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The operational performance of the Group has maintained high-speed growth and created a new record high in 2003.



Dr. Fu Yuning
Chairman

I am pleased to present the 2003 Annual Report and the audited financial statements for the year ended 31 December, 2003.

The operational performance of the Group has maintained high-speed growth and created a new record high in 2003.

OPERATIONAL PERFORMANCE

Major performance indicators recorded double-digit growth. As of 31 December 2003, turnover of the Group reached HK\$ 2,130 million, together with turnover attributable to the Group's associates and jointly controlled entities at an amount of HK\$ 7,906 million, which was increased by 26.1% and 22.8% over the same period last year. Profit attributable to shareholders reached HK\$ 1,466 million, which was increased by 66.1% over the same period last year. Earnings per share reached HK69.86 cents, with a 62.7% increase over the same period last year.

DIVIDENDS

In view of the remarkable performance of the Group, the board of directors recommended the distribution of a final dividend, as a reward for the constant support of the shareholders, at the rate HK29 cents which, together with the interim dividend of HK13 cents already paid, will make a total dividend per share for this year of

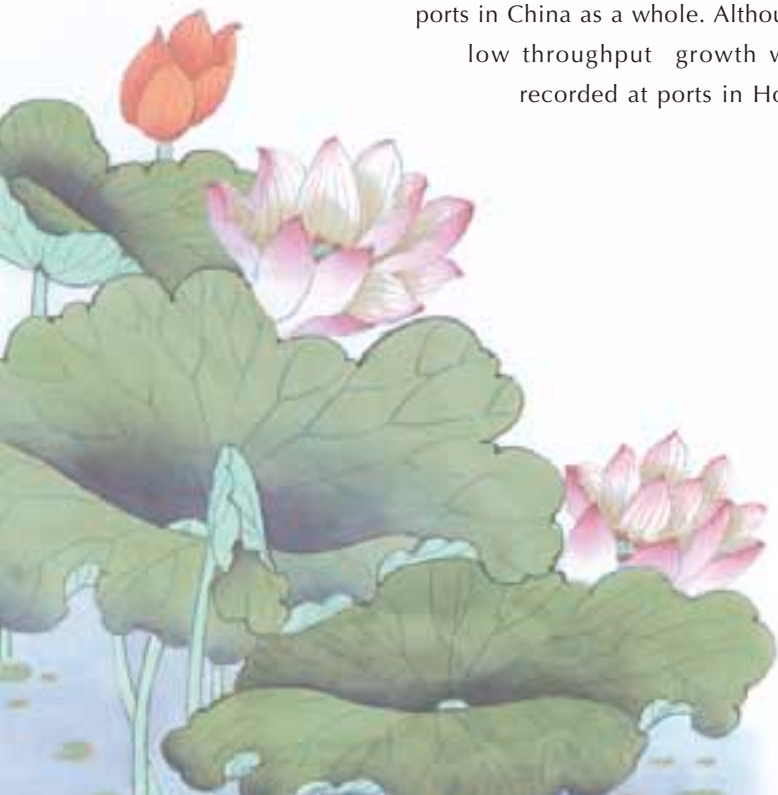


HK42 cents, representing an increase of HK20 cents over the same period last year. Dividend payout was 61.3%. Subject to shareholders' approval at the forthcoming general meeting of shareholders, the final dividend will be payable on July 16, 2004 to shareholders whose names appear on the register of members of the Company on June 8, 2004.

REVIEW OF THE YEAR

I am delighted to note that the Group achieved outstanding results in various business segments in 2003 and benefitted from the high-speed growth of China's economy and the efforts jointly made by the Group's management and all its staff. Port business maintained its lead in PRC and Hong Kong market. Throughput of containers at the Group's terminals in Shenzhen increased by over 50%, which was 10 percentage points higher than the average growth rate of Shenzhen Port and more than 20 percentage points higher than the growth rate of ports in China as a whole. Although low throughput growth was recorded at ports in Hong

Kong as a whole, throughput at the Group's terminals in Hong Kong still realized double-digit growth. The throughput of containers handled by the Group was about 10 million TEUs in total, which was an increase of more than 30% over the same period last year, and the profit contribution of port business is HK\$683 million, a 31% increase over last year, and profit contribution of port business made up over 54% of the Group's operational profit. Manufacturing of containers and related business have also performed unusually well, and annual sales of containers exceeded 1 million TEUs for the first time, accounting for 53% of the worldwide market. The toll road business overcame the disadvantageous influence of SARS and the growth has remained stable. The oil tanker business has benefitted from prosperity in the market, and the profit contribution has seen a 16% growth compared with the same period last year.





