



CHEUNG KONG BOND FINANCE LIMITED

(incorporated with limited liability under the laws of the Cayman Islands on 12 August 2002)

HK\$10,000,000,000 Retail Note Issuance Programme

guaranteed by

CHEUNG KONG (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance of Hong Kong)

Programme Prospectus dated 18 January 2005

We have registered this Programme Prospectus, signed on behalf of our directors, with a letter from Cheung Kong (Holdings) Limited's auditors consenting to the inclusion of their audit report, with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. Neither the Registrar of Companies nor the Securities and Futures Commission take any responsibility for its contents.

IMPORTANT

If you are in any doubt about any of the contents of this programme prospectus, you should obtain independent professional advice.

Our notes will be issued under this retail note issuance programme. You should read the relevant issue prospectus as well as this programme prospectus before deciding whether to buy our notes.

We cannot give you investment advice; you must decide for yourself whether our notes meet your investment needs.

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SUMMARY OF OUR RETAIL NOTE ISSUANCE PROGRAMME

We have set up our retail note issuance programme so that we can issue our notes to the public in Hong Kong frequently and easily.

This is an overview of the main features of our programme. We will publish an issue prospectus to specify the terms for each series of our notes.

Issuer:	Cheung Kong Bond Finance Limited
Guarantor:	Cheung Kong (Holdings) Limited (“Cheung Kong Holdings”)
Guarantor’s current corporate credit ratings:	Long-term credit ratings: Standard & Poor’s: A-
Description:	HK\$10,000,000,000 Retail note issuance programme.
Programme size:	Up to HK\$10,000,000,000. The programme size may be increased by us.
How we issue:	Our notes will be offered in one or more series under an issue prospectus. You can buy our notes through the distributors specified in an issue prospectus.
Currencies:	We may issue notes in Hong Kong dollars, US dollars or other currencies. We will specify the currency of our notes in an issue prospectus.
Ranking of our notes:	Our notes rank as our direct, unconditional, unsubordinated and unsecured obligations, ranking pari passu amongst themselves and with all our other outstanding, unsecured and unsubordinated obligations, unless we specify differently in an issue prospectus.
Guarantee:	Payments due to be made by us under our notes will be unconditionally and irrevocably guaranteed by Cheung Kong Holdings. The obligations of Cheung Kong Holdings under its guarantee of our notes rank as its direct, unconditional, unsubordinated and unsecured obligations, ranking pari passu amongst themselves and with all its other outstanding, unsecured and unsubordinated obligations.
Maturities:	We will specify the maturity of the notes in an issue prospectus.
Offer price:	We will issue our notes at the prices specified in an issue prospectus.
Redemption price:	Our notes will be redeemable at 100 per cent. of their principal amount or at any other redemption amount specified in an issue prospectus.
Interest rate:	Our notes may or may not pay interest. If our notes do pay interest, the applicable interest rate and how it will be calculated or fixed will be as specified in an issue prospectus.
Denominations:	We will specify the denominations of our notes in an issue prospectus.
Governing law:	Hong Kong law governs our notes.

Listing: Our notes will not be listed on any stock exchange.

Use of proceeds: We will on-lend the proceeds from issues of our notes to Cheung Kong Holdings or its subsidiaries for their general corporate purposes.

We may also issue structured notes under our programme. The issue prospectus for an issue of structured notes will give details of the features of the notes.

OUR RETAIL NOTE ISSUANCE PROGRAMME

Our notes will be issued and sold under our retail note issuance programme. Our programme was authorised and approved by resolution of our board of directors on 30 September 2003. The giving of the guarantee by Cheung Kong Holdings was authorised and approved by resolution of the board of directors of Cheung Kong Holdings on 30 September 2003. The main legal documents which make up our programme are summarised here.

Our notes are constituted by a trust deed. The trustee acts as a representative of noteholders

When issued, our notes have the benefit of a **trust deed**. The trust deed was entered into by us, Cheung Kong Holdings and Law Debenture Trust (Asia) Limited as trustee on 14 October 2003. The trust deed is a master document: we and Cheung Kong Holdings will enter into supplemental trust deeds with or give notice to the trustee every time we issue notes. The trust deed as supplemented by the supplemental trust deed or the trustee notice is the trust deed for those notes. The terms and conditions for our notes are scheduled to the trust deed.

In the trust deed we promise to repay principal, to pay any stipulated periodical interest on our notes, and to perform any other payment or delivery obligation, depending on the terms of the particular notes. Cheung Kong Holdings guarantees under the trust deed to perform those of our obligations which we fail to perform.

The trust deed also sets out the role of the trustee. The trustee acts as the representative of noteholders. Its major functions are to:

- hold on trust for noteholders the benefit of our undertakings and the guarantee, including our promise to repay principal and pay interest
- if necessary, take action against us and Cheung Kong Holdings to enforce our undertakings and the guarantee.

In addition, the trustee has power to agree to modifications to the notes which are minor, technical, or made to correct obvious mistakes.

We and Cheung Kong Holdings also give undertakings in the trust deed to support the trustee's role. For example, we and Cheung Kong Holdings agree to

- provide the trustee with copies of our and Cheung Kong Holdings' financial information and other notices to noteholders

- keep the trustee informed about any notes which we or Cheung Kong Holdings buy back and hold
- tell the trustee if we or Cheung Kong Holdings breach any of our or its undertakings or if there is an event of default under the notes.

Under the trust deed, the trustee must perform its role with reasonable care, but there are provisions which protect it from liability and entitle it to indemnification.

We have a principal paying agent for administrative functions

Administrative matters relating to our notes are dealt with in the **paying agency agreement**, which we, Cheung Kong Holdings and the trustee entered into on 14 October 2003 with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as our principal paying agent. This agreement sets out the arrangements between us and our principal paying agent for:

- making payments of principal and interest on our notes
- giving notices to the noteholders
- issuing individual certificates for notes, in the unlikely event that we ever need to do so
- organising and running meetings of the noteholders
- keeping records and dealing with other administrative matters.

The principal paying agent is our agent: it owes no duties to you as investors in the notes.

Each offer of notes is arranged under our framework dealer agreement

The legal framework under which we arrange for the offering, issue, placing and/or underwriting of our notes is contained in the **dealer agreement**, which we and Cheung Kong Holdings entered into on 14 October 2003 with HSBC as arranger and Standard Chartered Bank as co-arranger of our programme. Scheduled to the dealer agreement are the terms of our **subscription agreements**. We and Cheung Kong Holdings will also enter into **market making agreements** with the distributors for each series of our notes in order to provide liquidity and secondary trading for our notes. All these agreements record the

detailed arrangements between us and the distributors involved in offering or underwriting our notes: you do not, as investors in notes, have any rights under these agreements. If these agreements,

as they apply to any particular offering of our notes, contain information which is relevant to you as investors in the notes, we will disclose it in the applicable issue prospectus.

HOW TO BUY OUR NOTES

Our notes are available only from the distributors specified in the issue prospectus for that series. You cannot purchase our notes directly from us, Cheung Kong Holdings, the arranger or the co-arranger.

DO I NEED AN APPLICATION FORM?

No: we will not issue an application form for the notes.

The distributor with which you place your order will ask you to fill in their order form and to make a series of confirmations and acknowledgements, including those set out below.

Distributors may be acting as principal or agent when they sell our notes. The capacity in which your distributor acts could, in some situations, affect your legal remedies against the distributor, us and Cheung Kong Holdings. Your relationship with your distributor is governed by the customer agreement you sign with the distributor and is not controlled by us or Cheung Kong Holdings or by anything in this programme prospectus or an issue prospectus. Ask your distributor to clarify if you are concerned about this.

HOW DO I HOLD MY NOTES? WHAT MUST I RELY ON MY DISTRIBUTOR TO DO FOR ME?

We do not issue individual certificates for our notes, so you must arrange for your distributor to hold them in a securities or investment account. If you do not have a securities or investment account already, you will have to open one before you can buy our notes.

Discuss this with your distributor and shop around if you wish: distributors charge varying fees to open and maintain these accounts. Ensure you are familiar with the standard terms and conditions, including fees, which your distributor will apply to your account. Ask your distributor to explain if you are not familiar with these arrangements.

You should note that your total return on an investment in our notes will be affected by charges levied by your distributor.

Our notes will be held in Euroclear and/or Clearstream, which are two major international clearing systems for securities, and/or the Central Moneymarkets Unit Service (CMU), which is a clearing system run by the Hong Kong Monetary Authority.

Individual investors cannot open a personal account at either Euroclear, Clearstream or CMU: they only cater for institutions.

Your distributor will arrange to hold your notes for you in an account at Euroclear, Clearstream or CMU. We or Cheung Kong Holdings will make all payments on our notes to Euroclear, Clearstream or CMU: you will have to rely on your distributor to credit payments on your notes to your account with your distributor. Any notices we or Cheung Kong Holdings give after the notes are issued will be given in the same way: you will have to rely on your distributor to forward them to you. Similarly, you will have to rely on your distributor to forward any notices from you to us through the clearing systems.

Neither we nor Cheung Kong Holdings accept any responsibility for the services provided to you by your distributor.

YOUR CONFIRMATIONS

No distributor should accept an order for notes unless you have read and understood the issue prospectus and programme prospectus, together with any addendum, for the notes.

Your distributor should be able to explain to you how our notes work and to answer your questions.

At the time you buy our notes, your distributor will require you to confirm for the benefit of the distributor, us and Cheung Kong Holdings that:

- (i) you have read and understood our programme prospectus and the issue prospectus for the notes you want to buy;
- (ii) you accept that none of Cheung Kong Holdings, us, the arranger or the co-arranger accepts any responsibility for the provision of services, including custody services, by your distributor; and
- (iii) you commit to pay the purchase price for our notes up to the amount of notes you apply for.

Your distributor may well require you to make further confirmations in addition to these.

DESCRIPTION OF OUR NOTES

All our notes will be subject to the terms and conditions scheduled to the trust deed unless the issue prospectus provides otherwise. In this section, we describe the main provisions of the terms and conditions which apply to all our notes (unless an issue prospectus says otherwise).

Each series of our notes will be constituted by a supplemental trust deed entered into by us, Cheung Kong Holdings and the trustee or a trustee notice from us and Cheung Kong Holdings to the trustee and will have the benefit of the trust deed. Scheduled to the supplemental trust deed or the trustee notice will be a term sheet which sets out the specific terms and conditions of the notes which are constituted by that supplemental trust deed or trustee notice. The term sheet, together with the terms and conditions of our notes, make up the legally binding terms and conditions of that series of notes. The term sheet will be summarised in the issue prospectus.

Investors in our notes are bound by the terms and conditions and the trust deed for the series of notes they buy.

Our notes must be held through a distributor

We will not issue individual certificates for our notes, so you must arrange for your distributor to hold them in a securities or investment account. If you do not have a securities or investment account already, you will have to open one before you can buy our notes. Securities or investment accounts and other services will be supplied by your distributor subject to its standard terms and conditions. We are not responsible for the way your distributor handles your account.

Our notes will be held in Euroclear, Clearstream and/or CMU, which are clearing systems for securities such as our notes.

We will issue our notes in bearer form.

The notes of each series will be represented by a single global note which we will issue in a principal amount equal to the total principal amount of the notes of that series and will be deposited with a common depository for Euroclear and Clearstream or a custodian for CMU. Under the terms and conditions of our notes the common depository or the custodian is, legally, the only “noteholder” so far as we are concerned.

If the clearing systems close down, we will issue individual certificates for our notes, but we will not issue individual certificates otherwise. The trust

deed and the paying agency agreement provide in detail for the arrangements which will apply in the unlikely event that individual certificates have to be issued. If this happens, we will give a notice summarising these arrangements. If we are unable to deliver this notice through Euroclear, Clearstream or CMU, we will publish it in one English language newspaper and one Chinese language newspaper of general circulation in Hong Kong.

We or Cheung Kong Holdings will make payments and send notices through your distributor

Individual investors cannot open a personal account at Euroclear, Clearstream or CMU. Your distributor will hold your notes for you in an account at Euroclear, Clearstream or CMU — either its own account or the account of its direct or indirect custodian with the clearing system.

We or Cheung Kong Holdings will pay interest and principal on our notes in accordance with the rules and procedures of the clearing system which holds them: you will have to rely on your distributor to credit payment on your notes to your account with your distributor. Once we have made any payment in this way, investors in our notes will have no further rights against us for that payment, even if Euroclear, Clearstream, CMU or your distributor fails to transmit to you your share of the payment or transmits it late. (This is because, so far as we are concerned, we have paid our “noteholder”, which is the common depository for Euroclear and Clearstream or the custodian for CMU. We have no control over, or knowledge of, the custody arrangements through which you as an investor hold our notes.)

Any notices we or Cheung Kong Holdings give after the notes are issued will be given in the same way: we will arrange for the notice to be sent to the distributors which Euroclear, Clearstream or CMU tells us hold the notes and you will have to rely on your distributor to forward the notice to you. In the same way, you will need to rely upon your distributor to transmit any of your notices to Euroclear, Clearstream or CMU and upon that clearing system to relay them to us, Cheung Kong Holdings or to the trustee.

We will pay principal and interest on the stipulated dates for payment

The issue prospectus for each series of notes will state the due dates for payments of principal and interest on our notes.

If any due date for payment is not a business day in Hong Kong (and/or in any other city specified in an issue prospectus) then we will make the payment on the next day which is a business day in Hong Kong (and/or that other city). A “business day” means a day on which Euroclear, Clearstream and/or CMU, as the case may be, are operating and on which commercial banks and foreign exchange markets are open for business.

Both Cheung Kong Holdings and we are restricted from creating security interest to secure certain types of debt securities while there are notes outstanding

So long as any of the notes remain outstanding, neither Cheung Kong Holdings nor we may create any security interest on its or our assets to secure certain types of debt securities (or guarantees of certain types of debt securities), unless the notes outstanding are secured by such security interest equally or the creation of such security interest is approved by the noteholders by an extraordinary resolution.

