



# CHEUNG KONG (HOLDINGS) LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 0001)

## THE CHAIRMAN'S STATEMENT FOR 2007

### HIGHLIGHTS

	2007	2006	Change
	HK\$ Million	HK\$ Million	
Profit before share of results of Hutchison Whampoa Group	12,390	8,068	+54%
Share of profit of Hutchison Whampoa Group	15,288	10,007	+53%
Profit attributable to shareholders	27,678	18,075	+53%
Earnings per share	HK\$11.95	HK\$7.80	+53%
Dividend per share	HK\$2.45	HK\$2.20	+11.4%

### PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2007 amounted to HK\$27,678 million (2006 - HK\$18,075 million). Earnings per share were HK\$11.95 (2006 - HK\$7.80).

### DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.95 per share in respect of 2007, to shareholders whose names appear on the Register of Members of the Company on 22nd May, 2008. This together with the interim dividend of HK\$0.50 per share gives a total of HK\$2.45 per share for the year (2006 - HK\$2.20 per share). The proposed final dividend will be paid on 27th May, 2008 following approval at the Annual General Meeting.

## **PROSPECTS**

### **Growth Through Innovation**

**“The Group maintained strong growth momentum in 2007 by accomplishing key operating objectives and delivered a very solid performance. These achievements were in line with our strategy of growth through a combination of innovation and by building on our solid fundamentals – quality assets, healthy balance sheet and strong international capabilities.”**

#### **Robust Results**

2007 was another year of solid performance for the Group, with good progress achieved across various core businesses. With enormous potential for growth, our property business in Hong Kong, the Mainland and overseas markets progressed well as scheduled, and delivered solid, consistent growth in profits. For the year ended 31st December, 2007, the Group’s profit before share of results of the Hutchison Whampoa Group was HK\$12,390 million, an increase of 54% over the previous year.

#### **Strong Organic Growth**

Our continued focus on our core property business has resulted in strong organic growth. Solid progress was made in all aspects of operation, covering land acquisition, project management, project design, development and marketing.

***Hong Kong Operations*** Hong Kong’s economy remained positive in 2007 although there were increased fluctuations in the local financial market due to a more uncertain global credit environment and the possible slowdown of the U. S. economy. GDP grew by 6.3% in real terms primarily supported by the prevailing strength in domestic demand and consumption. Despite the upward pressure on inflation due to surging prices in food, energy and commodities, private consumption spending continued to expand against the backdrop of a low level of unemployment and rising household income.

The local property market turned in a strong performance in 2007 as compared to 2006. Falling interest rates, rising affordability, and healthy economic growth combined to support a steady volume of property transactions at attractive prices. Looking ahead in 2008, we expect the inflationary trend and the cycle of interest rate cuts to continue, and the effect of a negative real interest rate environment will provide further stimuli to the overall market demand and sentiment.

Our commitment to innovative, high-quality, customer-oriented service resulted in performance gains and growth in sales of properties. The key to driving high growth is focusing on developing diversified, high-quality projects to meet emerging market trends and needs. Our future schedule of new projects will continue to add quality assets that will strengthen further our quality portfolio of properties.

Active acquisition of prime sites at reasonable costs continues to be a key pillar of our development strategy. We will continue to respond rapidly and flexibly to land acquisition opportunities by utilising our market strengths and financial resources effectively. With an abundant, high-quality land reserve, the Group is well placed to provide a steady supply of diversified properties over the next five or six years.

Solid performance was recorded by the Group's property rental portfolio, particularly in the prime office sector which was supported by strong demand from local and overseas financial institutions. We will continue to strengthen our recurrent earnings base by investing in premier quality assets and effectively managing each of our rental properties to increase cash flows and maximise return on capital.

***The Mainland and Overseas Markets*** 2007 was another year of solid achievements for our projects in attractive growth markets outside Hong Kong. A steady pace of growth was maintained in our property business in the Mainland by following a growth-oriented and low-risk approach to investment, and pursuing operational excellence to make us a high performance company. Various projects are progressing well as planned, and our positive results in land bank expansion will position us for excellent growth opportunities in this fast growing market. We are well placed to benefit from the profit contribution to be provided by the operations in the Mainland.

