



CHEUNG KONG (HOLDINGS) LIMITED

INTERIM REPORT FOR 2001

HIGHLIGHTS

	Six months ended 30th June	
	2001	2000
	HK\$ Million	HK\$ Million
Profit attributable to shareholders	4,212	17,395
Earnings per share	HK\$1.82	HK\$7.57
Dividends per share	HK\$0.38	HK\$0.38

- Enhancing further our established position by bringing together our strengths in the local and overseas property businesses.
- Progressing well in our active foray into the new technology arena to gain first-mover advantage.
- Reinforcing our drive for diversification and globalisation through the solid progress of Hutchison Whampoa's strategic investments.
- Our increased market responsiveness and innovative initiatives will improve our global competitiveness further.

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit after tax for the first half of 2001 amounted to HK\$4,212 million. Earnings per share were HK\$1.82.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2001 of HK\$0.38 per share (HK\$0.38 per share in 2000) to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. The dividend will be paid on 19th October, 2001.

BUSINESS REVIEW

1. Projects Completed in the First Half Year of 2001:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
No. 1 Star Street	The Remaining Portion of Section A of Inland Lot No. 2837	9,320	100%
Villa Esplanada Phase III	Tsing Yi Town Lot No. 129	79,640	22.5%
The Metropolis Hotel, Shopping Arcade and Office Tower	Kowloon Inland Lot No. 11077	97,180	Joint Venture
University Court	Section A of New Kowloon Inland Lot No. 2491	4,072	100%
Beijing Oriental Plaza Phase II Office Building	No. 1, East Chang An Ave., Dong Cheng District, Beijing	150,000	33.3775%

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2. Projects Scheduled for Completion during the Second Half Year:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Laguna Grande Laguna Verde	Kowloon Inland Lot No. 11056	121,280	Joint Venture
Ocean Vista Laguna Verde	Kowloon Inland Lot No. 11056	65,390	Joint Venture
Harbourfront Landmark	Kowloon Inland Lot No. 11055	62,460	50%
Beijing Oriental Plaza Phase III Office Building, Hotel and Serviced Apartments	No. 1, East Chang An Ave., Dong Cheng District, Beijing	178,000	33.3775%

3. New Acquisitions and Joint Developments and other Major Events:

- (1) In March 2001, an associated company in which the Group has a 33.33% interest was awarded the tender for Land Parcel A (comprising Land Parcels A1 and A2) at Marina Boulevard, Singapore to be developed for commercial purposes. With a total site area of approximately 15,600 sq. m. and a developable gross floor area of approximately 152,000 sq. m., the proposed project is scheduled for completion in 2005.
- (2) In May 2001, the Group as developer obtained approval from the Town Planning Board for the planning application for the development of Junk Bay Town Lot No. 1 sB and the remaining portion, Shek Kok Road. The site has an area of approximately 19,480 sq. m. and is planned for a residential development comprising a total developable gross floor area of approximately 97,400 sq. m. Lease modification is in progress.
- (3) In May 2001, the Group executed the land grant with the Government in respect of Lot No. 815 in DD 110, Shek Kong, Yuen Long. Earmarked for a residential development with a total developable gross floor area of approximately 10,300 sq. m., the site has an area of about 25,800 sq. m.
- (4) In July 2001, the Group reached an agreement with the Government for the land grant of Inland Lot No. 8972, Tiger Balm Garden, Tai Hang for residential purposes. The site area is approximately 7,230 sq. m. and the developable gross floor area is approximately 47,300 sq. m. Completion is scheduled for 2004.
- (5) In July 2001, approval from the Town Planning Board was obtained for the planning application for various lots in DD 379, Siu Sau Tsuen, Tuen Mun for residential purposes. The project, a joint venture between the Group and another developer, has a site area of about 26,000 sq. m. Further design and planning are underway.
- (6) During the period under review, the Group continued to acquire agricultural land with potential for development. Some of these sites are under varying stages of design and planning applications.
- (7) The Group's property projects in the Mainland are on schedule, both for sale and leasing.