Holders of our notes rank for payment equally with other unsecured creditors of ours and Cheung Kong Holdings

Our notes constitute our direct, unsecured and unsubordinated obligations and Cheung Kong Holdings’ guarantee of our notes constitutes its direct, unsecured and unsubordinated obligations. This means that if we or Cheung Kong Holdings become insolvent, noteholders will rank for payment equally with all our or Cheung Kong Holdings’ other creditors whose claims are not

- preferred by law; examples of claims preferred by Hong Kong law (which applies to Cheung Kong Holdings) include claims by unpaid employees for their wages and claims by the Inland Revenue Department for unpaid taxes;
- secured on our or Cheung Kong Holdings’ assets; or
- subordinated, which means that they rank after the claims of other creditors.

If required by law, we will withhold tax from payments on our notes

If we are required by Hong Kong or Cayman Islands law to withhold or deduct taxes, duties or other charges from payments of principal or interest, then we will make the withholding or deduction and remit

it to the tax authorities. You will therefore receive payments under our notes net of any Hong Kong or Cayman Islands taxes which we are required to withhold or deduct.

There is, however, currently no requirement for us to make any withholding or deduction.

We, Cheung Kong Holdings or its subsidiaries may buy and sell our notes

We, Cheung Kong Holdings or its subsidiaries may at any time buy our notes whether in the open market or by private arrangement, at any price. If purchases are made by tender, we, Cheung Kong Holdings or its subsidiaries will allow all noteholders of the series to take part.

If we, Cheung Kong Holdings or its subsidiaries do buy back our notes, we, Cheung Kong Holdings or its subsidiaries may hold them, resell them or decide to cancel them, at our and their choice.

Meetings of noteholders can be convened to decide important matters affecting our notes

The trust deed contains provisions for convening meetings of the noteholders to consider any matter affecting their interests.

A meeting could be convened, for example, if we want to propose a change to an important term of the notes or if we want to get approval for a waiver of a breach by us of a term of the notes.

There are detailed provisions in the trust deed about how meetings will be conducted in the unlikely event that a meeting is ever called. A meeting may be called by us, by Cheung Kong Holdings or by the trustee. Noteholders holding at least 10 per cent. in principal amount of the notes of a series may also call a meeting by written request to the trustee.

A resolution passed at a meeting of the noteholders will be binding on all the holders of the same series of notes, whether or not they were present at the meeting.

Our notes may be declared due and payable early if there is an “event of default”

The terms and conditions set out certain “events of default”. If any event of default occurs and continues, the trustee or the holders of at least 25 per cent. of the total principal amount of the notes of an affected series may declare the entire principal amount of all of the notes of an affected series to be due and payable immediately.

Events of default include:

- any failure to pay principal, interest or other amounts due on our notes for more than 10 days after the due date;

- failure by us or Cheung Kong Holdings to perform any of our or their other obligations under the notes, the trust deed or the guarantee, if the trustee certifies that 30 days have passed since we or Cheung Kong Holdings were given written notice to correct the situation and we or they have not done so;
- failure by us or Cheung Kong Holdings to pay any debt or guaranteed amount in excess of US\$15,000,000 (or its equivalent in other currencies);
- proceedings have been initiated to seize any of our or Cheung Kong Holdings' assets and such proceedings are not discharged within 45 days;
- any party with a security interest over our or Cheung Kong Holdings' assets takes possession of our or Cheung Kong Holdings' assets or a receiver is appointed in relation to our or Cheung Kong Holdings' assets and such possession or appointment continues for over 45 days; or
- certain specified events of bankruptcy, insolvency or reorganisation which affect us.

Only the trustee can enforce our notes or the guarantee

The trust deed provides that no holder of any note can take action against us or Cheung Kong Holdings directly to enforce the notes or the guarantee unless the trustee fails to act in accordance with the trust deed. The trustee is entitled to insist that the noteholders indemnify it before it is bound to take any enforcement action.

Under the terms and conditions of our notes, the legal "holder" of our notes will be the common depositary for Euroclear and Clearstream or the custodian for CMU which holds the global note for that series. The trustee will, however, accept instructions from the accountholders in the clearing systems which have been credited with interests in the global note. In order to assert your rights as an investor in our notes, or to communicate with the trustee, with Cheung Kong Holdings or with us, you will have to rely on your distributor either to take action on your behalf or to verify your interest in our notes.

We can re-open a series of notes to issue more notes of the same series later

We reserve the right to create and issue more notes of a particular series in a follow-on offering after the initial offering has closed. The further notes will be issued so that they are interchangeable with the originally issued notes — the only difference will be the subscription price and, possibly, the amount of the first payment of interest.

Our programme is governed by Hong Kong law

All our programme documentation, including our notes, is governed by Hong Kong law. We have agreed in the trust deed that the courts of Hong Kong have jurisdiction to settle any dispute in connection with our notes.

RISK FACTORS

THERE ARE RISKS ASSOCIATED WITH INVESTING IN OUR NOTES

Your investment in our notes involves risks, including those inherent in any investment. Not all of these risks can be described in this programme prospectus or an issue prospectus. Risk factors relating to Cheung Kong Holdings' business and general risks relating to an investment in debt securities such as our notes are set out below.

CHEUNG KONG HOLDINGS' BUSINESS IS AFFECTED BY THE LEGAL, POLITICAL AND ECONOMIC SITUATION IN HONG KONG

Most of Cheung Kong Holdings' assets and property interests are located in Hong Kong and a large portion of Cheung Kong Holdings' revenue is derived from Hong Kong. Accordingly, Cheung Kong Holdings' operations, financial position and prospects are affected by the legal, political and economic developments in Hong Kong. In particular, rental values and property values are sensitive to changes in the general economic climate and political developments in Hong Kong.

CHEUNG KONG HOLDINGS' FINANCIAL CONDITION AND RESULTS FROM OPERATIONS ARE AFFECTED BY THE FINANCIAL CONDITION AND RESULTS FROM OPERATIONS OF HUTCHISON WHAMPOA LIMITED (HUTCHISON)

Cheung Kong Holdings owns approximately 49.9 per cent. of Hutchison. Cheung Kong Holdings' financial condition and results from operations are materially affected by the financial condition and results from operations of Hutchison.

Hutchison's core businesses are also different from those of Cheung Kong Holdings, which means that Cheung Kong Holdings is indirectly exposed to the business risk of Hutchison.

CHEUNG KONG HOLDINGS IS A HOLDING COMPANY

The assets of Cheung Kong Holdings consist mainly of the shares it holds in its subsidiaries and investee companies. Cheung Kong Holdings relies on receiving dividends and distributions on its share holdings for its cashflow. Accordingly, Cheung Kong Holdings' ability to honour its guarantee of our notes depends on it continuing to receive sufficient cashflow from these sources.

THE TRADING MARKET FOR OUR NOTES MAY BE VERY LIMITED

Some or all of the distributors which sell our notes will usually agree to quote a price at which they will buy our notes in the market. These distributors will agree with us to quote prices if they can, but they may in future be unable to quote a price or may decide to discontinue this service.

Our notes are not listed and cannot be traded on the Hong Kong Stock Exchange.

THE TRADING PRICE OF OUR NOTES MAY FLUCTUATE

The trading price of our notes will fluctuate depending on factors such as market interest rate movements, Cheung Kong Holdings' financial condition and results from operations and the market's view of our and Cheung Kong Holdings' credit quality. Also, the price could be affected if there are only very few potential buyers in the market.

If you try to sell your notes before maturity you may receive an offer which is less than the amount you invested or you may not be able to sell your notes.

THE YIELD ON OUR NOTES MAY BE MORE OR LESS THAN THE STATED INTEREST RATE

Interest will be calculated and paid at the specified rates by reference to 100 per cent. of the principal amount of the notes. However, the total return on the notes, or yield to maturity, will depend on the offer price. If the offer price is greater than 100 per cent. of the principal amount of the notes, the annualised yield will be lower than the specified interest rate (on an annualised basis). If the offer price is lower than 100 per cent. of the principal amount of the notes, the annualised yield will be greater than the specified interest rate (on an annualised basis).

The total return on our notes will also be reduced by the amount of any handling fee you have to pay your distributor when you make your application and any fees to open and maintain your securities or investment account.

OUR NOTES ARE NOT COVERED BY THE INVESTOR COMPENSATION FUND

As our notes are not listed, you are not covered by the investor compensation fund if your distributor or any other intermediary defaults.

OUR BUSINESS

Our General Profile

We were incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 12 August 2002. Our corporate objects are unlimited; we have the power to carry on the business of an investment company; and we can exercise any and all powers exercisable by a natural person or body corporate in doing whatever we consider necessary for the attainment of our objects.

Our registered office is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, British West Indies.

We are a wholly-owned, indirect subsidiary of Cheung Kong Holdings. We have no subsidiaries.

Our Principal Activities

We were established to raise finance for Cheung Kong Holdings' group. We have not engaged in any material activities since our incorporation, except issuing notes under our retail note issuance programme.

Our Debts and Capital Structure

Our authorised share capital is 50,000 shares of US\$1.00 par value each, of which one share has been issued and is fully-paid up in cash. As at the date of this programme prospectus, our issued and outstanding debts under the programme is HKD1,309,320,000, comprising the notes issued as Series No. CKH0501, CKH0301 and CKH0502 under the programme.

Other than those above, at the date of this programme prospectus, we have no other borrowings, indebtedness in the nature of borrowings, loan capital outstanding or created but unissued (including term loans), hire purchase commitments, guarantees or material contingent liabilities.

Our Directors

At the date of this prospectus, our directors are:

IP Tak Chuen, Edmond
PAU Yee Wan, Ezra
LAU Chin Sung, John
Neil Douglas McGEE
YEO May Ann, Annie
CHUI Sing Loi

Mr. IP Tak Chuen, Edmond and Ms. PAU Yee Wan, Ezra are also directors of Cheung Kong Holdings.

The business address of our directors is 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

We have no employees.

CHEUNG KONG HOLDINGS' BUSINESS

History and Introduction

The property and investment holding business now carried on by Cheung Kong Holdings was established in 1958 by Mr. Li Ka-shing, the Chairman of Cheung Kong Holdings. Cheung Kong Holdings was incorporated in June 1971 under the name "Cheung Kong Real Estate Company Limited". It adopted its present name in August 1972 and became a public listed company in November 1972 with a public offering of 10.5 million shares to the public.

In 1974, Cheung Kong Holdings and Canadian Imperial Bank of Commerce established in Hong Kong by way of an equal joint venture, Canadian Eastern Finance Limited ("CEFL"). CEFL is an authorised institution under the Banking Ordinance (Cap.155) of Hong Kong.

In 1979, Cheung Kong Holdings acquired a strategic stake of approximately 22.4 per cent. of the issued share capital of Hutchison, another listed conglomerate with interests in ports and related services, property and hotels, retail and manufacturing, infrastructure, energy, finance and investments and telecommunications. Cheung Kong Holdings' shareholding in Hutchison is now approximately 49.9 per cent.

In 2002, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), an indirect subsidiary of Cheung Kong Holdings engaged in the research and development, commercialisation, marketing and sale of biotechnology products, was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK") through a placing and public offer of new shares. Cheung Kong Holdings' holdings in CK Life Sciences is now approximately 44 per cent.

In 2003, Fortune Real Estate Investment Trust ("Fortune REIT"), a Singapore-based unit trust sponsored by Cheung Kong Holdings, was listed on the Singapore Exchange Securities Trading Limited. Fortune REIT's portfolio comprised five retail shopping malls in Hong Kong together with some car parking spaces in the vicinity that were acquired from subsidiaries of Cheung Kong Holdings and others. As at the date of this programme prospectus, Cheung Kong Holdings holds an approximate 27.3 per cent. interest in Fortune REIT.

As at 30 November 2004, the combined market capitalisation of Cheung Kong Holdings and its listed affiliated companies in Hong Kong amounted to approximately HK\$652 billion.

For further information on Cheung Kong Holdings, please visit its website — www.ckh.com.hk.

As a company whose shares are listed on the SEHK, Cheung Kong Holdings is required to fulfil periodic and/or continuous disclosure obligations under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Up-to-date information, including financial information and/or any major development of Cheung Kong Holdings including filings requested by the SEHK, may be viewed at www.hkex.com.hk.

The offer of notes under the programme is made solely on the basis of the information contained in the relevant issue prospectus and this programme prospectus. Accordingly, prospective investors should exercise an appropriate degree of caution when assessing the value of other sources of information relating to Cheung Kong Bond Finance Limited or Cheung Kong Holdings.

Management

The directors of Cheung Kong Holdings as at the date of this programme prospectus are:

LI Ka-shing, *Chairman*

LI Tzar Kuoi, Victor, *Managing Director and Deputy Chairman*

George Colin MAGNUS, *Deputy Chairman*

KAM Hing Lam, *Deputy Managing Director*

CHUNG Sun Keung, Davy, *Executive Director*

IP Tak Chuen, Edmond, *Executive Director*

PAU Yee Wan, Ezra, *Executive Director*
WOO Chia Ching, Grace, *Executive Director*
CHIU Kwok Hung, Justin, *Executive Director*
LEUNG Siu Hon, *Non-executive Director*
FOK Kin-ning, Canning, *Non-executive Director*
Frank John SIXT, *Non-executive Director*
CHOW Kun Chee, Roland, *Non-executive Director*
KWOK Tun-li, Stanley, *Independent Non-executive Director*
YEH Yuan Chang, Anthony, *Independent Non-executive Director*
Simon MURRAY, *Independent Non-executive Director*
CHOW Nin Mow, Albert, *Independent Non-executive Director*
HUNG Siu-lin, Katherine, *Independent Non-executive Director*
WONG Yick-ming, Rosanna, *Independent Non-executive Director*
KWAN Chiu Yin, Robert, *Independent Non-executive Director*
CHEONG Ying Chew, Henry, *Independent Non-executive Director*

Some directors are also board members of Hutchison. The registered office of Cheung Kong Holdings is 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, which is also the correspondence address of each of the directors of Cheung Kong Holdings for the purposes of his or her directorship in Cheung Kong Holdings. The Company Secretary of Cheung Kong Holdings is Ms. Eirene Yeung.