In Singapore and the United Kingdom, our projects continued to deliver solid results, and good progress was made in enhancing geographic diversification. The Group will continue with its aggressive pursuit to fully capitalise on overseas investment opportunities through accelerated growth plans aimed at enhancing our market position.

### **Synergies with Listed Affiliated Companies**

Our strategic investment in listed affiliated companies provides us with synergies for continued growth and success. All of these companies reported positive performances in 2007.

***The Hutchison Whampoa Group*** Both the established businesses and the 3 Group recorded healthy growth and improved results in 2007. The 3 Group achieved cash flow positive EBITA after all customer acquisition costs for both the second half of the year and as a result for the full year 2007. With a strong financial foundation and the positive results reported for 2007, we have every confidence in the growth prospects for the Hutchison Whampoa Group. The 3 Group will turn a new page in 2008 on a path targeting to achieve positive monthly EBIT on a sustainable basis in the second half of 2008 and full year positive EBIT in 2009.

***CKI*** Cheung Kong Infrastructure Holdings Limited (“CKI”) reached new heights in 2007 with strong operating performance in all businesses. Several new projects were concluded in the year adding to the robust portfolio of business CKI has built up over the years. The strong recurring cash flow generated from its regulated businesses underpins CKI’s long-term stability, while contributions from its global portfolio continue to grow. The prospects for CKI’s infrastructure investments are bright, with the pace of organic growth experienced to date expected to continue.

***Hongkong Electric*** 2007 saw Hongkong Electric Holdings Limited (“Hongkong Electric”) progress its businesses both in Hong Kong and internationally. In early January 2008 a new Scheme of Control Agreement (“SCA”) for its Hong Kong electricity business was signed. The new SCA is for ten years commencing 1st January, 2009 with a Government option to extend the SCA for a further term of 5 years, and provides for a fixed permitted return on average net fixed assets. Following the signing of the SCA, much of the recent uncertainty surrounding the electricity industry in Hong Kong has been removed, and shareholders will benefit from the certainty and stability of a long-term regulatory framework.

**CK Life Sciences** CK Life Sciences Int'l., (Holdings) Inc. (“CK Life Sciences”) made steady progress in 2007. Its performance was characterised by a combination of organic growth, strategic acquisitions and R&D progress. The recent acquisition of Lipa Pharmaceuticals Limited, a leading Australian contract manufacturer of complementary healthcare and over-the-counter medicines, and Accensi Pty Ltd, the largest independent toll manufacturer of crop protection products in Australia, will expand the scale and scope of CK Life Sciences’ health and agriculture-related businesses and will contribute to the performance in the coming year. CK Life Sciences will also continue to advance its existing business by seeking new opportunities for organic growth and acquisition.

**“The Group will continue to create and enhance sustainable shareholder value by maximising return on investment. Various strategic initiatives will be taken to position the Group for new value-added opportunities, and to drive solid, sustainable growth in the future.”**

Looking ahead in 2008, the U.S. economy is likely to experience greater turbulence due to the fallout from the subprime predicament and the continuing weakness of the residential property market. There is a likelihood of further U.S. interest rate reductions, and oil prices remain at high levels. The trend of a weaker U.S. dollar against other currencies is expected to continue. Impacts from the slowing of the U.S. economy will be widespread, and other countries and regions will inevitably be affected by different extents. In the Mainland, economic growth has moderated following its continuing structural reforms and macroeconomic measures. This is conducive to the healthy development of overall economic well-being in the long run, and positive growth trends are expected to continue given the Mainland’s good economic fundamentals and huge market potential. On the back of the Mainland’s sustained economic growth, plentiful opportunities will present themselves and Hong Kong’s economy will continue to prosper.

The Cheung Kong Group now has operations in 56 countries and continues to grow. Innovation has been central to our growth strategy, and will provide us with new dynamics for development. As a visionary and market responsive conglomerate, the Cheung Kong Group will drive higher shareholder returns by continuing to take an innovative approach across all aspects of our business, strengthening our asset base, and thereby building a stronger platform for global expansion. With strong fundamentals and sound financial strengths, we firmly believe we are capable of meeting the external pressures and challenges amid the more uncertain global economic landscape in 2008, and will capitalise on the many opportunities arising from the Mainland's growth. Given the optimistic long-term economic outlook in the Mainland and Hong Kong, we are confident of the growth prospects for the Cheung Kong Group.

