



SEIZING NEW GROWTH OPPORTUNITIES

We are well positioned to seize new growth opportunities on the path of economic recovery, building on our unique advantages of solid financials, flexibility and a strong capacity for global investments.

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to shareholders for the year ended 31st December, 2003 amounted to HK\$9,815 million (2002 (restated) - HK\$8,782 million). Earnings per share were HK\$4.24 (2002 (restated) - HK\$3.79).

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DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK\$1.30 per share in respect of 2003, to shareholders whose names appear on the Register of Members of the Company on 20th May, 2004. This together with the interim dividend of HK\$0.38 per share gives a total of HK\$1.68 per share for the year (2002 - HK\$1.60 per share). The proposed dividend will be paid on 25th May, 2004 following approval at the Annual General Meeting.



REPORT OF THE CHAIRMAN AND THE MANAGING DIRECTOR *(continued)*

PROSPECTS

Operations

2003 was a watershed year for Hong Kong's economy. Against the backdrop of an already weak economy, business activities were further frustrated by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first half of the year. Fortunately, overall market sentiment and confidence improved visibly in the second half year when the SARS epidemic was contained. A series of Central Government-supported policies, including the Closer Economic Partnership Arrangement ("CEPA"), the lifting of restrictions for individual travelers from the Mainland, and the opening up of the Renminbi clearing business in Hong Kong, acted as further stimuli to Hong Kong's economic recovery.

The Group's various businesses continued to grow steadily in 2003 despite the difficult global market. To gear up for the reviving economy, we will continue to follow the four major principles that have guided us to solid growth:

- take proactive steps to further strengthen the core property business;
- expedite diversified new tech ventures by leveraging on our existing advantages;
- pursue business and geographic diversification through strategic investments made by listed affiliated companies;
- enhance solid financials and corporate governance regime to promote shareholders' interests.

Core Property Business

The Group's profit before share of results of the Hutchison Whampoa Group increased by 64%. The stimuli provided by the recovering economy, lower unemployment, and shrinking deflation have resulted in steady improvements in property activities, both in terms of volume and prices. This is evidence of the beginning of a gradual recovery in the local property market. Following our proactive and prudent investment strategies, various developments and marketing campaigns were launched as planned last year. Our sales results surpassed original targets in 2003 as our customer and earnings base continued to strengthen and expand. Overall returns for the Group's existing projects have been satisfactory. We expect to cultivate new streams of revenue for the Group as our sizable landbank, comprising various prime sites acquired at reasonable cost during the last few years, is developed into diversified quality projects that will bring additional value to the Group.

Underlying housing demand and purchasing power will continue to surge following the clearer land supply and housing policies of the SAR Government. The market is set to show a healthy recovery, along with a rebounding economy and rising market confidence. We are well positioned to seize the opportunities arising from the steady market upturn. In an ongoing drive to strengthen our property business, we will continue to replenish our quality landbank, expand our diversified property development portfolio, and further enhance our brand value.

In August 2003, the Group completed the sale of its interest in five retail shopping malls to the Singapore-listed Fortune Real Estate Investment Trust. This reflects our efforts to enhance the underlying value of rental properties and bring better returns to our shareholders. As Hong Kong actively accelerates its economic integration with the Mainland and nurtures cross-border tourism, demand is expected to surge in the retail rental market. We continue to focus on expanding and enhancing our quality rental portfolio, which has been rapidly extended in recent years, in order to tap into the major opportunities that lie ahead.

The Group continued to expand overseas during the year, pursuing suitable investments for prime sites and developments in property markets outside Hong Kong. Our solid ventures in the Mainland, the United Kingdom and Singapore have provided good models for future investments in other potential markets. The formula that led us to our success in Hong Kong, as well as our responsiveness to different markets, will place us on a solid footing to further extend our geographic coverage and market penetration.

Diversified New Tech Platforms

The Group embraces technological advancement and is open to technology opportunities as they emerge. A number of new tech projects have reached the harvesting stage and have started to add value to the Group's assets. CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") is a promising biotech investment with immense potential for value creation. Displaying rapid progress and growth, CK Life Sciences is making encouraging headway in R&D and business development, while its strong capital base provides sufficient funding for the ongoing R&D work in the pipeline. In 2003, notable progress was made in research for cancer and AIDS, the patent portfolio continued to grow, new products were rolled out, and the eco-fertiliser business continued to extend its geographic reach. During the year, CK Life Sciences also received a number of awards, evidence of international recognition for its R&D achievements. Given the significant underlying commercial value of various projects that will be introduced to the market in the future, we look forward to promising growth for CK Life Sciences.