As at 30 June 2004, Cheung Kong Holdings and its subsidiaries employed approximately 6,600 employees.

Ownership and Capital Structure

As at the date of this programme prospectus, Cheung Kong Holdings has an authorised share capital of HK\$1,900 million consisting of 3,800 million ordinary shares of HK\$0.50 each and an issued and fully paid up share capital of approximately HK\$1,158 million consisting of approximately 2,316 million ordinary shares of HK\$0.50 each.

Summary Financial Information

Cheung Kong Holdings' consolidated financial performance over the last five financial years as extracted from its 2003 annual report is summarised below:

Profit and Loss Account

	For the year ended 31 December				
	1999	2000	2001	2002	2003
	<i>(HK\$ million)</i>				
Turnover	<u>8,193</u>	<u>9,341</u>	<u>7,486</u>	<u>9,122</u>	<u>14,336</u>
Profit attributable to shareholders	59,454	19,422	7,177	8,782	9,815
Interim dividend paid	758	880	880	880	880
Final dividend proposed	<u>2,412</u>	<u>2,826</u>	<u>2,826</u>	<u>2,826</u>	<u>3,011</u>
Profit for the year retained	<u>56,284</u>	<u>15,716</u>	<u>3,471</u>	<u>5,076</u>	<u>5,924</u>

Balance sheet

	As at 31 December				
	1999	2000	2001	2002	2003
	<i>(HK\$ million)</i>				
Fixed assets	21,290	15,245	14,841	19,016	17,217
Investment in listed associates	102,159	115,896	118,193	122,893	126,391
Other non-current assets	26,207	31,474	35,632	32,290	31,586
Net current assets	<u>9,376</u>	<u>14,554</u>	<u>17,979</u>	<u>18,359</u>	<u>20,435</u>
	159,032	177,169	186,645	192,558	195,629
Long term loans	10,238	13,806	18,728	19,255	16,357
Deferred items	56	66	111	272	319
Minority interests	<u>6,737</u>	<u>3,297</u>	<u>4,681</u>	<u>4,483</u>	<u>4,110</u>
Total net assets	<u>142,001</u>	<u>160,000</u>	<u>163,125</u>	<u>168,548</u>	<u>174,843</u>
Representing:					
Share capital	1,149	1,158	1,158	1,158	1,158
Share premium	7,856	9,331	9,331	9,331	9,331
Reserves and retained profits	130,584	146,685	149,810	155,233	161,343
Proposed final dividend	<u>2,412</u>	<u>2,826</u>	<u>2,826</u>	<u>2,826</u>	<u>3,011</u>
Total shareholders' funds	<u>142,001</u>	<u>160,000</u>	<u>163,125</u>	<u>168,548</u>	<u>174,843</u>
Net assets per share					
— book value (HK\$)	61.81	69.08	70.43	72.77	75.49
Earnings per share (HK\$)	25.88	8.42	3.10	3.79	4.24
Dividend per share (HK\$)	1.38	1.60	1.60	1.60	1.68

Recent Developments

On 19 August 2004, Cheung Kong Holdings announced its interim results for the six month period ended 30 June 2004 (“Cheung Kong Holdings’ Interim Results”). See the Appendix to this programme prospectus for details of Cheung Kong Holdings’ Interim Results. Copies of the announcement with respect to Cheung Kong Holdings’ Interim Results are available at the office of the principal paying agent for the notes specified under “Other information about our programme” during normal business hours on any weekday (Saturdays and public holidays excepted).

Principal Business

Cheung Kong Holdings and its subsidiaries (the “Group”) is engaged principally in property development and investment in Hong Kong and in different regions of the world, including the Mainland, the United Kingdom and Singapore, and develops high quality and large-scale properties for sale and investment in the residential, retail, office, hotel and industrial sectors. The Group’s emphasis on quality developments and customer-oriented services has proven its worth particularly amid a sluggish property market. High quality properties and after-sale services, complemented by flexible and market-responsive sales strategies, have been the cornerstone of the Group’s success in property sales. Other business activities of the Group in Hong Kong include hotel and serviced suite operation, property and project management and investment in securities.

Through the Group’s investment in Hutchison, the Group is also involved in ports and related services, property and hotels, retail and manufacturing, infrastructure, energy, finance and investments and telecommunications businesses.

Business Strategy

Cheung Kong Holdings' business strategy is to continue to:

- focus on property developments in Hong Kong, the Mainland, the United Kingdom and Singapore, particularly residential property developments featuring high quality design and construction and build on its reputation as a premier property developer in these markets;
- extend further its presence in property markets outside Hong Kong, with focused expansion in the Mainland, the United Kingdom and Singapore so as to increase its property portfolio with prime sites and quality projects, and to enhance the Group's established position and market share in these markets;
- maintain an on-going process of replenishing its land bank at low cost through direct purchases, site conversions and joint ventures with land owners;
- expand its quality portfolio of investment properties to enhance recurrent rental income;
- maintain a strategic investment holding in Hutchison;
- exploit the potential of new technology business; and
- maintain a prudent policy on financial management.

Property Development

The Group's property development process involves property acquisition, project design and management as well as sales and marketing. Each function is performed by a team of experienced professional staff headed by an Executive Director of Cheung Kong Holdings. In addition to direct land purchases, the acquisition team is active in sourcing large scale and low-cost land bank through strategic co-operative joint ventures with a variety of land owners.

On project management, each project has a designated project manager who is responsible for the construction work which is awarded to outside contractors through a well-established tender process. The Group's projects are relatively large in size which provides economies of scale and enables the Group to have stronger bargaining power with contractors. On sales and marketing, the Group, with its involvement in a variety of businesses in Hong Kong, has the added advantage of a powerful intra-group marketing synergy achieved through cross-marketing and in-house marketing channels.

In 2003, the Group completed the following property projects:

Name and Location	Property Type	Total Gross Floor Area <i>(sq. m.)</i>	Group's Interest
Hong Kong			
Banyan Garden, Phase 1, Cheung Sha Wan	Residential/Commercial	73,490	Joint Venture
Hampton Place, Tai Kok Tsui	Residential/Commercial	52,070	100.0%
Princeton Tower, Sheung Wan	Residential/Commercial	9,060	100.0%
Queen's Terrace, Towers 1 and 2, Sheung Wan	Residential/Commercial	43,130	Joint Venture
Rambler Crest and Commercial/Hotel Development, Tsing Yi	Serviced Apartment/Hotel/Commercial	155,200	30.0%
Seasons Villas, Kam Tin	Residential	10,320	100.0%

Name and Location	Property Type	Total Gross Floor Area <i>(sq. m.)</i>	Group's Interest
The Mainland			
Beverly Hills, Phase 1, Chongqing	Residential	32,650	50.0%
Laguna Verona, Phase B, Stages 3 to 5, Dongguan	Residential	35,470	47.3%
Le Parc (Huangpu Yayuan), Phases 3 and 4, Futian, Shenzhen	Residential	198,700	50.0%
Regency Park, Phase 1A, Pudong, Shanghai	Residential	13,650	50.0%
Seasons Villas, Phase 6 and 6A, Pudong, Shanghai	Residential	20,270	50.0%
The Summit, Xuhui, Shanghai	Residential	63,960	50.0%
Overseas			
Costa de Sol, Phase 1, Bayshore Road, Singapore	Residential	93,390	76.0%
Albion Riverside, London, United Kingdom	Residential	29,090	45.0%

In 2004, the Group completed the following property projects:

Name and Location	Property Type	Total Gross Floor Area <i>(sq. m.)</i>	Group's Interest
Hong Kong			
One Beacon Hill, Kowloon Tong	Residential	72,480	100.0%
Sky Tower, Towers 1, 2, 3, 5, 6 and 7, Kowloon City	Residential/Commercial	118,760	40.0%
Vianni Cove, Tin Shui Wai	Residential	74,500	60.0%
The Cairnhill, Tsuen Wan	Residential	76,800	50.0%
Banyan Garden, Phases 2 and 3, Cheung Sha Wan	Residential/Commercial	90,100	Joint Venture
Albany Cove, Caribbean Coast, Tung Chung	Residential/Commercial	84,040	Joint Venture
The Mainland			
The Center, Xuhui, Shanghai	Commercial	89,490	50.0%
Dynasty Garden, Phases 1 and 2, Baoan, Shenzhen	Residential	114,450	50.0%
Beverly Hills, Phase 2, Chongqing	Residential	41,590	50.0%
Oriental Plaza, Phase IV, Serviced Apartments, Beijing	Serviced Apartment	47,000	33.4%
Horizon Cove, Phase 3A, Zhuhai	Residential/Commercial	82,950	50%
Cape Coral, Phase 1, Panyu, Guangzhou	Residential/Commercial	111,180	50%
Laguna Verona, Phase B, Stage 6, Dongguan	Residential/Commercial	27,690	47.3%
Overseas			
Albion Riverside, London, United Kingdom	Commercial	7,360	45.0%
Costa del Sol, Phase 2, Bayshore Road, Singapore	Residential	45,560	76.0%
Cairnhill Crest, Singapore	Residential	40,870	50.0%

The Group's property development projects in progress and the expected year of completion are summarised below:

Name and Location	Property Type	Total Gross Floor Area <i>(sq. m.)</i>	Group's Interest	Expected Year of Completion
Hong Kong				
The Pacifica, Cheung Sha Wan	Residential/Commercial	144,266	50.0%	2005
A site at Hung Hom Bay	Hotel	119,280	100.0%	2005
A site at Hung Hom Bay	Hotel	107,444	100.0%	2005
A site at Tai Hang	Residential	47,300	100.0%	2005
A site at Kwai Chung	Serviced Apartment/ Hotel/Commercial	74,340	100.0%	2005
A site at Kam Sheung Road, Kam Tin	Residential	8,209	100.0%	2005
A site at Tsim Sha Tsui	Commercial/Hotel	11,513	100.0%	2007
A site at Kam Sheung Road, Kam Tin	Residential	19,453	100.0%	2007
Caribbean Coast, Tung Chung	Residential/Commercial	206,837	Joint Venture	2005-2006
A site at Tiu Keng Leng	Residential/Commercial	253,765	Joint Venture	2006-2007
A site at Tin Shui Wai	Residential/Commercial	168,257	98.5%	2006-2008
A site at Quarry Bay	Residential	9,840	100.0%	2007
A site at Ma On Shan	Residential	70,030	100.0%	2007
A site at Kowloon City	Hotel	21,420	100.0%	2007
A site at Ho Man Tin	Residential	159,804	100.0%	2008
The Mainland				
Horizon Cove, Zhuhai	Residential	176,943	50.0%	2005-2006
Regency Park, Pudong, Shanghai	Residential	140,811	50.0%	2005-2006
International Toys & Gifts Center, Guangzhou	Commercial	270,744	30.0%	2005-2007
Cape Coral, Panyu, Guangzhou	Residential/Commercial	355,947	50.0%	2005-2007
Gubei, Shanghai	Residential/Commercial	154,839	50.0%	2006
Huangsha MTR Station, Guangzhou	Residential/Commercial	337,896	50.0%	2007
Yao Jia Yuan, Beijing	Residential/Commercial	366,693	46.0%	2007
Xuedarenzhuang Village, Beijing	Residential	445,093	100.0%	2006-2008
Chongqing Nanan, Chongqing	Residential/Commercial	382,075	47.5%	2008
Laguna Verona, Dongguan	Residential/Commercial	1,272,748	47.3%	2005-2013
Guanlan, Shenzhen	Residential	157,673	19.5%	2007
Kerry Everbright City, Shanghai	Residential/Office/ Commercial/Hotel	251,400	25.0%	2007-2009
Overseas				
One Raffles Quay, Singapore	Commercial	148,532	33.3%	2006
Chelsea Harbour, Phase 2, London, United Kingdom	Residential	10,960	22.5%	2011
Lots Road, London, United Kingdom	Residential/Commercial	65,382	22.5%	2011

In addition, the Group owns approximately 1.4 million square metres of agricultural land in the New Territories, Hong Kong, which is currently under planning.

With respect to property development projects in which the Group has a joint venture interest, the joint venture partner usually provides land whilst the Group finances the construction costs and occasionally also the land costs. Upon completion of a development, the Group is entitled to a share of the sales proceeds or a part of the development or a share of the development profits in accordance with the terms and conditions of the joint venture agreement.

With regard to land bank replenishment, the Group undertakes this as an on-going process and has seized valuable opportunities to strengthen its land bank with prime sites at reasonable market prices.

The Group's portfolio of quality rental properties, including commercial, office, hotel and industrial properties and carparks, will be further strengthened as a result of progressive completion of new properties.

Investment in Hutchison

Cheung Kong Holdings maintains appropriately a 49.9 per cent. shareholding in Hutchison, its major associated company. Hutchison is a company incorporated in Hong Kong in July 1977. Hutchison is a Hong Kong-based multinational conglomerate whose securities are listed on the SEHK. The profit contribution from Hutchison and its consolidated subsidiaries (the "Hutchison Group") has been a significant part of Cheung Kong Holdings' recurrent income. The Hutchison Group operates five core business divisions in 42 countries; ports and related services; property and hotels; retail and manufacturing; infrastructure, energy, finance and investments and telecommunications. Property development is the main common business of Cheung Kong Holdings and Hutchison. The Hutchison Group had audited net profits after tax, including profits on disposal of investments, for the year ended 31 December 2003 of HK\$14,378 million (2002: HK\$14,362 million). As at 30 November 2004, Hutchison's market capitalisation on the SEHK amounted to HK\$296 billion.