In this extremely competitive global environment, we are proud to have intelligent, creative, dedicated and loyal employees, the Group's most valuable asset. We take this opportunity to thank our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service and contributions during the year.

**Li Ka-shing**  
Chairman

Hong Kong, 27th March, 2008

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Major Business Activities

#### 1. Developments Completed during 2007:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
The Apex and The Apex Horizon	The Remaining Portion of Kwai Chung Town Lot No. 467	74,340	100%
Central Park Towers Phase 1	Tin Shui Wai Town Lot No. 24	98,800	98.47%
Le Point	Tseung Kwan O Town Lot No. 73, Area 73B Tseung Kwan O	130,338	Joint Venture
Sausalito	Sha Tin Town Lot No. 487	70,030	100%
Regency Park Phases IIA and VI	Pudong Huamu, Shanghai	31,500	50%

## 2. Developments in Progress and Scheduled for Completion in 2008:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Caribbean Coast Town Houses	Tung Chung Town Lot No. 5	10,494	Joint Venture
The Harbour Grand Hotel Development	Section A & extension of Inland Lot No. 7106 North Point	41,341	Joint Venture
1881 Heritage	Kowloon Inland Lot No. 11161	13,023	100%
The Capitol	The Remaining Portion of Tseung Kwan O Town Lot No. 70, Site F Area 86, Tseung Kwan O	136,240	Joint Venture
Seasons Monarch	The Remaining Portion of Lot No. 2081 in D.D. 109 Kam Tin Road Kam Tin, Yuen Long	19,445	100%
CASA 880	4 various Subsections of Section B of Quarry Bay Inland Lot No. 4	9,840	100%
The Greenwich Commercial	Yao Jia Yuan, Beijing	2,377	50%
Cape Coral Phase 1A	Nanan, Chongqing	116,399	47.5%
Changchun Project Phase 1	Jing Yue Tan, Changchun	57,193	50%
Regency Oasis Phase 1A	Wenjiang, Chengdu	138,990	50%
The Greenwich Phase 1A	Xian	113,902	50%
Le Parc Phases 1A and 1B	Chengdu	192,106	50%
Maison des Artistes Phases 1 to 3D and Commercial	Gubei, Shanghai	155,992	50%
Regency Park Phases VIA, VII, VIII and VIIIA	Pudong Huamu, Shanghai	35,497	50%



<b>Name</b>	<b>Location</b>	<b>Total Gross Floor Area (sq. m.)</b>	<b>Group's Interest</b>
The Riverside and Metropolitan Plaza Phases 1 and 2	Guangzhou	187,944	50%
Regency Park Phase 1	Guanlan, Shenzhen	57,267	50%
Horizon Cove Phase 4	Zhuhai	100,570	50%
Le Sommet Phase 1 and Commercial	Shenzhen	63,938	50%
Maqiao Project Phase 1A	Maqiao, Shanghai	1,338	42.5%
Seasons Villas Phase 4A	Pudong Huamu, Shanghai	1,500	50%
Kerry Everbright City Phases IIA and IIB	Zhabei District, Shanghai	149,156	24.75%