REPORT OF THE CHAIRMAN AND THE MANAGING DIRECTOR *(continued)*

In March 2004, the Group and the Hutchison Whampoa Group completed the disposal of their entire interest in PowerCom Network Hong Kong Limited ("PowerCom") and Hutchison Global Communications Investments Limited ("HGC") respectively to Hutchison Global Communications Holdings Limited (formerly Vanda Systems & Communications Holdings Limited) ("HGC Holdings"). The integration of PowerCom, HGC and HGC Holdings will create an IT and communications technology powerhouse with innovative offerings such as broadband services through power sockets. This transaction is a good example of the synergies, value and benefits that new tech businesses can generate once they mature. The Group and the Hutchison Whampoa Group now hold an approximately 3.6% and 52.5% interest in HGC Holdings respectively.

We have our sights firmly set on new tech investments to create new sources of returns for shareholders. In addition to our existing value-added projects, we are eyeing opportunities in other high tech arenas that show potential for growth and value generation.

Listed Affiliated Companies

Market response has been positive for the 3G telecommunications services, a primary focus of the Hutchison Whampoa Group in the United Kingdom, Italy, Australia and Hong Kong. The handset shortage is resolved as all major handset manufacturers are now in the market. Decreasing operating costs, along with the continuous improvement in technology, will soon establish 3G as a necessity in modern life. The long term prospects for this business are tremendous. We expect that the Hutchison Whampoa Group will enter a new phase of growth when the strong value creating capacity of the 3G business is fully realised over the next few years. In the meantime, all of the traditional core businesses, both locally and overseas, have performed better than last year. These businesses, together with the 3G operations, will continue to grow and generate satisfactory returns.

2003 represented a year of sustained organic growth for Cheung Kong Infrastructure Holdings Limited (“CKI”). A year-on-year profit growth has been maintained for the seventh consecutive year. Hongkong Electric Holdings Limited (“Hongkong Electric”), an associate of CKI, continued to provide a steady profit contribution to CKI, and strong performance in the Australian and Chinese operations provided solid revenue streams. Equipped with strong financials, CKI is very well positioned to make new, secure and profitable investments as it progresses along its growth roadmap. In 2003, the results of Hongkong Electric were adversely affected by an increase in tax charges due to an increase in tax rates and a substantial one-off provision for deferred tax, as well as very low demand growth resulting from the impact of the SARS crisis. However, the fundamentals of Hongkong Electric remain sound, and its overseas investments continue to perform well. Its strong financial position supports its ongoing worldwide search for suitable investment opportunities offering an acceptable return relative to the risks involved.

Financial Position and Corporate Governance

In the highly competitive global market, the Group has demonstrated a strong ability to maintain its established market position, and to seize timely opportunities for global expansion. This ability hinges on our visionary and innovative mindset, as well as our traditional philosophy of financial prudence - low debt ratio and strong liquidity. We are well positioned to seize new growth opportunities on the path of economic recovery, building on our unique advantages of solid financials, flexibility and a strong capacity for global investments.

We place great emphasis on our core values of honesty and integrity. As part of our commitment to good corporate practice, we have in place a corporate governance framework that gives balanced weight to shareholders’ interests and management issues. Decisions are made in compliance with corporate governance practices to enhance shareholder value.



REPORT OF THE CHAIRMAN AND THE MANAGING DIRECTOR *(continued)*

Prospects

We look to 2004 with optimism. Hong Kong is uniquely positioned to benefit from China's robust economic growth, fuelled by accelerated market liberalisation and economic reform. Coupled with Central Government-supported policies designed to assist Hong Kong revitalise itself, this provides a sound platform for the continued recovery of Hong Kong's economy, and the gradual upturn of the property market in the coming year.

CEPA is set to be a strong catalyst for economic integration between Hong Kong and the Mainland. This offers plenty of investment opportunities for Hong Kong, and bodes well for its long-term economic prospects. The virtues of the people of Hong Kong - diligent, entrepreneurial and innovative - will again lead us to a new era of exciting growth. We will see Hong Kong play a greater role as a bridge between the Mainland and the international markets, further sharpening its regional and global competitiveness. This vision, shared by all of us, will be realised if we always strive for excellence, and bring into full play our unique qualities.

We look ahead to more promising prospects for the Cheung Kong Group as the global economy continues to improve. We are confident that our quality businesses around the globe, supported by the strategic investments of the Hutchison Whampoa Group in 39 countries, are well poised to seize new opportunities and forge new growth in the years to come. As a multi-national company with real dynamism and vitality, the Group will go from strength to strength by adhering to our philosophy of merging eastern and western styles of management, as well as leveraging on our outstanding management team, dedicated and talented staff, and sound financials.

Acknowledgement

The Group has produced sound results under difficult and challenging market conditions. We take this opportunity to extend our thanks to our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service and contributions during the year.

Li Ka-shing

Chairman

Li Tzar Kuoi, Victor

Managing Director

Hong Kong, 18th March, 2004