The following is a summary of Hutchison's business operations grouped into five core divisions:

Ports and Related Services

Hutchison is the world's largest privately-owned container terminal operator in terms of throughput handled. The ports and related services division holds interests in 35 ports in 17 countries, including interests in container terminals operating in five of the eight busiest container ports in the world, and handled combined container throughput of 41.5 million twenty foot equivalent units ("TEU"s) in 2003 and 22.6 million TEUs for the six months ended 30 June 2004. The core holdings of the division are its interests in:

- Hong Kong (the busiest container port in the world in 2003), where Hutchison operates fourteen of the twenty-four available container berths through Hongkong International Terminals ("HIT") and COSCO-HIT Terminals (Hong Kong) Limited, a joint venture between HIT and China Ocean Shipping (Group) Company;
- the Mainland, where Hutchison holds interests in Yantian International Container Terminals Limited, Shanghai Container Terminals and Shanghai Pudong International Container Terminals as well as other ports;
- the UK and Continental Europe, where Hutchison holds interests in the Port of Felixstowe (UK), Thamesport (UK), Harwich (UK) and Europe Container Terminals B.V. (the Netherlands);
- Indonesia, where Hutchison holds interests in Jakarta International Container Terminal and Koja Terminal;
- South Korea, where Hutchison operates two terminals in Busan Port and two terminals in Kwangyang Port through Hutchison Korea Terminals and Korea International Terminals;

- Mexico, where Hutchison holds interests in Internacional de Contenedores Asociados de Veracruz, which is located on the east coast; and
- Saudi Arabia, where Hutchison holds interests in International Ports Services at Dammam.

The division also has interests in other ports and port development projects and interests in ship repair, salvage and towage operations in Hong Kong.

Property and Hotels

Hutchison's property and hotels division:

- holds a rental portfolio of office, commercial, industrial and residential space principally in Hong Kong and the Mainland. As of 30 June 2004, the portfolio comprised approximately 15.9 million square feet, the leasing of which accounted for the majority of the division's turnover and earnings before interest and taxes;
- manages investment properties and development activities for Hutchison and certain of its associated companies and jointly controlled entities;
- acts as a developer of residential, commercial, office, hotel and recreational projects, principally in Hong Kong and the Mainland; and
- owns and operates hotels in Hong Kong, the Mainland and the Bahamas.

Retail and Manufacturing

Hutchison's retail and manufacturing division holds interests in:

- AS Watson & Company, Limited ("AS Watson"), one of the world's largest health and beauty retail chains in terms of store numbers, and also operates major chains of supermarkets and consumer electrical goods stores, with over 4,600 stores in Hong Kong, Taiwan, several other countries in South East Asia, the UK, the Netherlands and several other countries in Europe. AS Watson also manufactures and distributes water and beverage products in Hong Kong and the Mainland;
- Hutchison Whampoa (China) Limited, which operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK; and
- 62.0 per cent. of Hutchison Harbour Ring Limited ("HHR"), a listed company in Hong Kong that engages in the manufacturing and trading of hard, soft and electronic toys, and high quality consumer electronic products and accessories. HHR also holds some investment properties in the Mainland.

Infrastructure, Energy, Finance and Investments

Cheung Kong Infrastructure

Hutchison has an 84.6 per cent. interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), the largest publicly listed infrastructure company in Hong Kong in terms of market capitalisation, with principal operations in Hong Kong, Australia and the Mainland. CKI's major interests are:

- a 38.9 per cent. interest in Hongkong Electric Holdings Limited ("Hongkong Electric Holdings"), a listed company in Hong Kong that, through a wholly owned subsidiary, generates, transmits, distributes, and is the sole provider of, electricity to Hong Kong Island and Lamma Island;
- combined with Hongkong Electric Holdings, a 100 per cent. interest in joint investments, held on a 50/50 basis, in ETSA Utilities, the sole electricity distributor in the State of South Australia, in Powercor Australia Limited, the largest electricity distributor in the State of Victoria, and in CitiPower I Pty Ltd., another major electricity distributor in the State of Victoria. CKI and Hongkong Electric Holdings together have become the largest electricity distributor in Australia. CKI also owns a 19 per cent. stake in Envestra Limited, the largest listed natural gas distribution company in Australia;

- a power generating portfolio with over 1,800MW of gross capacity in the Mainland;
- interests in joint ventures that own and operate approximately 480 km of toll roads and bridges in the Mainland and a cross-harbor rail tunnel in Hong Kong;
- a 40 per cent. interest in the Lane Cove Tunnel project in Sydney, Australia for a concession period of 33 years from December 2003;
- a 50 per cent. interest in the Cross City Tunnel in Sydney, Australia which connects Sydney's eastern suburbs with the western side of the city;
- a water undertaker company which supplies a population of approximately 298,000 in an area of approximately 1,173 square kilometers in South Cambridgeshire in the UK; and
- an infrastructure materials business that produces cement, concrete, asphalt and aggregates in Hong Kong and the Mainland.

Husky Energy

Hutchison holds a 35.0 per cent. interest in Husky Energy Inc. ("Husky Energy"), an integrated energy and energy-related company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration for and development and production of crude oil, natural gas liquids and natural gas in western Canada, offshore the Canadian east coast, offshore South China and, to a limited extent, other international areas;
- the midstream segment comprising upgrading operations, oil and gas marketing operations, pipeline transportation and processing of heavy crude oil, cogeneration of electrical and thermal energy and storage of crude oil and natural gas; and
- the refined products segment, which includes the refining of crude oil and marketing of refined petroleum products, including gasoline, alternative fuels and asphalt.

Finance and Investments

Hutchison also receives substantial income from its finance and investments division. The division is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments and its contribution increased following Hutchison's receipt of consideration generated from the sales of certain 2G telecommunications assets in 1999 and 2000.

Telecommunications

Hutchison is a leading worldwide competitor in mobile telecommunications. The telecommunications division is composed of its listed subsidiary Hutchison Telecommunications International Limited ("HTIL") and its 3G businesses in Europe and Australia ("**3** Group"):

- HTIL, which was listed on SEHK and the New York Stock Exchange in October 2004, holds Hutchison's interests in the 2G and 3G mobile operations in Hong Kong (including Macau) and Israel, the fixed line operations in Hong Kong, the 2G mobile operations in India, Sri Lanka, Ghana and Paraguay and the CDMA2000-1X network in Thailand.

- The 3 Group holds directly Hutchison's interests in 3G operations in Europe and Australia under the brand name "3" and the CDMA operations in Australia under the brand name "Orange". As of 14 December 2004, Hutchison had 5.9 million 3G customers worldwide.
 - In the UK, commercial operations commenced in 2003. The 3G network covers 79 per cent. of the population as of 31 July 2004 and provides voice coverage of approximately 99 per cent. of the population via a national roaming agreement.
 - In Italy, commercial services commenced in 2003. The 3G network covers 65 per cent. of the population as of 31 July 2004 and provides voice coverage of approximately 99 per cent. of the population via a roaming agreement.
 - In Sweden, Denmark and Austria, 3 services were commenced in 2003. The 3G network covers approximately 74 per cent. of the population as of 31 July 2004 and 99 per cent. of the population via a roaming agreement.
 - In Austria, 3 services were commenced in 2003. The 3G network provides a population coverage of approximately 41 per cent. as of 31 July 2004 and voice coverage of approximately 98 per cent. via a roaming agreement.
 - In Australia, the 3G operation started offering services in Sydney and Melbourne in mid-April 2003 and services expanded to Brisbane, Adelaide and Perth in July 2003. The 3G network covers approximately 68 per cent. of the licenced population as of 31 July 2004 and 92 per cent. of the nationwide population via a roaming agreement.

Financial Management

The Group maintains a conservative financial management policy. The Group's net debt to equity ratio at 31 December 2003 was 7.3 per cent. In addition, the Group's liquidity position is among the strongest in the industry. As at 31 December 2003, the Group had cash and marketable securities (excluding its holding of Hutchison shares) of HK\$13.2 billion. There were also available but undrawn banking facilities of HK\$5.2 billion. In addition, the Group's liquidity position is further enhanced by the fact that the Hutchison shares it holds are among the most actively traded stocks on the SEHK. If considered appropriate, the Hutchison shares can be readily placed to raise cash for making new acquisitions or repaying outstanding debt.

With respect to the maturity profile of the Group's debt, the majority is arranged on a medium term committed basis spreading over periods of up to ten years. Of the Group's total borrowings as at 31 December 2003, HK\$1.6 billion was repayable within one year, HK\$15.8 billion within two to five years and HK\$0.5 billion within six to ten years.

The Group believes that its strong liquidity position is sufficient to satisfy its commitments and working capital requirement and also enables the Group to take advantage of acquisition opportunities which require early cash payments if and when they arise.

Capitalisation of Cheung Kong Holdings

The following table sets out the unaudited consolidated capitalisation of Cheung Kong Holdings as at 30 November 2004 except where otherwise indicated:

(HK\$ million)

Short-term loans:	
Bank loans	93
Other loans	<u>3,347</u>
Total short-term loans	<u>3,440</u>
Long-term loans:	
Bank loans	13,131
Other loans	<u>3,776</u>
Total long-term loans	<u>16,907</u>
Shareholders' equity:	
Share capital	1,158
Share premium	9,331
Reserves ⁽²⁾	2,303
Retained profits ⁽²⁾	<u>165,922</u>
Total Shareholders' equity	<u>178,714</u>
Total capitalisation	<u><u>199,061</u></u>

Notes:

1. There has been no material change in the capitalisation of Cheung Kong Holdings since 30 November 2004
2. Reserves and retained profits are stated as of 30 June 2004 as reported in the 2004 interim report.

TAXATION OF NOTES

HONG KONG

We have based this summary of Hong Kong tax on current law and practice. It is intended to give you an overview of what Hong Kong tax you might have to pay if you hold our notes. It is not complete and we are not giving you any tax advice. You should consult your own tax adviser about the tax consequences of investing in our notes, particularly if you are subject to special tax rules (for example, if you are a bank, dealer, insurance company or a tax-exempt entity).

Withholding tax

We are not required under current law to make any withholding on account of Hong Kong tax from payments of principal (including premiums and discounts) and interest in respect of our notes.

Capital Gains Tax

No capital gains tax is payable in Hong Kong on any capital gains arising from resale of notes.

Profits Tax

Profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong as it is currently applied, interest on our notes will be subject to Hong Kong profits tax where such interest is received by or accrued to:

- a financial institution (as defined in the Inland Revenue Ordinance) and such interest arises through or from the carrying on by the financial institution of its business in Hong Kong;
- a corporation carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business.

Notes of a particular series may be “qualifying debt instruments”. Qualifying debt instruments may entitle the holder to relief from all or part of any profits tax chargeable on payments of interest, depending on the maturity and other features of the notes.

In addition, Hong Kong profits tax may be charged on profits arising on the sale, disposal or redemption of notes where the sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Estate Duty

Notes cleared through CMU are Hong Kong property for the purposes of Hong Kong estate duty. Accordingly, Hong Kong estate duty may be payable in respect of notes cleared through CMU on the death of the beneficial owner of notes (regardless of the place of the owner’s residence, citizenship or domicile) or, where the noteholder is a privately controlled company for these purposes, on the death of a person who transferred notes to the company within 3 years of his death.

Notes cleared through Euroclear and Clearstream are not chargeable to estate duty provided the global note is held outside Hong Kong by the common depositary for the clearing systems.

Stamp Duty

Our notes are not subject to Hong Kong stamp duty or bearer instrument duty either when issued or on any subsequent transfer. If there is stamp duty payable on a series of notes, we will specify that in the applicable issue prospectus.

THE CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to us or any holder of notes. Accordingly, payment of principal (including any premium) and interest on, and any transfer of, the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

We have obtained an undertaking from the Governor-in-Council of the Cayman Islands that for a period of 20 years from 21 September 1993, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations and that neither the aforesaid tax nor any tax in the nature of estate duty or inheritance tax shall be payable on our shares, debentures or other obligations or by way of withholding of any relevant payment.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25 per cent. of the face amount thereof is payable on each note (up to a maximum of C.I.\$250 (approximately US\$305)) unless stamp duty of C.I.\$500 (approximately US\$610) has been paid in respect of the entire issue of notes.

FURTHER REQUIRED INFORMATION ABOUT US

STATUTORY INFORMATION

It is our statutory responsibility to give you the following further items of information.

Taking into account the nature of our notes being offered, there has been no material adverse change in the financial or trading position of us or Cheung Kong Holdings since 30 June 2004.

There is no litigation, nor are there any claims, of material importance pending or, to our knowledge or that of Cheung Kong Holdings, threatened against us or Cheung Kong Holdings.

No person has, or is entitled to, an option to subscribe for our shares or debentures or those of Cheung Kong Holdings.

None of our shares or debentures or those of Cheung Kong Holdings have been issued, nor have we or they agreed to issue any, as fully or partly paid up otherwise than in cash within the last two years.

Our articles of association provide that our directors may exercise all our powers to borrow money without limit and on whatever terms they decide.

FINANCIAL INFORMATION ABOUT US AND CHEUNG KONG HOLDINGS

Under Cayman Islands law, we are not required to publish, and we have not prepared, financial statements or an auditor's report.

Cheung Kong Holdings publishes its audited annual report and accounts following the end of each of its financial years and it publishes its unaudited interim financial statements following the end of each of its semi-annual interim financial periods. Its financial year end is 31 December.

Deloitte Touche Tohmatsu, independent accountants and auditors of Cheung Kong Holdings for the year ended 31 December 2003, have given and have not

withdrawn their written consent to the inclusion in this programme prospectus of their report dated 18 March 2004 (which relates to Cheung Kong Holdings' 2002 and 2003 financial statements) in the form and context in which it is included. Their report was not prepared exclusively for incorporation in this programme prospectus. Cheung Kong Holdings' 2004 audited financial statements are not available at the date of this programme prospectus.

REGULATORY INFORMATION ABOUT THIS PROGRAMME PROSPECTUS

Section 342(1) and (7) of the Companies Ordinance (Cap. 32) of Hong Kong prescribe the information required to be contained in a prospectus. Each issue prospectus, this programme prospectus and any addendum must contain that information unless its provision is either exempted or not applicable. In relation to us, this programme prospectus is exempted from compliance with paragraphs 4, 5, 6 (in relation to the residential address of the directors), 14, 15, 16, 19, 22, and 26(b) of the Third Schedule to the Companies Ordinance under sections 8(2) and 8(3) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap 32L) (the Exemption Notice). In relation to Cheung Kong Holdings, this programme prospectus is exempted from compliance with paragraphs 4, 5, 6 (in relation to the residential address of the directors), 12(1)(a), 12(1)(b), 13, 14, 15, 16, 19, 22, 26(b) and 31(1) and (3) of the Third Schedule to the Companies Ordinance under the Exemption Notice. A certificate of exemption has been issued by the Securities and Futures Commission relating to this programme prospectus and is expected to be issued relating to each issue prospectus. A summary of the exemptions and of the conditions to which the certificates of exemption are subject will be on display and may be found on the website of the Securities and Futures Commission: www.sfc.hk.