### 3. New Acquisitions and Joint Developments and Other Major Events:

#### Hong Kong

- (1) February 2007: A wholly owned subsidiary of the Group acquired 90 Repulse Bay Road, Section A and the Remaining Portion of Rural Building Lot No. 177. With a site area of approximately 3,300 sq. m., the site is designated for a residential development.
- (2) April 2007: A wholly owned subsidiary of the Group completed the acquisition of the site at 873 Lai Chi Kok Road, Cheung Sha Wan, New Kowloon Marine Lot No. 21 and the Extension thereto. With an area of approximately 2,656 sq. m., the site is designated for a commercial and residential development.
- (3) May 2007: A wholly owned subsidiary of the Group settled the land premium with the Government in respect of Site C of the Kowloon-Canton Railway Corporation (now known as MTR Corporation Limited) Tai Wai Maintenance Centre Development, Tai Wai, Sha Tin, Sha Tin Town Lot No. 529. Site C comprises a developable residential gross floor area of 113,211 sq. m. The total site area and developable gross floor area for the whole development are approximately 70,600 sq. m. and 313,960 sq. m. respectively.
- (4) July 2007: A wholly owned subsidiary of the Group acquired 2A, 2B and 4 Kennedy Terrace, Section A and the Remaining Portion of Section B of Inland Lot No. 1381 and ancillary areas. With an area of approximately 1,018 sq. m., the site is designated for a residential development.
- (5) August 2007: A wholly owned subsidiary of the Group executed the particulars and conditions of exchange with the Government in respect of the site at Fung Yuen, Tai Po, Tai Po Town Lot No. 183. The site has an area of approximately 126,290 sq. m. and a developable residential gross floor area of about 87,356 sq. m.
- (6) December 2007: A wholly owned subsidiary of the Group executed a development agreement with MTR Corporation Limited for the development at Site E of The Remaining Portion of Tseung Kwan O Town Lot No. 70. With an aggregate area of approximately 13,587 sq. m., the site is earmarked for a residential development with kindergarten estimated to have a developable gross floor area of about 129,544 sq. m. In March 2008, the Group entered into a sale and purchase agreement with Nan Fung Development Limited (“Nan Fung”) to dispose of the Group’s 15% interest in the development to Nan Fung.
- (7) December 2007: A joint venture entered into by a wholly owned subsidiary of the Group and the owner of the land reached an agreement with the Government for the land exchange conditions for the property at Area 85, Tseung Kwan O, Tseung Kwan O Town Lot No. 90. With an area of approximately 19,480 sq. m., the site is designated for a residential development estimated to have a total developable gross floor area of about 97,400 sq. m.

- (8) January 2008: A wholly owned subsidiary of the Group entered into a development agreement with the Urban Renewal Authority for the joint development of a site at Nga Tsin Wai Village, Kowloon City.
- (9) During the year under review, the Group continued to acquire properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

### **The Mainland and Overseas**

- (10) January 2007: The Group, the Hutchison Whampoa Group and an independent third party were successful in bidding for a piece of land with an area of approximately 177,262 sq. m. at Zhen Ru Fu Zhong Xin (A3-A6), Putuo District, Shanghai, the Mainland. A sino-foreign equity joint venture company will be established by the Group, the Hutchison Whampoa Group and the independent third party with effective equity interests of 49.2%, 50.4% and 0.4% respectively, for acquiring and developing the land into commercial and residential properties.
- (11) February 2007: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group, together with two other consortium partners, and each having a one-third interest, exercised an option, granted in their favour under a joint tender in July 2005, to purchase the remainder of Land Parcel 662 at Marina Boulevard/Central Boulevard, Singapore ("Phase 2 of Marina Bay Land") with a maximum permissible gross floor area of 194,000 sq. m. Phase 2 of Marina Bay Land is planned to be a residential and office development.
- (12) March 2007: An indirect 45/45 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 1,333,333 sq. m. located at Xinhui of Jiangmen District, Guangdong Province, the Mainland for development into residential, hotel and commercial properties. The remaining 10% interest in the joint venture company is held by an independent party.
- (13) April 2007: An indirect 47.5/47.5 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 1,000,000 sq. m. located at Yangjiashan District of Nanping Town, Nanan District, Chongqing, the Mainland for development into residential and commercial properties. The remaining 5% interest in the joint venture company is held by an independent party.
- (14) May 2007: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group acquired the entire issued share capital of a company which is the owner of a piece of land at Maofengshan, Guangzhou, the Mainland. With a developable area of approximately 680,000 sq. m., the site is planned for the development of tourism and commercial properties.

