Chairman’s Letter

“2003 is a year of realignment and satisfactory organic growth for CKI.”

Highlights

- In 2003,
  - Profit before tax was HK$4,185 million, an increase of 8%
  - Profit after tax attributable to shareholders was HK$3,349 million, an increase of 1%
  - Annual dividend growth of 5%
- Seven consecutive years of sustained growth
- Hongkong Electric generated a substantial profit contribution: HK$2,281 million
- Infrastructure investments achieved YoY profit contribution growth of 21%
  - 28% profit contribution growth in Australian infrastructure projects
  - 13% profit contribution growth in China investments
- Strong financial platform, poised for future growth
  - Cash-on-hand of HK$7.2 billion
  - Net debt to equity ratio of 18%
The Group is eminently positioned to invest in new infrastructure projects in 2004.
Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive.

2. Transportation – Steering Towards Future Growth

Against the backdrop of China’s growing economy and soaring GDP, our transportation business in the Mainland continued to report organic growth in 2003. More than half of our transportation projects in the Mainland generated double-digit growth in toll revenue. In particular, toll revenue from the Guangzhou East-South-West Ring Road, and the National Highway 107 at Zhumadian increased 20 per cent. and 34 per cent. respectively over last year.

In Australia, the construction of the Sydney Cross City Tunnel, a two-kilometre cross city tollway tunnel linking Sydney’s eastern suburbs with the western side of the city, is making steady progress. Under effective management control, the project is proceeding on budget and construction is ahead of schedule.

3. Infrastructure Related Business – Solidifying Market Leadership Position

2003 was another challenging year for the Group’s infrastructure related business. Infrastructure materials have faced competitive prices and downward volume trends in the region and this has impacted on contribution from this sector. With the general economy picking up and the property markets showing signs of recovery, the demand for cement, concrete and aggregate is expected to increase. The Group looks forward to better prospects for its materials business.

A merger of the concrete and quarry operations of Anderson Asia (Holdings) Limited (“Anderson Asia”) and the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world, was announced in early 2004. This move will create the largest concrete and quarry supplier in Hong Kong strengthening the Group’s market standing in the supply of infrastructure materials. It will also lead to consolidation and maximisation of operational efficiency.

On Course on the Growth Roadmap

2003 represented a year of consolidation and re-alignment for CKI. Given the unsettling macro landscape of last year, we sustained satisfactory organic growth. Looking ahead, as the economy improves in Hong Kong, it is expected that Hongkong Electric and the infrastructure related business will benefit during the recovery. Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive. With our strong financials, cash-on-hand of HK$7.2 billion and low net debt to equity ratio of 18 per cent., the Group is very well positioned to make new, secure and profitable investments as we progress along our growth roadmap.

Mr. Barrie Cook has retired as an Executive Director of the Company. He has been with the Group for the last 21 years developing the materials division which comprises Green Island Cement (Holdings) Limited and Anderson Asia. Barrie has been one of Hong Kong’s leading pioneers of environmental sustainability and has introduced a number of major environmental initiatives to both CKI and Hong Kong. I would like to extend my thanks and appreciation to him for his diligent efforts and am pleased to say that he will remain as part of CKI as a Non-executive Director.

Finally, I would like to offer my thanks to the Board of Directors and our staff for their commitment, dedication and hard work, and to all our shareholders for their support and confidence in the Group.

LI TZAR KUOI, VICTOR
Chairman

Hong Kong, 9th March, 2004