



Promising Growth on Strong Foundations

“Building on solid fundamentals and supported by the Mainland’s positive macro outlook, all businesses of the **Cheung Kong Group** are poised to grow from strength to strength in the years ahead.”



Profit for the Year

The Group's audited consolidated profit attributable to shareholders for the year ended 31st December, 2004 amounted to HK\$12,380 million (2003 (restated) - HK\$8,708 million). Earnings per share were HK\$5.35 (2003 (restated) - HK\$3.76).

Dividend

The Directors have decided to recommend the payment of a final dividend of HK\$1.42 per share in respect of 2004, to shareholders whose names appear on the Register of Members of the Company on 19th May, 2005. This together with the interim dividend of HK\$0.38 per share gives a total of HK\$1.80 per share for the year (2003 - HK\$1.68 per share). The proposed dividend will be paid on 24th May, 2005 following approval at the Annual General Meeting.

The Group's audited consolidated profit attributable to shareholders amounted to HK\$12,380 million, increased by **42%**.

Prospects

Business Performance

“All the core businesses of the Group continued to develop and expand along our growth roadmap in 2004. It was a reflection of our strength in establishing new ventures and operating businesses under prudent, effective management, and our ability to capitalise on the market upturn.”

Property Business

In 2004, Hong Kong's economy continued to rebound strongly on the back of the global economic revival and the Central Government supported policies. Real GDP growth was 8.1%, primarily driven by the robust growth in exports and retail sales. A strong boost in domestic demand led to the ending of the protracted deflationary period in Hong Kong, and more job opportunities helped to alleviate the problem of unemployment.

The property market recorded a steady growth in transactions and prices for the year despite a few months of slowing sales in mid-2004, demonstrating that the market is supported by strong underlying demand and is now back on track to a steady recovery. In tandem with sustainable economic growth, a number of factors such as a stable land supply, good responses to land sales, the offering of 95% mortgages, as well as reduced cases of negative equity are creating favourable conditions which could further boost the market. We look forward to more optimistic prospects for the property market, and there is room for further firming of residential prices.

Our property business delivered solid results in the face of stiff competition. While significant strides were made in terms of project design, building construction, sales volume and cost control, we also recorded satisfactory revenue both from property sales and treasury investments. For the year 2004, the Group's profit before share of results of the Hutchison Whampoa Group increased by 50%.

The Group's landbank has continued to expand in recent years, and it has been further strengthened following a number of key acquisitions of prime sites and investment properties during the year based on the reviving market. Currently we have an ample landbank to support development over the next four to five years. The Group's policy has always been to ensure that the gross floor area of land reserve and properties for sale are maintained at a healthy ratio. We will keep the pace of landbank expansion in step with market conditions and attuned to our needs for medium and long term development.

Office occupancy and rentals are expected to improve further in Hong Kong's commercial property market. This is largely driven by the return of investor confidence given the positive economic outlook, and increased investment from local and international firms, particularly those from Mainland enterprises following the introduction of the investment facilitation policies. Hotels and retail properties will also benefit from increasing tourist arrivals. The Group acquired two hotel projects during the year under review, and the performance of the quality portfolio of investment properties was satisfactory. Occupancy rates and rentals are expected to rise as our properties continue to enrich their service offering.

We achieved solid results in our property ventures outside of Hong Kong. During the year under review, good progress was made on all fronts including land acquisition, property development, brand recognition, and revenue enhancement both from sales and leasing. With our extensive experience in the property sector and our unique development strategy and principles, we have achieved considerable success over the years. Looking ahead, the Group will continue to extend our foothold beyond Hong Kong by cautiously selecting potential markets in the Mainland as well as overseas with the aim of bringing additional value to the Group.

New Tech Ventures

The upward growth momentum of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") was demonstrated by solid corporate developments in 2004 in a number of areas — from financial results, corporate expansion to research and development ("R&D"). Timely acquisitions were made during the year, enabling CK Life Sciences to accelerate its expansion into target markets, and to enlarge its sales force, sales and distribution network and customer base. The markets for eco-fertiliser and health supplements are expected to continue to expand as demand for environmental and health-related products grows. Upholding the mission of "Restoring Freshness to Nature; Bringing Quality to Life", CK Life Sciences will continue its efforts in R&D progress and operations expansion in the areas of environment and health, while at the same time pursuing its acquisition strategy. It is expected that this two-pronged approach to organic growth and acquisition will take CK Life Sciences on a fast growing track.