- (15) July 2007: A wholly owned subsidiary of the Group entered into a conditional share purchase agreement with HSBC Institutional Trust Services (Singapore) Limited (“REIT’s Trustee”), in its capacity as trustee of Suntec Real Estate Investment Trust, to dispose of the Group’s one-third interest in One Raffles Quay (“ORQ”), a commercial development located in Singapore’s central business district, to REIT’s Trustee for a total consideration of approximately S\$941.5 million minus the face value of a loan which were to be provided by REIT’s Trustee to the developer and equitable owner of ORQ (subject to adjustments).
- (16) November 2007: An associate of the Group, ARA Asset Management Limited (“ARA”), an Asian real estate fund management company, was listed on the Singapore Exchange Securities Trading Limited. Before the listing, the Group had an equity interest of 30% in ARA. After the listing, the Group’s equity interest in ARA was scaled down to approximately 15%. Through the listing, the Group received approximately HK\$372 million in proceeds. The total market capitalisation of ARA as at 31st December, 2007 was about HK\$3.1 billion.
- (17) November 2007: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for two pieces of land with total area of approximately 85,185 sq. m. and a developable total gross floor area of about 148,890 sq. m. located at north of Guan Tian Road and south of Heng Keng Reservoir, Guanlan, Baoan District, Shenzhen, the Mainland for development into residential properties.
- (18) December 2007: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group were successful in the bid for a piece of land with a buildable area of approximately 770,604 sq. m. at south of Maan Shan, Caidian District, Wuhan, the Mainland (the “Land”) and has established a wholly foreign owned enterprise in the Mainland for the acquisition of the land use right of the Land and the development of the Land.
- (19) January 2008: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 211,621 sq. m. and a developable gross floor area of about 328,229 sq. m. at the east of Ruilin Road and south of Huanbei Road, Jiading District, Shanghai, the Mainland for development into residential and commercial properties.
- (20) February 2008: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 80,600 sq. m. and a developable gross floor area of about 220,460 sq. m. at east of Hongmei Park and north of Wuqing Road, Changzhou, the Mainland for development into residential properties.
- (21) During the year under review, the Group’s property projects in the Mainland and overseas were on schedule, both in terms of sales and leasing.

## **Property Sales**

Turnover of property sales for the year, including share of property sales of jointly controlled entities, was HK\$13,406 million (2006 – HK\$13,796 million), a decrease of HK\$390 million when compared with last year, and comprised mainly the sale of residential units of three property projects completed in previous years, The Legend at Jardine's Lookout and Crystal Cove of Caribbean Coast in Hong Kong and Costa del Sol in Singapore, and the sale of residential units of property projects completed during the year, including Central Park Towers Phase 1, The Apex, Le Point and Sausalito in Hong Kong and Regency Park Phase VI in the Mainland, of which approximately 57% of these completed units have been sold and recognised as of the year end date.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$5,630 million (2006 – HK\$5,583 million), an increase of HK\$47 million when compared with last year. Contribution margin for property sales during the year remained steady while the economies in Hong Kong and the Mainland grew with solid fundamentals, and the residential property market continued to be active with prices in all sectors rising generally.

Contribution from property sales for 2008 will mainly be derived from the sale of residential units of CASA 880 and The Capitol in Hong Kong, Maison des Artistes in Shanghai, The Riverside in Guangzhou and several other property projects which are scheduled for completion, and from the sale of the remaining residential units of the property projects completed during the year.

As of mid-March 2008, most of the remaining completed residential units of Central Park Towers Phase 1, The Apex, Le Point, Sausalito and those of CASA 880 and The Capitol scheduled for completion have been sold or presold.

## **Property Rental**

Turnover of the Group's property rental for the year was HK\$792 million (2006 – HK\$624 million), an increase of HK\$168 million when compared with last year mainly attributable to the Group's acquisition of the commercial portion of Metro Town in Hong Kong last year and increases in rental rates generally in Hong Kong during the year. The Group's existing investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 30% and 44% respectively of the turnover of the Group's property rental for the year.

Contribution from property rental, including share of results of jointly controlled entities, was HK\$1,231 million (2006 – HK\$936 million), an increase of HK\$295 million when compared with last year. During the year, the upward trend in rental rates was sustained, both in Hong Kong and in the Mainland, due to continuing demand for commercial office and retail properties, and the Group's investment properties in Hong Kong and those held by jointly controlled entities in the Mainland all reported good rental income growth.

At the balance sheet date, the Group accounted for an increase in the fair value of investment properties of HK\$1,815 million (2006 – HK\$1,936 million) based on a professional valuation, and shared an increase in the fair value of investment properties of HK\$598 million (2006 – HK\$564 million) of jointly controlled entities.