4. Major Associated Company :

The associated Hutchison Whampoa Group recorded unaudited consolidated net profit after tax for the half year ended 30th June, 2001 of HK\$7,193 million (2000: HK\$31,126 million).

PROSPECTS

Following its established strategies, the Group continues to strengthen its property business, venture into new technologies and embark on diversification and globalisation. These underlying principles of the Group's various initiatives have consolidated its sound foundations and will continue to guide it in the future.

- The Group targets to strengthen its established position in the property market with even stronger fundamentals for further growth. Following successive interest rate cuts and the improving purchasing power of flat buyers, the local property market is set for recovery. The Group continues to enhance its responsiveness to the market through its ongoing pursuit of innovation and perfection, which will position it well for the anticipated market upturn.

It has been the Group's policy to build up a sizable quality landbank by selective acquisitions of prime sites. Our existing landbank, comprising mainly of urban sites and agricultural land with prime locations and good potential for development, is sufficient to support our development in the next four or five years.

The Group will continue its efforts in enriching its quality portfolio of investment properties which is expected to expand significantly in the next few years. This is in line with the Group's policy to increase progressively the recurrent earnings base from its rental properties.

Good progress was reported for the Group's active foray into the Mainland and overseas property markets. The Group will continue to strengthen its presence in these markets by pursuing selective investments when appropriate opportunities arise. Building on its good reputation and experience in property development, the Group is positioned to develop further its property business based on the combined strengths of its local and overseas property portfolios.

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- The Group is branching out into the new tech and hi-tech arena to capitalise on the synergies between its traditional businesses and new technologies. Active ventures have commenced in areas such as biotechnology, e-commerce and other Internet-related businesses following a disciplined approach to expansion. These businesses, usually long-term investments with low capital and high return, are expected to mature and provide profit contributions for the Group in one or two years. The Group's enterprising corporate culture, coupled with its professional team of hi-tech experts, efficient management and strong financial capabilities, will enable the Group to gain first-mover advantage in this exciting era led by knowledge and new technologies.
- The Group's initiatives for diversification and globalisation have continued. Riding on the solid progress of Hutchison Whampoa's strategic investments, the Group continues to build up and strengthen its quality assets around the globe, creating better value for its shareholders.

The drop in total profit of the Hutchison Whampoa Group for the first-half of the year was attributable to the provision made against the fall in share prices of telecommunications companies in which it has interests according to its prudent accounting policy. Momentum of business growth was maintained both locally and overseas, with solid performances recorded for all of its core businesses. Start-up operations such as the 3G mobile services are being tightly managed under the discipline of cost rationalisation and controlled expansion. While these businesses are currently at an investment stage, they are poised to become important earnings generators for the Group when they mature in the next two or three years. The Hutchison Whampoa Group is in an enviable position to meet the challenges and opportunities ahead supported by its strong financial foundation.

The Cheung Kong Group has been prudent in financial management and allocation of assets and talents. With the shareholders' interest in mind, the Group always strives to maintain its financial flexibility with substantial cash reserves in order to capture attractive investments at the right time and appropriate prices. The Group is focused on enhancing further its competitive edge in the fast-changing global arena. This vision is shared by all of its business divisions which are alert to the latest trends and are committed to strengthening their existing base while exploring new business opportunities. The dynamism and vitality that power the solid growth of the Group will continue to drive it forward in the years to come.

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The global economic slowdown will inevitably have an impact on the recovery of Hong Kong's economy. However, I look forward to the long term economic prospects of Hong Kong and the Mainland with confidence and high expectations. The Greater China region is poised to exhibit increased vitality and will benefit from tremendous investment opportunities given China's continuing strong economic growth, its impending entry to the WTO and the hosting of the Olympic Games. The Cheung Kong Group will continue to be based in Hong Kong, the home base from which it thrives and excels as it continues to seek suitable expansion opportunities globally.