OTHER INFORMATION ABOUT OUR PROGRAMME

CHEUNG KONG HOLDINGS' AND OUR DIRECTORS TAKE RESPONSIBILITY FOR THIS PROSPECTUS

Cheung Kong Holdings' and our directors collectively and individually accept full responsibility for the accuracy of the information contained in this programme prospectus. They confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this programme prospectus misleading in any material way.

This programme prospectus, when read together with our issue prospectus, contains sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of our notes and Cheung Kong Holdings' and our financial condition and profitability at the time of the issue of the relevant issue prospectus, taking into account the nature of our notes.

None of the distributors which sell our notes is responsible in any way to ensure the accuracy of our prospectuses.

WE WILL UPDATE THIS PROSPECTUS WHENEVER WE OFFER NOTES, IF NECESSARY

This programme prospectus is accurate as at the date stated on the cover. You must not assume that information in this programme prospectus is accurate at any time after the date of this programme prospectus. If the information in this programme prospectus needs to be updated at the time we register an issue prospectus, we will either put the updated information in the issue prospectus or, if we prefer, we may put it into an addendum to this programme prospectus. If we use an addendum, we will register it with the Registrar of Companies in Hong Kong. Our latest issue prospectus will tell you whether an addendum has been published.

We and Cheung Kong Holdings will also give notice to the noteholders of any information about us and Cheung Kong Holdings which is necessary to avoid the establishment of a false market in the notes, or which may significantly affect our ability to make payments on the notes or the ability of Cheung Kong Holdings to honour its guarantee of our obligations under our notes.

WHERE YOU CAN READ COPIES OF OUR DOCUMENTATION

This programme prospectus contains only a summary description of our programme. To find out more, you can read copies of the contracts which set

up our programme by going to the office of our principal paying agent, The Hongkong and Shanghai Banking Corporation Limited, at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong. These offices are open only during normal business hours and not on Saturdays, Sundays or public holidays.

These are the documents, copies of which we will keep on display during an offer period for our notes and while any of our notes is still outstanding:

- our current programme prospectus and any updating addendum;
- a letter from Cheung Kong Holdings' auditors, Deloitte Touche Tohmatsu, consenting to the issue of this programme prospectus with their audit report in it;
- the trust deed, which incorporates the guarantee, and each supplemental trust deed or trustee notice for which notes are still outstanding. The trust deed includes the form of our notes and the terms and conditions. A supplemental trust deed or trustee notice includes the term sheet for the notes it constitutes;
- the dealer agreement;
- the paying agency agreement;
- the market making agreement;
- our memorandum and articles of association and that of Cheung Kong Holdings, and the Companies Law (Chapter 22 of the Laws of the Cayman Islands);
- Cheung Kong Holdings' most recently published audited annual report and accounts and unaudited interim financial statements;
- any notices given by us or Cheung Kong Holdings under the conditions of our notes; and
- a summary of the exemptions and of the conditions to which the certificate of exemption relating to this programme prospectus is subject.

A reasonable fee will be charged if you want to take photocopies of any of the documents whilst they are on display.

APPENDIX
FINANCIAL STATEMENTS OF CHEUNG KONG HOLDINGS

The information set out in the sections headed “Interim Financial Statements of Cheung Kong Holdings for the six months ended 30 June 2004” and “Report of the Auditors and Consolidated Accounts of Cheung Kong Holdings for the year ended 31 December 2003” (on pages 29 to 69 of this programme prospectus) has been extracted from the Interim Report 2004 of Cheung Kong Holdings as at and for the six months ended 30 June 2004 and the Annual Report 2003 of Cheung Kong Holdings as at and for the year ended 31 December 2003. The reference to “pages 58 to 89” on pages 37 and 65 of this programme prospectus refers to pages 58 to 89 of the Annual Report 2003 of Cheung Kong Holdings, which appear on pages 38 to 69 of this programme prospectus.

**INTERIM FINANCIAL STATEMENTS OF CHEUNG KONG HOLDINGS
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

For the six months ended 30th June, 2004

		(Unaudited)	
	Note	2004 HK\$ Million	2003 HK\$ Million
Group turnover		7,305	2,813
Share of property sales of jointly controlled entities		1,626	2,160
Turnover	(2)	8,931	4,973
Group turnover		7,305	2,813
Investment and other income		867	560
Operating costs			
Property and related costs		(6,611)	(1,817)
Salaries and related expenses		(296)	(311)
Interest expenses		(170)	(286)
Other expenses		(116)	(127)
		(7,193)	(2,541)
Share of results of jointly controlled entities		786	233
Operating profit		1,765	1,065
Share of results of associates		6,325	3,554
Profit before taxation	(3)	8,090	4,619
Taxation	(4)	(282)	(624)
Profit after taxation		7,808	3,995
Minority interests		(58)	6
Profit attributable to shareholders		7,750	4,001
Dividends			
Interim dividend of HK\$0.38 (2003 – HK\$0.38) per share		880	880
Earnings per share	(5)	HK\$3.35	HK\$1.73

INTERIM FINANCIAL STATEMENTS (continued)

Consolidated Balance Sheet

As at 30th June, 2004

	(Unaudited) 30/6/2004 HK\$ Million	(Audited) 31/12/2003 HK\$ Million
Non-current assets		
Fixed assets	17,281	17,217
Associates	130,802	127,241
Jointly controlled entities	20,882	22,576
Investments in securities	7,111	7,231
Long term loans	1,388	929
	177,464	175,194
Current assets		
Investments in securities	2,926	3,659
Stock of properties	16,534	13,891
Debtors, deposits and prepayments	2,684	2,060
Bank balances and deposits	2,288	5,182
	24,432	24,792
Current liabilities		
Bank and other loans	2,203	1,585
Creditors and accruals	2,685	2,210
Provision for taxation	621	562
Net current assets	18,923	20,435
Total assets less current liabilities	196,387	195,629
Non-current liabilities		
Bank and other loans	12,128	16,357
Deferred tax liabilities	349	319
	12,477	16,676
Minority interests	4,316	4,110
Total net assets	179,594	174,843
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	2,303	2,291
Retained profits	165,922	159,052
Dividend		
Interim dividend for 2004	880	–
Final dividend for 2003	–	3,011
Total shareholders' funds	179,594	174,843

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

	(Unaudited)	
	2004 HK\$ Million	2003 HK\$ Million
Total shareholders' funds at 1st January	174,843	168,548
Net profit for the period	7,750	4,001
Items recognised in reserves		
Exchange gains on translation of financial statements of subsidiaries, jointly controlled entities and associates	12	12
Final dividend paid	(3,011)	(2,826)
Total shareholders' funds at 30th June	179,594	169,735

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2004

	(Unaudited)	
	2004 HK\$ Million	2003 HK\$ Million
Net cash from operating activities	651	2,934
Net cash from/(used in) investing activities	115	(4,095)
Net cash from/(used in) financing activities	(3,660)	2,070
Net increase/(decrease) in cash and cash equivalents	(2,894)	909
Cash and cash equivalents at 1st January	5,182	2,156
Cash and cash equivalents at 30th June	2,288	3,065

Notes to Interim Financial Statements

(1) Basis of preparation

The interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" in Hong Kong. The principal accounting policies used in the preparation of the interim financial statements are consistent with those used in the financial statements for the year ended 31st December, 2003.

(2) Turnover and contribution

Turnover of the Group by operating activities for the period are as follows:

	Six months ended 30th June	
	2004 HK\$ Million	2003 HK\$ Million
Property sales	6,626	2,144
Property rental	288	387
Hotels and serviced suites	282	184
Property and project management	109	98
Group turnover	7,305	2,813
Share of property sales of jointly controlled entities	1,626	2,160
Turnover	8,931	4,973

Turnover of jointly controlled entities (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

During the period, the Group's overseas operations (including property sales of jointly controlled entities) were mainly in the Mainland which accounted for approximately 6% of the turnover.

(2) Turnover and contribution (continued)

Profit contribution by operating activities for the period are as follows:

	Company and subsidiaries Six months ended 30th June		Jointly controlled entities and unlisted associates Six months ended 30th June		Total Six months ended 30th June	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
Property sales	121	397	496	82	617	479
Property rental	232	302	192	135	424	437
Hotels and serviced suites	73	5	45	(3)	118	2
Property and project management	34	28	3	–	37	28
	460	732	736	214	1,196	946
Investment and finance					440	522
Interest expenses					(170)	(286)
Others					303	(6)
Taxation (excluding share of taxation of listed associate)					(197)	(212)
Minority interests					(58)	6
					1,514	970
Share of net result of listed associate Hutchison Whampoa Limited					6,236	3,031
Profit attributable to shareholders					7,750	4,001

INTERIM FINANCIAL STATEMENTS (continued)

(3) Profit before taxation

	Six months ended 30th June	
	2004 HK\$ Million	2003 HK\$ Million
Profit before taxation is arrived at after charging/(crediting):		
Interest expenses	222	408
Less: Interest capitalised	(52)	(122)
	170	286
Costs of properties sold	6,026	1,608
Depreciation	52	57
Net realised and unrealised holding gains on other investments	(53)	(594)

(4) Taxation

	Six months ended 30th June	
	2004 HK\$ Million	2003 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	62	23
Overseas tax	3	4
Deferred tax	30	110
Share of taxation		
Jointly controlled entities	100	72
Associates	87	415
	282	624

Hong Kong profits tax has been provided for at the rate of 17.5% (2003 – 17.5%) on the estimated assessable profits for the period. Overseas tax has been provided for at the applicable local rates on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences using the current applicable rates.

(5) Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2003 – 2,316,164,338 shares) in issue during the period.

(6) Ageing analyses of trade debtors and trade creditors

The Group's trade debtors mainly comprise receivables for sale of properties and rental. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sale of properties are normally completed when the sale prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals are payable in advance by tenants.

Ageing analysis of the Group's trade debtors at the balance sheet date is as follows:

	30/6/2004 HK\$ Million	31/12/2003 HK\$ Million
Current to one month	893	1,209
Two to three months	39	14
Over three months	40	31
	972	1,254

Ageing analysis of the Group's trade creditors at the balance sheet date is as follows:

	30/6/2004 HK\$ Million	31/12/2003 HK\$ Million
Current to one month	497	572
Two to three months	10	12
Over three months	18	9
	525	593

(7) Related party transactions

During the period and in the ordinary course of business, the Group undertook various joint venture projects with related parties, including the Chairman, Mr. Li Ka-shing, and Hutchison Whampoa Limited, on normal commercial terms. Advances were made to/received from and guarantees were provided for these joint venture projects on a pro rata basis. At the balance sheet date, advances made to/received from associates amounted to HK\$387 million and HK\$142 million respectively, and advances made to/received from jointly controlled entities amounted to HK\$17,887 million and HK\$1,298 million respectively. Guarantees provided by the Group for bank loans utilised by jointly controlled entities amounted to HK\$2,548 million.

During the period, the Group disposed of its 81% interest in PowerCom Network Hong Kong Limited to Hutchison Global Communications Holdings Limited ("HGCH") for a consideration of approximately HK\$317 million, which was satisfied by the issue and allotment to the Group of 395,743,835 new shares of HGCH credited as fully paid at an issue price of HK\$0.80 per share.

Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the interim financial statements.

(8) Review of interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.

**REPORT OF THE AUDITORS AND CONSOLIDATED ACCOUNTS OF
CHEUNG KONG HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2003**

REPORT OF THE AUDITORS

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

To the Members of Cheung Kong (Holdings) Limited

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 58 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants
Hong Kong, 18th March, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2003

	Note	2003 \$ Million	2002 (Restated) \$ Million
Group turnover		8,467	2,445
Share of property sales of jointly controlled entities		5,869	6,677
Turnover	(2)	14,336	9,122
Group turnover		8,467	2,445
Investment and other income		2,164	1,254
Operating costs			
Property and related costs		(6,382)	(993)
Salaries and related expenses		(620)	(698)
Interest expenses		(517)	(650)
Other expenses		(284)	(311)
		(7,803)	(2,652)
Share of results of jointly controlled entities		1,020	606
Revaluation deficit of investment properties		(784)	(825)
Profit on spin-off of subsidiaries		-	1,001
Operating profit		3,064	1,829
Share of results of associates		5,916	8,205
Profit before taxation	(3)	8,980	10,034
Taxation	(4)	837	(1,309)
Profit after taxation		9,817	8,725
Minority interests		(2)	57
Profit attributable to shareholders	(5)	9,815	8,782
Dividends			
Interim dividend paid at \$0.38 (2002 - \$0.38) per share		880	880
Final dividend proposed at \$1.30 (2002 - \$1.22) per share		3,011	2,826
		3,891	3,706
Earnings per share	(6)	\$4.24	\$3.79

CONSOLIDATED BALANCE SHEET

As at 31st December, 2003

	Note	2003 \$ Million	2002 (Restated) \$ Million
Non-current assets			
Fixed assets	(7)	17,217	19,016
Associates	(9)	127,241	123,780
Jointly controlled entities	(10)	22,576	25,857
Investments in securities	(11)	7,231	4,960
Long term loans		929	542
Deferred tax assets	(16)	-	44
		175,194	174,199
Current assets			
Investments in securities	(11)	3,659	900
Stock of properties	(12)	13,891	20,177
Debtors, deposits and prepayments	(13)	2,060	1,428
Bank balances and deposits		5,182	2,156
		24,792	24,661
Current liabilities			
Bank and other loans	(14)	1,585	2,618
Creditors and accruals	(15)	2,210	3,159
Provision for taxation		562	525
		20,435	18,359
Net current assets			
		195,629	192,558
Non-current liabilities			
Bank and other loans	(14)	16,357	19,255
Deferred tax liabilities	(16)	319	272
		16,676	19,527
Minority interests			
		4,110	4,483
Total net assets			
		174,843	168,548
Representing:			
Share capital	(17)	1,158	1,158
Share premium		9,331	9,331
Reserves	(18)	2,291	2,105
Retained profits	(19)	159,052	153,128
Proposed final dividend		3,011	2,826
Total shareholders' funds			
		174,843	168,548