The prospects for our new tech businesses are positive as we possess the sound human and financial resources which are required to support these exciting ventures in the high tech arena. Following the successful formula of the past few years, we will continue to tap into the growth potential of various new tech projects to create new quality assets and earnings channels for the Group.

Listed Affiliated Companies

Despite various challenges in the global market, all the core businesses of the Hutchison Whampoa Group have made satisfactory progress during the year. It is expected that these businesses with strong growth potential will continue to deliver a solid performance in 2005. Its major investment in the global 3G business performed particularly well over the past year. With an encouraging rate of growth, its 3G customer base exceeded 8 million worldwide as at the end of March. The 3 Group is poised to capitalise on its first mover advantages in 2005 and is expected to achieve EBITDA breakeven after expensed customer acquisition costs in the latter part of this year. While market competition is heating up, our 3G business has been built on a solid platform and is currently in a leading market position. The 3 Group will exit 2005 in a position to begin to contribute positively to the results of the Hutchison Whampoa Group.

In 2004, Cheung Kong Infrastructure Holdings Limited ("CKI") realised a number of expansion strategies and continued its course of organic growth. CKI has developed a strong foundation for future investments and expansion. It is poised to reap the rewards of its much-strengthened investment portfolio while pursuing new investments and considering fresh opportunities in Australia, Europe and North America. 2004 was a year of challenges for the local business of Hongkong Electric Holdings Limited ("Hongkong Electric"), as unforeseen increases in operating costs and a tariff freeze in 2004 resulted in earnings below the permitted level specified in the Scheme of Control Agreement. However, its operations in Australia continued to perform strongly and have generated good returns. Looking forward, Hongkong Electric will continue to leverage on its existing resources and expertise to explore new business opportunities and concentrate on selected markets which offer stable returns with manageable risks.

Looking Forward

“Building on solid fundamentals and supported by the Mainland’s positive macro outlook, all businesses of the Cheung Kong Group are poised to grow from strength to strength in the years ahead. We have complete confidence in the long-term economic prospects for the Mainland, Hong Kong and 45 countries around the globe in which the Group has established businesses.”

Looking ahead to 2005, Hong Kong will still face many uncertainties involving rising oil prices, higher interest rates, and the continued weakness of the US dollar. However, we expect that the local economy will continue to grow steadily in the coming year, as the overall interest rate level is likely to remain low and the strength in export trade and domestic demand will continue to be strong.

The China factor continues to be a major impetus for Hong Kong's economic growth. China's macro fine-tuning measures to adjust the pace of economic growth have started to prove their worth. As healthy economic strides are anticipated and the long-term growth momentum is poised to continue, the prospects for the Mainland are promising. This also bodes well for Hong Kong's future. Enormous business and growth opportunities have emerged from the accelerated convergence of the economic environments of Hong Kong and the Mainland, and these opportunities will give rise to unlimited international potential. Hong Kong should position itself to build on its strength and competitiveness to seize the greatest benefit from this positive trend, and to strive for sustainable economic growth.

We have ample human and financial resources in our various businesses to drive future growth in the Mainland, Hong Kong and 45 countries around the globe. The year 2005 promises opportunities as well as challenges. Based on the strength of our diversified businesses, global vision and excellent management team, complemented by our well-established reputation and strong financial background, we are confident that the Group can meet the opportunities and challenges ahead and will continue to grow our businesses worldwide. We have full confidence in the future prospects for the Cheung Kong Group.

Acknowledgement

We would like to take this opportunity to welcome two new Independent Non-executive Directors to the Board: Mr. Kwan Chiu Yin, Robert and Mr. Cheong Ying Chew, Henry. We are sure we will benefit from their contributions to the Group in the future as they bring with them tremendous experience and a strong international outlook.

The Group has made remarkable strides in global expansion. 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, 31st March, 2005