Our innovative and dedicated staff have been a major force supporting our solid growth. I take this opportunity to extend my thanks to our colleagues on the Board and the staff members of the Group for their hard work, loyal service and continuing support during the period.

Li Ka-shing

Chairman

Hong Kong, 23rd August, 2001

FINANCIAL REVIEW

Liquidity and Financing

During the period, the Group issued bonds and notes in the total amount of HK\$900 million due 2004 and redeemed notes in the amount of HK\$334 million due January this year. At 30th June, 2001, outstanding bonds and notes issued by the Group amounted to HK\$8.9 billion.

Together with bank loans of HK\$12.1 billion, the Group's total borrowings as at 30th June, 2001 was HK\$21 billion, with no significant change from last year end date, and the maturity profile spread over a period of nine years with HK\$5.9 billion repayable within 1 year, HK\$13.8 billion within 2 to 5 years and HK\$1.3 billion within 6 to 9 years.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$1.7 billion) over shareholders' funds, at 11.8% at the interim period end date.

With cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 85% of the total at interim period end date, was in HK\$ with the balance mainly in US\$. While the Group derives its revenue and maintains cash balances mainly in HK\$, it holds sufficient liquid investments denominated in US\$ to cover its exposure to fluctuations in foreign exchange rates.

The Group's borrowings are principally on a floating rate basis. For the fixed rate bonds and notes issued by the Group, interest rate swaps arrangements have been in place to convert the rates to floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of interest rate exposure.

Charges on Assets

As at 30th June, 2001, certain assets of the Group with aggregate carrying value of HK\$824 million, with no significant change from last year end date, were pledged to secure loan facilities utilised by subsidiaries and affiliated companies.

Contingent Liabilities

As at 30th June, 2001, the Group's contingent liabilities, with no significant change from last year end date, were as follows:

- (a) 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 48 years amounted to HK\$4,592 million;
- (b) guarantees provided for bank loans utilised by jointly controlled entities amounted to HK\$2,142 million, utilised by associates amounted to HK\$109 million and utilised by affiliated companies amounted to HK\$58 million;
- (c) guarantees provided for the minimum revenue to be shared by the other parties of joint development projects undertaken by jointly controlled entities amounted to HK\$100 million.

Employees

The Group, including its subsidiaries but excluding associates, employed approximately 5,200 employees at the interim period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$521 million for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

AUDIT COMMITTEE

The Group's interim report for the six months ended 30th June, 2001 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it shall meet at least twice each year.

**PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed results announcement of the Group for the six months ended 30th June, 2001 containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

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Consolidated Profit And Loss Account
For the six months ended 30th June, 2001

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$ Million	HK\$ Million
Turnover		
Group activities	1,259	4,550
Share of property sales of jointly controlled entities	1,386	2,890
	<u>2,645</u>	<u>7,440</u>
Group turnover	1,259	4,550
Investment and other income	612	684
Operating costs		
Property and related costs	(706)	(2,397)
Salaries and related expenses	(328)	(383)
Interest expenses	(342)	(365)
Other expenses	(167)	(205)
	<u>(1,543)</u>	<u>(3,350)</u>
Share of results of jointly controlled entities	335	59
Operating profit	663	1,943
Share of results of associates	4,119	15,967
Profit before taxation	4,782	17,910
Taxation	(565)	(575)
Profit after taxation	4,217	17,335
Minority interests	(5)	60
Profit attributable to shareholders	<u>4,212</u>	<u>17,395</u>
Dividends		
Interim dividend	<u>880</u>	<u>880</u>
Earnings per share	HK\$1.82	HK\$7.57
Dividends per share	HK\$0.38	HK\$0.38

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Notes:

(1) *Turnover and contribution*

The Group's turnover by operating activities and their respective contribution for the period are as follows:

