initiatives, Cheung Kong Infrastructure Holdings Limited (“CKI”) actively expanded its quality businesses worldwide during the year. Given its sound financial position, and reputation and experience earned in developing and operating international infrastructure projects, CKI is in a unique position to venture to new heights in the global infrastructure market. Hongkong Electric Holdings Limited (“Hongkong Electric”) maintained a steady growth in profit performance for last year, while those investments it made with CKI in Australia continued to perform well. Hongkong Electric plans to continue to invest in countries and in segments of the market that offer acceptable risk levels and sound margins.

## Enhance Financial Prudence and Corporate Governance

In the rapidly changing environment of a global and knowledge-based economy, it is imperative for the top management to develop a macro global perspective. Management must also understand their own organisation as well as those of the others, and be innovative and decisive in order to stay ahead in the competitive race.

The Group's well-established structure and effective policies in the management of finance, organisation and human resources have been the cornerstone of its continuing growth. It has overcome challenges and seized opportunities under varying market conditions over the years. This is attributable to the Group's financial prudence that ensures its solid financials, and its corporate culture integrating a western-style management system with Chinese philosophical thinking that provides the Group with greater stability, flexibility and vitality. As part of the Group's commitment to protect the shareholders' interest, all decisions are made to enhance shareholder value, and in compliance with high standards of corporate governance practices.

## Capture New Opportunities for Further Growth

The global economy is expected to continue to be volatile, given the slowing economy in the United States, and the military situation in the Middle East. While Hong Kong will still face significant economic uncertainties in the near future, we expect that the global economy will be able to stabilise in the long run, and we are confident about the long term economic prospects for Hong Kong. The Mainland is known to be a nation with the largest population and the greatest potential for economic growth, as evidenced by its continuous annual growth rate of 7% or above. The Mainland's manufacturing industry is particularly competitive in the global market. Its robust growth is set to boost demand for the finance and service industries, leading to many opportunities for Hong Kong.

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*The Cheung Kong Group will continue to pursue quality investments in Hong Kong, and further enhance its global presence and competitiveness.*

As a trading platform between the Mainland and foreign countries, Hong Kong boasts many advantages and some of its major industries remain uniquely competitive. The SAR Government's policy to forge a closer economic partnership with the Pearl River Delta will provide development opportunities for most industries in Hong Kong. Hong Kong people should be able to turn the present challenges into opportunities and ultimately revitalise the local economy, provided that they remain confident, maintain an enterprising spirit and are optimistic about Hong Kong's long term future.

The Cheung Kong Group will continue with its policy to pursue quality investments in Hong Kong, and further enhance its global presence and competitiveness underpinned by the strategic investments made by Hutchison Whampoa in 41 countries around the world. It will further expand its quality businesses with new investments both locally and globally. We are fully confident about the future of the Group, and see promising prospects for its overall growth. All our core businesses and new operations will continue to grow steadily, and investments outside of Hong Kong will expand more rapidly, providing an even stronger foundation for the Group to excel and thrive.

### **Forge Ahead with Our Dedicated Talents**

Our excellent management team and diligent employees worldwide are a significant 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

Hong Kong, 20th March, 2003