The Group

exclusively strengthened

the leading port operator's position in China

During the year, the Group seized an opportunity in the market and implemented a pro-active investment and development strategy alongside with improvement in the standard of management. The Group also made considerable progress in the strategic layout of ports, business expansion and strengthened the coordination of investment projects. The Group also stabilized further the leading role it plays in operating ports in China.

While consolidating its prime position in the Pearl River Delta market, this year, the Group invested in three container ports Ningbo, Qingdao and Tianjin, and successfully realized its strategic layout in the three most active economic regions of China, the Pearl River Delta, the Yangtze River Delta and the Bohai Coastal Area, so forming a nationwide network of ports.

The Group exclusively introduced port-bond zone collaboration in China and promoted the link of ports with the free trade zones. Functionalities of the ports were increased. Customers of the ports expanded continuously. Sources of profit also broadened. Satisfactory progress has been made in the barge shuttle network system, electronic information platforms and other port services. The development of these businesses demonstrated that the Group has broken through the business model of only engaging in stevedore operations in traditional ports. We believe that the expansion of multi-level state-of-the-art marine logistic services with the ports as its core will bring a marked improvement in the unique competitive advantage of the Group in ports.

The Group also promoted the coordination and cooperation among port enterprises that are held by the Group, thereby making full use of the Group's resource advantages and providing through its wide ranging port business high-quality international services to its customers.



The Group will create a more splendid future

FUTURE PROSPECTS

The Group is full of confidence as to its future development. It is estimated that in 2004, China's economy and foreign trade will continue to grow apace and the economy of Hong Kong will improve. The external market environment to which the Group is subject is encouraging. By capitalizing on the enhancement and improvement of the integrated management and control capabilities at major ports in the PRC and the continuous optimization of the Group's port business, together with new berths commencing operation, the Group will achieve ever better results.

Looking to the future, the Group will continue its efforts to optimize the industry, withdraw from the non-

core businesses as planned and centralize advantageous resources to develop the port business and the relevant auxiliary services. The Group will continue to improve its strategic layout in ports of China and develop logistic chain matching with the ports and set up marine logistic comprehensive service systems with ports as their core. In the next five years, the Group's container berths that are currently under construction in Tianjin, Ningbo, Qingdao, Zhangzhou and Shenzhen will be completed in turn, and will become new profit centres which will also improve the nationwide container hub network, thereby showing the effects of powerful coordination. I am fully confident that, with the solid strength and resource advantages of the Group, the adoption of a leading development strategy, the modern integrated port management system as promoted and perfected by the Group with the professional capabilities and experiences of the management, it will create a more splendid future and provide satisfactory return to shareholders.



INVESTOR RELATIONS

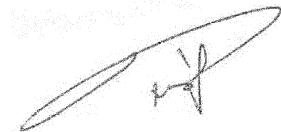
The Group always pays attention to investor relations and does its best to ensure smooth communication between investors and the management of the Company, which thereby makes the Company more transparent. During the year, the Company participated in six global investor meetings and was introduced to over 200 investment funds. It went on four global roadshows and carried out face-to-face meetings with more than 70 funds. The Company met over 600 fund managers and analysts in total.

Good investor relations will deliver information on the Company in a more comprehensive, timely and effective manner to the public and will help to reflect our intrinsic value as to the share price. Performance of the Company's shares in 2003 had been outstanding, which reflected the ample recognition of the capital market on the Group. During this year, the increase in the Company's share price was more than 106% at the maximum, which outperformed the Hang Seng Index and Red Chip Index in Hong Kong for the same period.

CAPITAL AND CONVERTIBLE BONDS

By December 31, 2003, the Company had issued 2,140,142,974 shares. During this period, HK\$ 108 million was received from the issue of 21,560,000 shares as a result of the exercise of share options. The Company also issued 61,997,586 shares on the exchange of Convertible Bonds. The Convertible Bonds issued by the Company in April 1999 were fully converted into shares of the Company. Apart from the above, the Company did not issue any new shares this year.

I wish to take this opportunity to express my sincere appreciation for the great support and effective work of all shareholders and employees of the Group.



Dr. Fu Yuning
Chairman

Hong Kong, 29 March 2004