## **Hotels and Serviced Suites**

Turnover of the Group's hotels and serviced suites for the year was HK\$1,063 million (2006 – HK\$729 million), an increase of HK\$334 million when compared with last year. The increase in turnover was mainly attributable to the grand opening of Harbourview Horizon All-Suite Hotel late last year and Harbourfront Horizon All-Suite Hotel in June this year.

Contribution from hotels and serviced suites, including share of results of jointly controlled entities, was HK\$545 million (2006 – HK\$367 million), an increase of HK\$178 million when compared with last year. During the year, the economic conditions in Hong Kong and the Mainland were good and the Group's hotels and serviced suites achieved satisfactory occupancy and good room rates, including the Harbourview Horizon All-Suite Hotel and the Harbourfront Horizon All-Suite Hotel which have just commenced operations in Hong Kong. Contribution from jointly controlled entities increased further from last year as Harbour Plaza Metropolis, The Kowloon Hotel in Hong Kong and Grand Hyatt Beijing in the Mainland all reported good operating results.

The Apex Horizon, of which the Group has a 100% interest, was completed in the second half year and will soon commence operation. Furthermore, The Harbour Grand, of which the Group has a joint development interest, is scheduled for completion next year. Both hotels are located in Hong Kong and will make contribution to profit in the coming years.

## **Property and Project Management**

Turnover of property and project management for the year was HK\$181 million (2006 – HK\$197 million), of which income from property management was HK\$150 million (2006 – HK\$144 million), an increase of HK\$6 million when compared with last year, and income from project related services was HK\$31 million (2006 – HK\$53 million), a decrease of HK\$22 million when compared with last year.

Contribution from property management was HK\$93 million (2006 – HK\$83 million), an increase of HK\$10 million when compared with last year, while project related services made a small contribution to Group profit.

The Group is committed to providing high quality services to properties under our management. At the year end date, the total floor area under the Group's property management was approximately 82 million square feet and this is expected to grow steadily following the gradual completion of the Group's property projects in the years ahead.

## **Major Associates**

The Hutchison Whampoa Group, a listed associate, reported profit attributable to shareholders for the year ended 31st December, 2007 of HK\$30,600 million (2006 – HK\$20,030 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2007 of HK\$117,001,000 (2006 – HK\$102,022,000).

## **FINANCIAL REVIEW**

### **Liquidity and Financing**

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. During the year, the Group issued notes with a one-year term in Hong Kong under the retail note issuance programme in the total amount of HK\$300 million, and redeemed notes upon maturity in the total amount of HK\$2.2 billion.

At the balance sheet date, the outstanding bonds and notes issued by the Group amounted to HK\$8.7 billion. Together with bank loans of HK\$23.8 billion and a loan from a joint development partner of HK\$4 billion, the Group's total borrowings at the balance sheet date were HK\$36.5 billion, a decrease of HK\$2 billion from the end of last year. The maturity profile is spread over a period of nine years, with HK\$8.9 billion repayable within one year, HK\$27 billion within two to five years and HK\$0.6 billion beyond five years.

The Group's gearing ratio at the balance sheet date was approximately 13.6%, determined as the proportion of the Group's net borrowings (after deducting bank balances and deposits of HK\$5.6 billion) to shareholders' funds.

With cash and marketable securities in 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. At the balance sheet date, approximately 85.6% of the Group's borrowings were in HK\$ with the balance in US\$ (or swapped into US\$), S\$ and RMB mainly for the purpose of financing projects outside Hong Kong. The Group derives its revenue mainly in HK\$, cash balances and marketable securities are maintained mainly in HK\$ or US\$, and the Group ensures that its exposure to fluctuations in foreign exchange rates is minimised.

The Group's borrowings are principally on a floating rate basis. The fixed rate or equity linked bonds and notes issued by the Group have associated swaps arrangements in place to convert the rates and related terms to a floating rate basis.



When appropriate and at times of interest rate or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used by the Group in the management of exposure to interest rate and foreign exchange rate fluctuations.

## **Charges on Assets**

At the balance sheet date, certain subsidiaries of the Group pledged assets with aggregate carrying value of HK\$1,318 million (2006 – HK\$1,138 million) to secure bank loan facilities utilised.