	<i>Turnover</i>		<i>Contribution</i>	
	<i>Six months ended 30th June</i>		<i>Six months ended 30th June</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<i>Property sales</i>				
<i>Company and subsidiaries</i>	661	4,138	48	1,869
<i>Jointly controlled entities</i>	1,386	2,890	266	79
<i>Property rental</i>	358	223	268	157
<i>Hotel operation</i>	131	45	24	-
<i>Real estate agency and management</i>	109	144	25	20
	2,645	7,440	631	2,125
<i>Investment and finance</i>			416	362
<i>Others (including share of results of jointly controlled entities)</i>			(42)	(179)
<i>Interest expenses</i>			(342)	(365)
<i>Operating profit</i>			663	1,943

Turnover of the Group's overseas operations, mainly from the Mainland, accounted for approximately 17% of the Group's turnover and their contributions were not material.

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.

(2) *Share of results of associates*

The share of results of associates in 2001 included the Group's share of profit of HK\$14,991 million arising from the merger of VoiceStream Wireless Corporation and Deutsche Telekom AG recognised by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,042 million made by Hutchison Whampoa Limited.

The share of results of associates in 2000 included the Group's share of profit of HK\$24,985 million arising from disposal of the shareholding in Mannesmann AG by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,991 million made by Hutchison Whampoa Limited.

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(3) *Profit before taxation*

	<i>Six months ended 30th June</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<i>Profit before taxation is arrived at after charging/(crediting):</i>		
<i>Interest expenses</i>	<i>680</i>	<i>704</i>
<i>Less: Interest capitalised</i>	<i>(338)</i>	<i>(339)</i>
	<u><i>342</i></u>	<u><i>365</i></u>
<i>Costs of properties sold</i>	<i>572</i>	<i>2,024</i>
<i>Depreciation</i>	<i>30</i>	<i>25</i>
<i>Net realised and unrealised holding gains on other investments</i>	<u><i>(262)</i></u>	<u><i>(30)</i></u>

(4) *Taxation*

	<i>Six months ended 30th June</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<i>Company and subsidiaries</i>		
<i>Hong Kong profits tax</i>	<i>27</i>	<i>215</i>
<i>Overseas tax</i>	<i>-</i>	<i>(7)</i>
<i>Deferred tax</i>	<i>(7)</i>	<i>-</i>
<i>Jointly controlled entities</i>		
<i>Hong Kong profits tax</i>	<i>11</i>	<i>13</i>
<i>Overseas tax</i>	<i>23</i>	<i>11</i>
<i>Associates</i>		
<i>Hong Kong profits tax</i>	<i>173</i>	<i>172</i>
<i>Overseas tax</i>	<u><i>338</i></u>	<u><i>171</i></u>
	<u><i>565</i></u>	<u><i>575</i></u>

Hong Kong profits tax has been provided for at the rate of 16% (2000 - 16%) on the estimated assessable profits for the period. Overseas taxation has been provided for at the applicable local rates on the estimated assessable profits of the individual company concerned.

(5) *Earnings per share*

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2000 - weighted average of 2,298,783,148 shares) in issue during the period.

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(6) *Review of interim financial statements*

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



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NOTICE OF PAYMENT

OF INTERIM DIVIDEND, 2001

The Board of Directors of Cheung Kong (Holdings) Limited announces that the Group's unaudited consolidated net profit after tax for the six months ended 30th June, 2001 amounted to HK\$4,212 million which represents earnings of HK\$1.82 per share. The Directors have declared an interim dividend for 2001 of HK\$0.38 per share to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. The dividend will be paid on 19th October, 2001.

The Register of Members of the Company will be closed from Thursday, 11th October, 2001 to Thursday, 18th October, 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 10th October, 2001.

By Order of the Board

Eirene Yeung

Company Secretary

Hong Kong, 23rd August, 2001

Please also refer to the published version of this announcement in the South China Morning Post dated 24 August 2001.