Directors

Li Ka-shing

Ip Tak Chuen, Edmond

BALANCE SHEET

As at 31st December, 2003

	Note	2003 \$ Million	2002 \$ Million
Non-current assets			
Fixed assets	(7)	27	47
Subsidiaries	(8)	27,280	24,785
Associates	(9)	397	553
Jointly controlled entities	(10)	137	1,406
Investments in securities	(11)	14	14
Long term loans		20	22
		27,875	26,827
Current assets			
Stock of properties	(12)	3	3
Debtors, deposits and prepayments	(13)	30	64
Dividend receivable		500	1,600
Bank balances and deposits		653	226
		1,186	1,893
Current liabilities			
Creditors and accruals	(15)	115	135
		1,071	1,758
Total net assets		28,946	28,585
Representing:			
Share capital	(17)	1,158	1,158
Share premium		9,331	9,331
Reserves	(18)	616	616
Retained profits	(19)	14,830	14,654
Proposed final dividend		3,011	2,826
Total shareholders' funds		28,946	28,585

Directors

Li Ka-shing

Ip Tak Chuen, Edmond

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2003

	2003	2002 (Restated)
	\$ Million	\$ Million
Total shareholders' funds at 1st January, as previously reported	171,012	165,375
Prior year adjustments (note 1 (k))		
Retained profits	(2,039)	(1,945)
Reserves	(425)	(305)
Total shareholders' funds at 1st January, as restated	168,548	163,125
Net profit for the year	9,815	8,782
Items recognised in reserves (note 18)		
Exchange gains on translation of financial statements of subsidiaries, jointly controlled entities and associates	47	17
Surplus on revaluation of investment properties dealt with in reserves	139	330
	186	347
Dividends paid	(3,706)	(3,706)
Total shareholders' funds at 31st December	174,843	168,548

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2003

	Note	2003 \$ Million	2002 (Restated) \$ Million
Operating activities			
Cash generated from operations	(a)	5,357	2,124
Advance to jointly controlled entities		(1,509)	(1,621)
Dividend/repayment from jointly controlled entities		4,803	4,134
Dividend from associates		3,687	3,795
Dividend from investments in securities		64	55
Interest received		299	393
Advance of long term loans		(395)	(63)
Dividend paid to shareholders		(3,706)	(3,706)
Dividend paid to minorities		(98)	(12)
Profits tax paid		(32)	(64)
Net cash from operating activities		8,470	5,035
Investing activities			
Spin-off of subsidiaries		–	(22)
Increase of interest in subsidiaries		–	(15)
Increase of interest in jointly controlled entities		–	(328)
Restructure of interests in jointly controlled entities and associates		–	210
Advance to jointly controlled entities		(57)	(119)
Repayment from/(advance to) associates		133	(126)
Purchase of long term investments		(3,110)	(625)
Disposal/redemption of long term investments		1,563	242
Addition of fixed assets		(630)	(654)
Disposal of fixed assets		1,514	4
Net cash used in investing activities		(587)	(1,433)
Financing activities			
Borrowing of bank and other loans		2,881	5,581
Repayment of bank and other loans		(6,812)	(8,089)
Increase/(decrease) in funding from minorities		(218)	407
Interest paid		(708)	(920)
Net cash used in financing activities		(4,857)	(3,021)
Net increase in cash and cash equivalents		3,026	581
Cash and cash equivalents at 1st January		2,156	1,575
Cash and cash equivalents at 31st December	(b)	5,182	2,156

Notes:

(a) Cash generated from operations

	2003 \$ Million	2002 \$ Million
Profit before taxation	8,980	10,034
Interest income	(331)	(404)
Interest expenses	517	650
Dividend income from investments in securities	(62)	(64)
Share of results of jointly controlled entities	(1,020)	(606)
Share of results of associates	(5,916)	(8,205)
Profit on spin-off of subsidiaries	-	(1,001)
Revaluation deficit of investment properties	784	825
Profit on disposal of investment properties	(182)	-
Gain on long term investments	(589)	(91)
Depreciation	116	104
Increase in investments in securities	(2,565)	(274)
(Increase)/decrease in stock of properties	3,898	(2,739)
Increase in customers' deposits received	3,198	2,679
Increase in debtors, deposits and prepayments	(664)	(31)
Increase/(decrease) in creditors and accruals	(796)	1,236
Exchange difference and other items	(11)	11
	5,357	2,124

(b) Cash and cash equivalents

	2003 \$ Million	2002 \$ Million
Bank balances and deposits	5,182	2,156

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and comply with the Statements of Standard Accounting Practice ("SSAP") in Hong Kong.

In order to comply with SSAP12 (revised) "Income Taxes" which became effective from 1st January, 2003 in Hong Kong, the Group's accounting policy for deferred tax was changed and the effects of such change are set out in note 1 (k).

(b) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and of all its direct and indirect subsidiaries made up to 31st December, and also incorporate the Group's interests in jointly controlled entities and associates on the basis set out in note (1)(d) and note (1)(e) respectively.

Results of subsidiaries, jointly controlled entities and associates acquired or disposed of during the year are included as from their effective dates of acquisition to the end of the year or up to the dates of disposal as the case may be. Goodwill on acquisition of subsidiaries is carried at cost and amortised over its estimated useful life.

(c) Subsidiaries

A subsidiary is a company in which more than 50% of its issued voting capital is held long term by the Group. Investments in subsidiaries are carried at cost less provision for diminution in value where appropriate.

1. PRINCIPAL ACCOUNTING POLICIES (*continued*)

(d) Jointly controlled entities

A jointly controlled entity is an entity in which the Group has a long term equity interest and of which its financial and operating policies are under contractual arrangements jointly controlled by the Group and other parties.

Investments in jointly controlled entities are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for diminution in value. When the investment cost in a jointly controlled entity, less any provision for diminution in value where appropriate, is not expected to be fully recoverable in accordance with the contract terms upon dissolution of the jointly controlled entity at the expiry of the contractual arrangement, the expected shortfall is amortised on a straight line basis over the remaining contractual period.

Results of jointly controlled entities are incorporated in the financial statements to the extent of the Group's share of the post-acquisition profits less losses calculated from their financial statements made up to 31st December.

(e) Associates

An associate is a company, not being a subsidiary or jointly controlled entity, in which the Group has a long term equity interest of not less than 20% and the Group exercises significant influence over its management.

Investments in associates are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for diminution in value. Goodwill on acquisition of associates is carried at cost and amortised over its estimated useful life.

Results of associates are incorporated in the financial statements to the extent of the Group's share of the post-acquisition profits less losses calculated from their financial statements made up to 31st December, after adjusting, where practicable, for inconsistency with the Group's accounting policies.

(f) Investments in securities

Investments in securities intended to be held on a continuing basis, which are not investments in subsidiaries, jointly controlled entities or associates, are classified as investment securities and are carried at cost less provision for diminution in value where appropriate. Results of these investments are included in the profit and loss account only to the extent of dividends and interests received and receivable.

Other investments are stated at fair value in the balance sheet. Changes in fair value are dealt with in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Fixed assets

Fixed assets, other than investment properties and hotel and serviced suite properties, are stated at cost less depreciation and provision for diminution in value where appropriate.

Investment properties, which are held for rental, are stated at their open market values at the year end date. Annual valuations are undertaken by independent professional valuers. Increases in valuations are credited to investment property revaluation reserve whereas decreases in valuations are firstly set off against revaluation reserve and thereafter charged to the profit and loss account. When revalued investment properties are sold, the relevant revaluation surplus or deficit is transferred to the profit and loss account.

Hotel and serviced suite properties, which are held for operation, are stated at cost less provision for diminution in value where appropriate. Hotel and serviced suite properties are maintained in good condition and no depreciation is provided based on their high residual values if the unexpired lease terms are over 20 years. Costs incurred to maintain their continual good condition are charged to the profit and loss account in the year in which they are incurred.

No depreciation is provided on investment properties or hotel and serviced suite properties with an unexpired lease term of over 20 years. When the unexpired lease term is 20 years or less, depreciation is provided on the then carrying value over the remaining term of the lease.

Leasehold land is amortised over the remaining term of the lease on a straight-line basis. Buildings on the leasehold land are depreciated at annual rates of 2% to 4% on the cost of the respective building. Other fixed assets are depreciated on a straight-line basis at annual rates of 5% to 33 $\frac{1}{3}$ % based on their respective estimated useful lives.

(h) Stock of properties

Stock of properties are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Revenue recognition

When properties under development are sold, income is recognised when the property is completed and the relevant occupation permit is issued by the Authorities. Payments received from the purchasers prior to this stage are recorded as customers' deposits received and are deducted from the value of stock of properties.

Rental income is recognised on a straight-line basis over the terms of the respective leases. Income from property and project management is recognised when the services are rendered. Revenue from hotel and serviced suite operation is recognised upon provision of the services. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset; and dividend income is recognised when the right to receive payment is certain.

(j) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Transactions during the year are converted at the rates of exchange ruling at the dates of transactions. Exchange differences are included in the profit and loss account.

For financial statements of subsidiaries, jointly controlled entities and associates denominated in foreign currencies, balance sheet items are translated at the year end rates of exchange and results for the year are translated at the average rates of exchange during the year. Exchange differences are dealt with in the reserves.

(k) Taxation

Hong Kong profits tax is provided for at the prevailing rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas taxation is provided for at the applicable local rates on the estimated assessable profits of the individual company concerned.

In prior years, tax deferred or accelerated by the effect of timing difference, between income and expenditure recognised in the accounts and for tax purposes, was provided using the liability method to the extent that it is probable that a liability or an asset will crystallise.

In order to comply with SSAP12 (revised) "Income Taxes" which became effective from 1st January, 2003 in Hong Kong, the Group's accounting policy for deferred tax was changed. Deferred tax liabilities are provided in full, using the current applicable rates, on all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, and deferred tax assets are recognised, using the current applicable rates, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Taxation *(continued)*

The change of accounting policy mentioned above has been applied retrospectively. As a result and incorporating the Group's share of Hutchison Whampoa Limited's adjustments due to adoption of SSAP12 (revised), the profit attributable to shareholders was increased by \$2,076 million for the year ended 31st December, 2003 and was decreased by \$94 million for the year ended 31st December, 2002; retained profits and reserves at 1st January, 2003 were reduced by \$2,039 million and \$425 million respectively; and retained profits and reserves at 1st January, 2002 were reduced by \$1,945 million and \$305 million respectively. Certain comparative figures have been restated accordingly.

(l) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties which necessarily take a substantial period of time to complete.

2. TURNOVER AND CONTRIBUTION

The principal activities of the Group are property development and investment, hotel and serviced suite operation, property and project management and investment in securities.

Turnover of Group activities comprises proceeds from property sales, gross rental income, revenue from hotel and serviced suite operation and income from property and project management. In addition, the Group also accounts for its proportionate share of proceeds from property sales of jointly controlled entities as turnover. Turnover of jointly controlled entities (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

Turnover of the Group by operating activities for the year are as follows:

	2003 \$ Million	2002 \$ Million
Property sales	7,102	961
Property rental	695	806
Hotels and serviced suites	452	391
Property and project management	218	287
Group turnover	8,467	2,445
Share of property sales of jointly controlled entities	5,869	6,677
Turnover	14,336	9,122

During the year, the Group's overseas operations (including property sales of jointly controlled entities) were mainly in the Mainland, Singapore and the United Kingdom which accounted for approximately 16%, 11% and 6% of the turnover respectively.

2. TURNOVER AND CONTRIBUTION (*continued*)

Profit contribution by operating activities for the year are as follows:

	Company and subsidiaries		Jointly controlled entities and unlisted associates		Total	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Property sales	895	209	765	426	1,660	635
Property rental	549	618	290	198	839	816
Hotels and serviced suites	62	49	21	3	83	52
Property and project management	72	81	2	(1)	74	80
	1,578	957	1,078	626	2,656	1,583
Investment and finance					1,704	895
Interest expenses					(517)	(650)
Revaluation deficit of investment properties					(784)	(825)
Profit on spin-off of subsidiaries					–	1,001
Others					109	(151)
Taxation (excluding share of taxation of listed associates)					(535)	(286)
Minority interests					(2)	57
					2,631	1,624
Share of net results of listed associates						
Hutchison Whampoa Limited					7,184	7,175
CK Life Sciences Int'l., (Holdings) Inc.					–	(17)
Profit attributable to shareholders					9,815	8,782

NOTES TO FINANCIAL STATEMENTS (continued)

3. PROFIT BEFORE TAXATION

	2003 \$ Million	2002 \$ Million
Profit before taxation is arrived at after charging:		
Interest expenses		
Bank loans and other loans repayable within 5 years	653	875
Other loans not repayable within 5 years	40	25
	693	900
Less: Interest capitalised (see note (a))	(176)	(250)
	517	650
Directors' emoluments (see note (b))		
Salaries, allowances and benefits in kind	88	86
Pension scheme contribution	9	9
Discretionary bonus	26	37
	123	132
Less: Amount paid back	(17)	(13)
	106	119
Auditors' remuneration	5	5
Costs of properties sold	5,831	767
Depreciation	116	104
Impairment losses		
Investment securities	70	34
Jointly controlled entities	273	–
Operating lease charges – properties	27	51
Revaluation deficit of investment properties	784	825
and after crediting:		
Net rental income	614	728
Interest income from banks	32	33
Income from listed investments		
Dividend from investments in securities	51	45
Interest from investments in securities	105	92
Income from unlisted investments		
Dividend from investments in securities	11	19
Interest from jointly controlled entities	119	239
Interest from investments in securities	47	6
Net realised and unrealised holding gains on other investments	1,584	78
Profit on disposal of investment properties	182	–

3. PROFIT BEFORE TAXATION (continued)

Notes:

- (a) Interest was capitalised to property development projects at the average annual rate of approximately 1.5% (2002 – 2%) during the year.
- (b) Directors' emoluments included directors' fee of \$545,000 (2002 – \$545,000). Other than a director's fee of \$5,000, no other remuneration was paid to the Chairman, Mr. Li Ka-shing. The independent non-executive directors received a director's fee of \$30,000 each and for those who acted as members of the Audit Committee, an additional \$30,000 each was paid. Certain directors received directors' remuneration from associates of which \$17 million (2002 – \$13 million) was paid back to the Company.