## **Contingent Liabilities**

At the balance sheet date, the Group's contingent liabilities were as follows:

- (1) share of contingent liability of jointly controlled entity in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 42 years amounted to HK\$4,500 million;
- (2) guarantees provided for the minimum share of revenue/profit receivable by other partners of joint development projects amounted to HK\$1,422 million (2006 – HK\$1,422 million); and
- (3) guarantees provided for bank loans utilised by jointly controlled entities amounted to HK\$3,404 million (2006 – HK\$3,701 million).

## **Employees**

At the balance sheet date, the Group employed approximately 8,100 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$1,279 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2007.

## **AUDIT COMMITTEE**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's annual results for the year ended 31st December, 2007 have been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

According to the Code on CG Practices, the Company established its remuneration committee (“Remuneration Committee”) on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman, Mr. Li Ka-shing (Chairman of the Remuneration Committee) and two Independent Non-executive Directors, namely, Mr. Kwok Tun-li, Stanley and Dr. Wong Yick-ming, Rosanna.

## ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 22nd May, 2008 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15th May, 2008 to Thursday, 22nd May, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 14th May, 2008.

The Directors (*Note*) of the Company as at the date of this announcement are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin-ning, Canning, Mr. Frank John SIXT, Mr. CHOW Kun Chee, Roland and Mr. George Colin MAGNUS as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna (*also Alternate Director to Mr. Simon Murray*), Mr. CHEONG Ying Chew, Henry and Mr. KWAN Chiu Yin, Robert as Independent Non-executive Directors.

*Note: Other than Chairman, Managing Director and Deputy Managing Directors, order by date of appointment, and in the case of Non-executive Directors (“NED”)/Independent Non-executive Directors (“INED”), order by date of appointment as NED/INED.*

**Consolidated Profit and Loss Account**  
**For the year ended 31st December, 2007**

	<b>2007</b>	2006
	<b>HK\$ Million</b>	HK\$ Million
Group turnover	<b>13,277</b>	10,951
Share of property sales of jointly controlled entities	<b>2,165</b>	4,395
Turnover	<u><b>15,442</b></u>	<u>15,346</u>
<b>Group turnover</b>	<b>13,277</b>	10,951
Investment and other income	<b>5,485</b>	1,306
Operating costs		
Property and related costs	<b>(6,521)</b>	(4,908)
Salaries and related expenses	<b>(825)</b>	(696)
Interest and other finance costs	<b>(984)</b>	(589)
Other expenses	<b>(457)</b>	(392)
	<b>(8,787)</b>	(6,585)
Share of net profit of jointly controlled entities	<b>1,697</b>	1,673
Increase in fair value of investment properties	<b>1,815</b>	1,936
Operating profit	<u><b>13,487</b></u>	<u>9,281</u>
Share of net profit of associates	<b>15,682</b>	10,211
<b>Profit before taxation</b>	<u><b>29,169</b></u>	<u>19,492</u>
Taxation	<b>(1,197)</b>	(1,213)
<b>Profit for the year</b>	<u><b>27,972</b></u>	<u>18,279</u>
Profit attributable to minority interests	<b>(294)</b>	(204)
<b>Profit attributable to shareholders</b>	<u><b>27,678</b></u>	<u>18,075</u>
<b>Dividends</b>		
Interim dividend paid	<b>1,158</b>	1,065
Final dividend proposed	<b>4,517</b>	4,031
	<u><b>5,675</b></u>	<u>5,096</u>
<b>Earnings per share</b>	<b>HK\$11.95</b>	HK\$7.80
<b>Dividends per share</b>		
Interim dividend	<b>HK\$0.50</b>	HK\$0.46
Final dividend	<b>HK\$1.95</b>	HK\$1.74