Directors' emoluments (including the five highest paid individuals in the Group) are within the following bands:

	2003 Number of Directors	2002 Number of Directors
Nil – \$1,000,000	11	11
\$8,500,001 – \$9,000,000	1	–
\$9,000,001 – \$9,500,000	–	1
\$9,500,001 – \$10,000,000	–	2
\$10,000,001 – \$10,500,000	1	–
\$11,000,001 – \$11,500,000	–	1
\$12,000,001 – \$12,500,000	2	1
\$13,500,001 – \$14,000,000	2	–
\$14,000,001 – \$14,500,000	–	1
\$16,000,001 – \$16,500,000	1	–
\$22,000,001 – \$22,500,000	–	1
\$34,500,001 – \$35,000,000	1	–
\$42,500,001 – \$43,000,000	–	1

Further details on directors' emoluments can be found in the Report of the Directors on pages 27 and 28.

NOTES TO FINANCIAL STATEMENTS (continued)

4. TAXATION

	2003 \$ Million	2002 \$ Million
Company and subsidiaries		
Hong Kong profits tax	98	45
Overseas tax	2	2
Deferred tax	118	57
	218	104
Share of taxation charge/(credit)		
Jointly controlled entities	319	173
Associates	(1,374)	1,032
	(837)	1,309

Hong Kong profits tax has been provided for at the rate of 17.5% (2002 – 16%) and operating profit is reconciled with taxation as follows:

	2003 \$ Million	2002 \$ Million
Operating profit at Hong Kong tax rate of 17.5% (2002 – 16%)	536	293
Effect of increase in Hong Kong tax rate on deferred tax liabilities	21	–
Effect of different tax rates at overseas locations	109	38
Effect of revaluation deficit of investment properties	137	132
Effect of profit on disposal of investment properties	(32)	–
Effect of profit on spin-off of subsidiaries	–	(160)
Net effect of tax losses and deductible temporary differences utilised/not recognised	10	105
Net effect of non-assessable/deductible items	(246)	(114)
Others	2	(17)
	537	277
Share of taxation charge/(credit) of associates	(1,374)	1,032
	(837)	1,309

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders dealt with in the profit and loss account of the Company is \$4,067 million (2002 – \$3,845 million).

6. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2002 – 2,316,164,338 shares) in issue during the year.

7. FIXED ASSETS

	Land and buildings in Hong Kong \$ Million	Investment properties in Hong Kong \$ Million	Hotels and serviced suites in Hong Kong \$ Million	outside Hong Kong \$ Million	Other assets \$ Million	Total \$ Million
Group						
Cost or valuation						
At 1st January, 2003	48	11,999	6,275	1,252	670	20,244
Additions/transfers	307	(12)	58	23	65	441
Disposals	–	(1,327)	–	–	(33)	(1,360)
Deficits on revaluation	–	(784)	–	–	–	(784)
At 31st December, 2003	355	9,876	6,333	1,275	702	18,541
Accumulated depreciation/provisions						
At 1st January, 2003	–	–	891	–	337	1,228
Depreciation	–	–	–	–	116	116
Written back on disposals	–	–	–	–	(20)	(20)
At 31st December, 2003	–	–	891	–	433	1,324
Net book value						
At 31st December, 2003	355	9,876	5,442	1,275	269	17,217
Net book value						
At 31st December, 2002	48	11,999	5,384	1,252	333	19,016

At the balance sheet date:

- certain properties in Hong Kong with aggregate carrying value of \$15,296 million (2002 – \$17,079 million) and certain properties outside Hong Kong with aggregate carrying value of \$1,275 million (2002 – \$1,252 million) were held under medium term leases, all other properties were held under long leases; and
- certain hotel properties with aggregate carrying value of \$1,248 million (2002 – \$852 million) were pledged to secure bank loan facilities of subsidiaries.

NOTES TO FINANCIAL STATEMENTS (continued)

7. FIXED ASSETS (continued)

	Other assets \$ Million
Company	
Cost	
At 1st January, 2003	176
Additions	4
Disposals	(1)
At 31st December, 2003	179
Accumulated depreciation	
At 1st January, 2003	129
Depreciation	24
Written back on disposals	(1)
At 31st December, 2003	152
Net book value at 31st December, 2003	27
Net book value at 31st December, 2002	47

Analysis of cost and valuation of the Group's fixed assets are as follows:

	Land and buildings in Hong Kong \$ Million	Investment properties in Hong Kong \$ Million	Hotels and serviced suites in outside Hong Kong \$ Million		Other assets \$ Million	Total \$ Million
At 31st December, 2003						
- at valuation	-	9,876	-	-	-	9,876
- at cost	355	-	6,333	1,275	702	8,665
	355	9,876	6,333	1,275	702	18,541
At 31st December, 2002						
- at valuation	-	11,999	-	-	-	11,999
- at cost	48	-	6,275	1,252	670	8,245
	48	11,999	6,275	1,252	670	20,244

Investment properties have been revalued at 31st December, 2003 by DTZ Debenham Tie Leung, professional valuers, on an open market value basis. Gross rental income derived from investment properties during the year amounted to \$522 million (2002 - \$616 million).

8. SUBSIDIARIES

	Company	
	2003 \$ Million	2002 \$ Million
Unlisted investments in subsidiaries	2,078	2,267
Amounts due from subsidiaries	28,398	28,825
Amounts due to subsidiaries	(3,196)	(6,307)
	27,280	24,785

Particulars regarding the principal subsidiaries are set out in Appendix I.

9. ASSOCIATES

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Listed investments in associates	126,391	122,893	–	–
Unlisted investments in associates	589	487	518	518
	126,980	123,380	518	518
Amounts due from associates	407	420	–	36
Amounts due to associates	(146)	(20)	(121)	(1)
	127,241	123,780	397	553
Market value of investments in associates – listed in Hong Kong	126,861	107,902	–	–

Particulars regarding the principal associates are set out in Appendix II.

10. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Unlisted investments in jointly controlled entities	3,975	3,498	420	420
Amounts due from jointly controlled entities	19,148	22,471	135	1,004
Amounts due to jointly controlled entities	(547)	(112)	(418)	(18)
	22,576	25,857	137	1,406

Particulars regarding the principal jointly controlled entities are set out in Appendix III.

11. INVESTMENTS IN SECURITIES

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Investment securities				
Equity securities – unlisted	96	196	14	14
Debt securities – unlisted	–	29	–	–
Equity securities – listed in Hong Kong	597	430	–	–
Equity securities – listed overseas	910	910	–	–
	1,603	1,565	14	14
Other investments				
Equity securities – unlisted	2,995	203	–	–
Debt securities – unlisted	601	47	–	–
Equity securities – listed in Hong Kong	2,271	1,164	–	–
Equity securities – listed overseas	1,417	442	–	–
Debt securities – listed overseas	2,003	2,439	–	–
	9,287	4,295	–	–
Less: Amounts classified under current assets	3,659	900	–	–
	5,628	3,395	–	–
Amounts classified under non-current assets	7,231	4,960	14	14
Market value of investment securities				
– listed in Hong Kong	1,459	951	–	–
– listed overseas	884	476	–	–
Market value of other investments				
– listed in Hong Kong	2,271	1,164	–	–
– listed overseas	3,420	2,881	–	–
	8,034	5,472	–	–

12. STOCK OF PROPERTIES

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Properties for/under development	12,109	14,927	–	–
Joint development projects	4,745	6,076	–	–
Properties for sale	3,320	2,251	3	3
	20,174	23,254	3	3
Less: Customers' deposits received	6,283	3,077	–	–
	13,891	20,177	3	3

At the balance sheet date, stock of properties amounting to \$2,187 million (2002 – \$2,270 million) were carried at net realisable value.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Trade debtors	1,254	313	–	–
Deposits, prepayments and other debtors	806	1,115	30	64
	2,060	1,428	30	64

The Group's trade debtors mainly comprise receivables for sale of properties and rental. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sale of properties are normally completed when the sale prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals are payable in advance by tenants.

Ageing analysis of the Group's trade debtors at the balance sheet date is as follows:

	2003 \$ Million	2002 \$ Million
Current to one month	1,209	285
Two to three months	14	8
Over three months	31	20
	1,254	313

14. BANK AND OTHER LOANS

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Bank loans repayable				
within 1 year	185	118	-	-
after 1 year but not exceeding 2 years	41	118	-	-
after 2 years but not exceeding 5 years	9,590	10,648	-	-
after 5 years	-	1,875	-	-
Other loans repayable				
within 1 year	1,400	2,500	-	-
after 1 year but not exceeding 2 years	3,047	1,400	-	-
after 2 years but not exceeding 5 years	3,176	4,914	-	-
after 5 years	503	300	-	-
	17,942	21,873	-	-
Less: Amounts classified under current liabilities	1,585	2,618	-	-
Amounts classified under non-current liabilities	16,357	19,255	-	-

At the balance sheet date:

- (a) bank loans amounting to \$234 million (2002 – \$282 million) were secured by certain assets of the Group; and
- (b) other loans included fixed rate and floating rate notes and bonds issued by wholly owned subsidiaries and guaranteed by the Company as follows:
- (i) issued by Cheung Kong Finance Cayman Limited and listed on the Luxembourg Stock Exchange:
- | | |
|-------------------|--|
| HK\$ 300,000,000 | HIBOR + 0.28% due February 2004 (issued in 2001) |
| HK\$ 300,000,000 | 5.36% due May 2004 (issued in 2001) |
| HK\$ 300,000,000 | 5.38% due June 2004 (issued in 2001) |
| HK\$ 200,000,000 | 7.88% due November 2004 (issued in 1999) |
| HK\$ 300,000,000 | 7.75% due December 2004 (issued in 1999) |
| HK\$1,000,000,000 | 7.68% due January 2005 (issued in 2000) |
| HK\$ 550,000,000 | 5.25% due April 2005 (issued in 2002) |
| HK\$1,000,000,000 | HIBOR + 0.5% due July 2005 (issued in 2000) |
| HK\$ 500,000,000 | 7.68% due July 2005 (issued in 2000) |
| HK\$ 300,000,000 | 2.83% due January 2006 (issued in 2003) |
| HK\$ 500,000,000 | 7.88% due December 2006 (issued in 1999) |
| SGD 100,000,000 | 4.55% due March 2007 (issued in 2000) |
| HK\$ 300,000,000 | 8.38% due January 2010 (issued in 2000) |
| US\$ 26,000,000 | 9% (first year)/floating rates (thereafter) due March 2013
subject to early redemption (issued in 2003) |

14. BANK AND OTHER LOANS (continued)

(ii) issued by Cheung Kong Bond Finance Limited in Hong Kong:

AUD 20,000,000	4.75% due October 2006 (issued in 2003)
HK\$ 900,000,000	3% (first 2 years)/4% (thereafter) due October 2008 subject to early redemption (issued in 2003)

(iii) issued by Joynote Ltd and listed on the Singapore Stock Exchange:

HK\$ 910,000,000	HIBOR+0.38% due September 2007 (issued in 2002)
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15. CREDITORS AND ACCRUALS

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Trade creditors	593	1,499	–	–
Accruals and other creditors	1,617	1,660	115	135
	2,210	3,159	115	135

Ageing analysis of the Group's trade creditors at the balance sheet date is as follows:

	2003 \$ Million	2002 \$ Million
Current to one month	572	1,487
Two to three months	12	8
Over three months	9	4
	593	1,499

16. DEFERRED TAX ASSETS/LIABILITIES

At the balance sheet date:

- deferred tax liabilities amounting to \$319 million (2002 – \$272 million) were provided on temporary differences arising from accelerated tax depreciation; and
- tax losses and deductible temporary differences amounting to \$2,175 million (2002 – \$2,186 million), of which \$112 million (2002 – \$104 million) expire within 5 years, were not recognised.

Deferred tax assets amounting to \$44 million were recognised last year on tax losses which were utilised during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL

	2003	2002	2003	2002
	No. of shares	No. of shares	\$ Million	\$ Million
Authorised:				
Shares of \$0.5 each	3,800,000,000	3,800,000,000	1,900	1,900
Issued and fully paid:				
Shares of \$0.5 each	2,316,164,338	2,316,164,338	1,158	1,158

18. RESERVES

	Group		Company	
	2003	2002	2003	2002
	\$ Million	\$ Million	\$ Million	\$ Million
Capital reserve				
Balance at 1st January and 31st December	345	345	199	199
Exchange translation reserve				
Balance at 1st January	95	78	1	1
Company and subsidiaries	(6)	(50)	-	-
Share of translation reserve				
Jointly controlled entities	53	67	-	-
Balance at 31st December	142	95	1	1
Investment property revaluation reserve				
Balance at 1st January as previously reported	2,090	1,640	416	416
Prior year adjustments (note 1(k))	(425)	(305)	-	-
Balance at 1st January as restated	1,665	1,335	416	416
Revaluation surplus				
Jointly controlled entities	139	330	-	-
Balance at 31st December	1,804	1,665	416	416
	2,291	2,105	616	616

19. RETAINED PROFITS

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Balance at 1st January as previously reported	155,167	149,997	14,654	14,515
Prior year adjustments (note 1(k))	(2,039)	(1,945)	-	-
Balance at 1st January as restated	153,128	148,052	14,654	14,515
Profit for the year	9,815	8,782	4,067	3,845
Interim dividend paid	(880)	(880)	(880)	(880)
Proposed final dividend	(3,011)	(2,826)	(3,011)	(2,826)
Balance at 31st December	159,052	153,128	14,830	14,654

At the balance sheet date, retained profits of the Group included \$98,849 million (2002 – \$95,245 million) retained by associates and \$1,041 million (2002 – \$381 million) retained by jointly controlled entities. The Company's reserves available for distribution to shareholders including the proposed final dividend amounted to \$17,375 million (2002 – \$17,014 million). Proposed final dividend for 2002 was approved by shareholders on 22nd May, 2003 and paid on 27th May, 2003.