**Consolidated Balance Sheet**  
**As at 31st December, 2007**

	2007 HK\$ Million	2006 HK\$ Million
Non-current assets		
Fixed assets	10,560	10,222
Investment properties	15,497	14,508
Associates	146,109	134,358
Jointly controlled entities	23,614	24,130
Investments available for sale	10,060	8,674
Long term loans	956	251
	<u>206,796</u>	<u>192,143</u>
Current assets		
Stock of properties	58,418	45,857
Debtors, deposits and prepayments	4,066	6,634
Investments held for trading	1,439	1,223
Derivative financial instruments	294	162
Bank balances and deposits	5,609	3,782
	<u>69,826</u>	<u>57,658</u>
Current liabilities		
Bank and other loans	8,872	6,872
Creditors and accruals	6,889	2,998
Derivative financial instruments	437	456
Provision for taxation	860	1,265
	<u>16,958</u>	<u>11,591</u>
Net current assets	<u>52,768</u>	<u>46,067</u>
Total assets less current liabilities	<u>259,564</u>	<u>238,210</u>
Non-current liabilities		
Bank and other loans	23,655	27,609
Loan from joint development partner	4,000	4,000
Deferred tax liabilities	1,300	920
	<u>28,955</u>	<u>32,529</u>
<b>Net assets</b>	<u><u>230,609</u></u>	<u><u>205,681</u></u>
<b>Representing:</b>		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	216,714	189,933
Shareholders' funds	<u>227,203</u>	<u>200,422</u>
Minority interests	3,406	5,259
<b>Total equity</b>	<u><u>230,609</u></u>	<u><u>205,681</u></u>

Notes:

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

	2007 HK\$ Million	2006 HK\$ Million
Property sales	11,241	9,401
Property rental	792	624
Hotels and serviced suites	1,063	729
Property and project management	181	197
Group turnover	<u>13,277</u>	<u>10,951</u>
Share of property sales of jointly controlled entities	<u>2,165</u>	<u>4,395</u>
Turnover	<u><u>15,442</u></u>	<u><u>15,346</u></u>

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 year, the Group's overseas operating activities (including property sales of jointly controlled entities) were mainly in Singapore and the Mainland which accounted for approximately 12% and 7% of the turnover respectively.

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million
Property sales	5,114	4,513	516	1,070	5,630	5,583
Property rental	678	533	553	403	1,231	936
Hotels and serviced suites	244	150	301	217	545	367
Property and project management	95	84	-	-	95	84
	<u>6,131</u>	<u>5,280</u>	<u>1,370</u>	<u>1,690</u>	<u>7,501</u>	<u>6,970</u>
Investment and finance					4,939	1,077
Interest and other finance costs					(984)	(589)
Increase in fair value of investment properties						
Subsidiaries					1,815	1,936
Jointly controlled entities					598	564
Others					369	201
Taxation (excluding share of taxation of major listed associates)					(1,606)	(1,932)
Profit attributable to minority interests					(294)	(204)
					<u>12,338</u>	<u>8,023</u>
Share of net profit of major listed associates						
Hutchison Whampoa Limited					15,288	10,007
CK Life Sciences Int'l., (Holdings) Inc.					52	45
Profit attributable to shareholders					<u><u>27,678</u></u>	<u><u>18,075</u></u>

(2) Profit before taxation is arrived at after charging/(crediting):

	2007 HK\$ Million	2006 HK\$ Million
Interest and other finance costs	1,750	1,392
Less: Amount capitalised	(766)	(803)
	<u>984</u>	<u>589</u>
Costs of properties sold	5,036	3,752
Depreciation	257	172
Gain on disposal of investments available for sale	(1,569)	(491)
Gain on investments held for trading	(162)	(225)
Profit on disposal of associates	(412)	-
Profit on disposal of jointly controlled entities	(1,972)	-
	<u><u>(1,972)</u></u>	<u><u>-</u></u>

(3) Hong Kong profits tax has been provided for at the rate of 17.5% (2006 - 17.5%) on the estimated assessable profits for the year. Overseas tax has been provided for, using the local enacted rates, on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences based on the applicable enacted rates.

	2007 HK\$ Million	2006 HK\$ Million
Hong Kong profits tax	806	833
Overseas tax	11	4
Deferred tax	380	376
	<u>1,197</u>	<u>1,213</u>

(4) The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2006 - 2,316,164,338 shares) in issue during the year.

(5) 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:

	2007 HK\$ Million	2006 HK\$ Million
Current to one month	1,395	6,000
Two to three months	25	19
Over three months	9	10
	<u>1,429</u>	<u>6,029</u>

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

	2007 HK\$ Million	2006 HK\$ Million
Current to one month	3,186	214
Two to three months	24	30
Over three months	29	19
	<u>3,239</u>	<u>263</u>

(6) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1st January, 2007, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

(7) The annual results have been reviewed by the Audit Committee.