20. EMPLOYEES PENSION SCHEMES

The principal employees pension schemes operated by the Group are defined contribution schemes. Contributions are made by either the employer only or both the employer and the employees at rates ranging from approximately 5% to 10% on the employees' salary.

During the year, the Group's costs incurred on employees pension schemes were \$55 million (2002 – \$58 million) and forfeited contributions in the amount of \$10 million (2002 – \$8 million) were used to reduce current year's contributions.

21. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date:

- (a) the Group had capital commitments as follows:
 - (i) contracted but not provided for
fixed assets – \$1,083 million (2002 – \$155 million)
 - (ii) authorised but not contracted for
fixed assets – \$36 million (2002 – \$1 million)

- (b) the Group's share of capital commitments of the jointly controlled entities were as follows:
 - (i) contracted but not provided for – \$578 million (2002 – \$912 million)
 - (ii) authorised but not contracted for – \$255 million (2002 – \$199 million)

- (c) the Group's share of contingent liabilities of jointly controlled entities in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 46 years amounted to \$4,538 million; and

- (d) the Company provided guarantees for loan financing as follows:
 - (i) bank and other loans utilised by subsidiaries – \$17,676 million (2002 – \$21,544 million)
 - (ii) bank loans utilised by jointly controlled entities – \$1,640 million (2002 – \$1,918 million)and certain subsidiaries provided guarantees for bank loans utilised by jointly controlled entities and affiliated companies amounted to \$1,081 million (2002 – \$1,089 million) and \$23 million (2002 – \$25 million) respectively.

22. OPERATING LEASE

Analysis of future minimum lease income receivable by the Group under non-cancellable operating leases for property rental at the balance sheet date is as follows:

	Group	
	2003 \$ Million	2002 \$ Million
Future minimum lease income receivable		
not later than 1 year	433	602
later than 1 year and not later than 5 years	385	673
later than 5 years	12	21
	830	1,296

Analysis of future minimum lease charges payable by the Group and the Company under non-cancellable operating leases at the balance sheet date are as follows:

	Group		Company	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Future minimum lease charges payable				
not later than 1 year	43	78	35	63
later than 1 year and not later than 5 years	28	113	23	107
later than 5 years	–	2	–	–
	71	193	58	170

23. RELATED PARTY TRANSACTIONS

During the year and in the ordinary course of business, the Group undertook various joint venture projects with related parties, including the Chairman, Mr. Li Ka-shing, and Hutchison Whampoa Limited, on normal commercial terms. Advances were made to/received from and guarantees were provided for these joint venture projects on a pro rata basis. Advances made/received by the Group at the balance sheet date were disclosed as amount due from/to associates and jointly controlled entities in notes (9) and (10). Guarantees provided by the Group for bank loans utilised by jointly controlled entities at the balance sheet date were disclosed in note (21).

Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS *(continued)*

24. SEGMENT INFORMATION

Assets and liabilities of the Group analysed by operating activities are as follows:

	Company and subsidiaries \$ Million	Jointly controlled entities and unlisted associates \$ Million	Assets \$ Million	Liabilities \$ Million
At 31st December, 2003				
Property development	17,407	11,987	29,394	(1,150)
Property investment	10,337	7,489	17,826	(191)
Hotels and serviced suites	7,027	3,065	10,092	(241)
Property and project management	186	26	212	(53)
Total segment assets/(liabilities)			57,524	(1,635)
Investments in listed associates			126,391	-
Cash and investments in securities			14,122	-
Bank and other loans			-	(17,942)
Other assets/(liabilities)			1,949	(1,456)
Total assets/(liabilities)			199,986	(21,033)
At 31st December, 2002				
Property development	21,989	14,755	36,744	(2,033)
Property investment	12,178	7,698	19,876	(241)
Hotels and serviced suites	7,030	3,334	10,364	(298)
Property and project management	172	17	189	(53)
Total segment assets/(liabilities)			67,173	(2,625)
Investments in listed associates			122,893	-
Cash and investments in securities			6,401	-
Bank and other loans			-	(21,873)
Others assets/(liabilities)			2,393	(1,331)
Total assets/(liabilities)			198,860	(25,829)

24. SEGMENT INFORMATION (continued)

Total segment assets at the balance sheet date and capital expenditure for segment assets incurred during the year, analysed by geographical locations, are as follows:

	Total Segment Assets		Capital Expenditure	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Hong Kong	40,493	51,031	507	654
The Mainland	12,053	11,070	50	93
Asia	4,219	4,544	–	–
Europe	703	468	–	–
North America	56	60	–	–
	57,524	67,173	557	747

Depreciation and capital expenditure incurred during the year, analysed by operating activities, are as follows:

	Depreciation		Capital Expenditure	
	2003 \$ Million	2002 \$ Million	2003 \$ Million	2002 \$ Million
Property investment	–	–	380	197
Hotels and serviced suites	68	50	170	515
Property and project management	27	28	7	35
	95	78	557	747

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements reported in Hong Kong dollars and set out on pages 58 to 89 were approved by the board of directors on 18th March, 2004.

PRINCIPAL SUBSIDIARIES

Appendix I

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group. All the companies listed below were incorporated in Hong Kong except otherwise stated.

Name	Issued Ordinary Share Capital Nominal Value	Effective percentage held by the Company		Principal Activities
		Directly	Indirectly	
Bandick Limited	HK\$ 2		100	Property investment
Bermington Investment Limited	HK\$ 2		100	Property development
Biro Investment Limited	HK\$ 10,000		100	Property development
Bonder Way Investment Limited	HK\$ 2		100	Property development
Cheung Kong Bond Finance Limited (Cayman Islands)	US\$ 1		100	Finance
Cheung Kong Finance Cayman Limited (Cayman Islands)	US\$ 1,000		100	Finance
Cheung Kong Finance Company Limited	HK\$ 2,500,000	100		Finance
Cheung Kong Holdings (China) Limited	HK\$ 2		100	Investment holding in the Mainland projects
Cheung Kong Investment Company Limited	HK\$ 20	100		Investment holding
Cheung Kong Property Development Limited	HK\$ 2	100		Project management
Citybase Property Management Limited	HK\$ 100,000		100	Property management
Conestoga Limited	HK\$ 10,000		60.9	Property investment
Fantastic State Limited	HK\$ 2		100	Property development
Flying Snow Limited	HK\$ 2		100	Property development
Focus Eagle Investments Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Gainbo Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
Gingerbread Investments Limited (British Virgin Islands)	US\$ 1		100	Property development
Glass Bead Limited (British Virgin Islands)	US\$ 1		100	Property investment
Global Coin Limited	HK\$ 2		100	Property development
Goodwell Property Management Limited	HK\$ 100,000		100	Property management
Hero Star Venture Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
iMarkets Limited	HK\$30,000,000		75	Provider of electronic trading platform
Japura Development Pte Ltd (Singapore)	SGD 1,000,000		76	Property development
Jingcofield Limited (British Virgin Islands)	US\$ 1		100	Property investment
Joynote Ltd (Singapore)	SGD 2		100	Finance
Match Power Investment Limited	HK\$ 2		100	Property development
Maxchief Limited	HK\$ 2		100	Property development

Name	Issued Ordinary Share Capital Nominal Value	Effective percentage held by the Company		Principal Activities
		Directly	Indirectly	
Megawin International Limited (British Virgin Islands)	US\$ 1		100	Property development
Metrofond Limited	HK\$ 2		100	Property development
Million Rise Investments Limited	HK\$ 2		100	Property development
Mitcham Resources Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Mutual Luck Investment Limited	HK\$ 30,000		60	Property development
New Profit Resources Limited	HK\$ 2		98.47	Property development
Opal Charm Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Pacific Top Development Limited	HK\$ 2		100	Property development
Pako Wise Limited	HK\$ 2	100		Property investment
Pearl Wisdom Limited	HK\$ 2		100	Property development
Pofield Investments Limited (British Virgin Islands)	US\$ 1		100	Property investment
Potton Resources Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Prime Pro Group Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Randash Investment Limited	HK\$ 110		60.9	Hotels & serviced suites
Romefield Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Sai Ling Realty Limited	HK\$ 10,000	100		Property development
Sino China Enterprises Limited	HK\$ 2		100	Property development
Super Winner Development Limited	HK\$ 2		100	Property development
The Center (Holdings) Limited (British Virgin Islands)	US\$ 1		100	Property investment
Tin Shui Wai Development Limited	HK\$ 1,000		98.47	Property investment
Towerich Limited	HK\$ 2		51	Hotels & serviced suites
Union Ford Investments Limited	HK\$ 2		80	Property development
Winchesto Finance Company Limited	HK\$ 15,000,000	100		Finance
Winrise Champion Limited (British Virgin Islands)	US\$ 1		100	Property investment
Wisdom Choice Investment Limited	HK\$ 2		60	Property development
Yick Ho Limited	HK\$ 6,000,000		100	Investment in hotel projects

The principal area of operation of the above companies were in Hong Kong except the following:

Name	Area of Operation
Cheung Kong Finance Cayman Limited	Europe
Cheung Kong Holdings (China) Limited	The Mainland
Japura Development Pte Ltd	Singapore
Joynote Ltd	Singapore
Megawin International Limited	The Mainland
Yick Ho Limited	The Mainland

PRINCIPAL ASSOCIATES

Appendix II

The Directors are of the opinion that a complete list of the particulars of all the associates will be of excessive length and therefore the following list contains only the particulars of the associates which materially affect the results or assets of the Group. All the companies listed below were incorporated in Hong Kong except otherwise stated.

Name	Effective percentage of Issued Ordinary Share Capital held by the Company		Principal Activities
	Directly	Indirectly	
AMTD Financial Planning Limited		30.4	Financial planning
CEF Holdings Limited	50		Investment holding & loan financing
CK Life Sciences Int'l., (Holdings) Inc. (Cayman Islands)		44	Research & development, commercialisation, marketing & sale of biotechnology products
Harbour Plaza Hotel Management (International) Limited (British Virgin Islands)		50	Hotel management
Hong Kong Concord Holdings Limited		40	Trading, power plant & securities investment
Hutchison Whampoa Limited		49.9	Telecommunications, ports & related services, retail & manufacturing, property & hotels, energy, infrastructure, finance & investments
iBusiness Corporation Limited		49.6	e-commerce and investment
Metro Broadcast Corporation Limited		50	Radio broadcasting

The principal area of operation of the above companies were in Hong Kong except the following:

Name	Area of Operation
Hong Kong Concord Holdings Limited	The Mainland

PRINCIPAL JOINTLY CONTROLLED ENTITIES

Appendix III

The Directors are of the opinion that a complete list of the particulars of all the jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of the jointly controlled entities which materially affect the results or assets of the Group. All the jointly controlled entities below were incorporated in Hong Kong except otherwise stated.

Name	Effective percentage of Ownership Interest held by the Company		Principal Activities
	Directly	Indirectly	
Albion Properties Limited (The United Kingdom)		45	Property development
Bayswater Developments Limited (British Virgin Islands)		50	Property development & investment
Central More Limited		50	Property development
Chesgold Limited		50	Property investment
Cheung Wo Hing Fung Enterprises Limited (British Virgin Islands)		50	Property investment
Circadian Limited (The United Kingdom)		22.5	Property development
Clayton Power Enterprises Limited		50	Property development
Cosmos Wide International Limited		50	Property development
Dragon Beauty International Limited		50	Property development
Glenfield Investments Pte Ltd (Singapore)		50	Property development
Golden Famous International Limited		50	Property development
Hui Xian Investment Limited		33.4	Investment in property project
Konorus Investment Limited		42.5	Property development
Marketon Investment Limited		50	Property development
Matrica Limited		30	Property development & investment
Mightypattern Limited	25	25	Property investment
Nanyang Brothers Properties Limited		50	Property development
One Raffles Quay Pte Ltd (Singapore)		33.3	Property development
Super Lion Enterprises Limited	50		Property development
Vigour Limited		50	Property development & investment

The principal area of operation of the above jointly controlled entities were in Hong Kong except the following:

Name	Area of Operation
Albion Properties Limited	The United Kingdom
Bayswater Developments Limited	The Mainland
Chesgold Limited	The Mainland
Cheung Wo Hing Fung Enterprises Limited	The Mainland
Circadian Limited	The United Kingdom
Glenfield Investments Pte Ltd	Singapore
Hui Xian Investment Limited	The Mainland
One Raffles Quay Pte Ltd	Singapore

ISSUER

Cheung Kong Bond Finance Limited
c/o Cheung Kong (Holdings) Limited
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

GUARANTOR

Cheung Kong (Holdings) Limited
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

ARRANGER

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 16, HSBC Main Building
1 Queen's Road Central
Hong Kong

CO-ARRANGER

Standard Chartered Bank
4-4A Des Voeux Road Central
Hong Kong

**PRINCIPAL PAYING AGENT
AND CALCULATION AGENT**

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

DEALERS

**The Hongkong and Shanghai Banking
Corporation Limited**
Level 16, HSBC Main Building
1 Queen's Road Central
Hong Kong

Standard Chartered Bank
4-4A Des Voeux Road Central
Hong Kong

LEGAL ADVISERS

To the Arrangers and the Dealers as to Hong Kong law

Linklaters
10th Floor
Alexandra House
16-20 Chater Road
Hong Kong

To the Issuer as to Cayman Islands law

Maples and Calder
1504 One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**AUDITORS TO CHEUNG KONG
(HOLDINGS) LIMITED**

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

TRUSTEE

Law Debenture Trust (Asia) Limited
Suite 1904, 19/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

