



CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 001)

THE CHAIRMAN'S STATEMENT FOR 2004

HIGHLIGHTS

	2004	2003 (Restated)*	Change
	HK\$ Million	HK\$ Million	
Profit before share of results of Hutchison Whampoa Group	4,323	2,874	+50%
Share of profit of Hutchison Whampoa Group	8,057	5,834	+38%
Profit attributable to shareholders	12,380	8,708	+42%
Earnings per share	HK\$5.35	HK\$3.76	+42%
Dividends per share	HK\$1.80	HK\$1.68	+7%

* Please refer to explanatory note (6) to the Consolidated Profit and Loss Account and Consolidated Balance Sheet.

PROFIT FOR THE YEAR

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

DIVIDEND

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

PROSPECTS

Promising Growth on Strong Foundations

Business Performance

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

Property Business

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

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

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

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

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

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

New Tech Ventures

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

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

Listed Affiliated Companies

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

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

Looking Forward

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

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

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

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

Acknowledgement

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

The Group has made remarkable strides in global expansion. We take this opportunity to extend our thanks to our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service and contributions during the year.

Li Ka-shing
Chairman

Hong Kong, 31st March, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

The following are important events that took place during 2004:

1. Developments Completed during 2004:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Banyan Garden Phases 2 and 3	New Kowloon Inland Lot No. 6320	90,100	Joint Venture
Caribbean Coast Albany Cove	Tung Chung Town Lot No. 5	91,790	Joint Venture
The Cairnhill	Tsuen Wan Town Lot No. 395	76,800	50%
One Beacon Hill	New Kowloon Inland Lot No. 6277	72,480	100%
Sky Tower	The Remaining Portion of Kowloon Inland Lot No. 4013	118,760	40%
Vianni Cove	Tin Shui Wai Town Lot No. 27	74,500	60%
Beverly Hills Phase 2	Chongqing	41,590	50%
Cape Coral Phase 1	Panyu Dashi, Guangzhou	111,180	50%
The Center	Xuhui, Shanghai	89,490	50%
Dynasty Garden Phases 1 and 2	Baoan, Shenzhen	114,450	50%

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Horizon Cove Phase 3A	Zhuhai	82,950	50%
Laguna Verona Phase B Stage 6	Dongguan	27,690	47%
Oriental Plaza Phase IV Serviced Apartments	No. 1 East Chang An Ave. Dong Cheng District Beijing	47,000	33.3775%
Albion Riverside	London The United Kingdom	7,360	45%
Cairnhill Crest	Singapore	40,870	50%
Costa del Sol Phase 2	Bayshore Road, Singapore	45,560	76%

2. Developments in Progress and Scheduled for Completion in 2005:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Caribbean Coast Carmel Cove	Tung Chung Town Lot No. 5	122,250	Joint Venture
Caribbean Coast Caribbean Bazaar	Tung Chung Town Lot No. 5	5,000	Joint Venture
Harbourfront Horizon – All-Suite Hotel	Kowloon Inland Lot No. 11110	107,400	100%
Harbourview Horizon – All-Suite Hotel	Kowloon Inland Lot No. 11103	119,200	100%
The Pacifica Phases 1 and 2	New Kowloon Inland Lot No. 6275	144,260	50%
Seasons Palace	The Remaining Portion of Lot 2286 in D.D. 106 Kam Sheung Road Kam Tin	8,200	100%
St. Paul's Terrace	No. 42A MacDonnell Road	820	100%
Cape Coral Phase 2 and Commercial	Panyu Dashi, Guangzhou	95,300	50%
Guangzhou International Toys & Gifts Center Phase 1	Guangzhou	105,030	30%
Horizon Cove Phase 3B	Zhuhai	83,800	50%
Laguna Verona Phase C, Phase E and Phase G Stage 1	Dongguan	134,310	47%
Regency Park Phase III	Pudong Huamu, Shanghai	31,810	50%
Seasons Villas Phases 4A and 6B	Pudong Huamu, Shanghai	2,300	50%

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

- (1) January 2004:- The Group and CLP Telecommunications Limited (“CLPT”) entered into a conditional agreement with Hutchison Global Communications Holdings Limited (“HGCH”) to dispose of the entire interest of the Group (as to 81%) and CLPT (as to 19%) in PowerCom Network Hong Kong Limited (“PowerCom”) to HGCH for a total consideration of approximately HK\$391 million, which was satisfied by the issue and allotment to the Group and CLPT of an aggregate of 488,572,636 new shares of HGCH credited as fully paid at an issue price of HK\$0.80 per share. The completion of the disposal of the interest in PowerCom took place on 12th March, 2004.
- (2) February 2004:- An 80% owned subsidiary of the Group settled the land premium with the Government in respect of Site B of the Tiu Keng Leng Station Development, Tseung Kwan O. Site B is planned for a residential development estimated to have a total developable gross floor area of about 130,300 sq. m.
- (3) March 2004:- The Group acquired a site at 880-886 King’s Road, Quarry Bay for a residential development. The site has an area of approximately 1,230 sq. m. and a developable gross floor area of about 9,840 sq. m.
- (4) May 2004:- The Group successfully bid for Sha Tin Town Lot No. 487, Area 77, Ma On Shan, Sha Tin at a Government auction. With an area of approximately 14,000 sq. m., the site is designated for a residential development estimated to have a developable gross floor area of about 70,000 sq. m.
- (5) August 2004:- The Group executed the particulars and conditions of exchange with the Government in respect of Lot No. 2081 in D.D. 109, Kam Tin Road. The site has an area of approximately 50,500 sq. m. and a developable residential gross floor area of about 19,400 sq. m.
- (6) August 2004:- The Group agreed to invest up to US\$34,200,000 in Al Islami Far Eastern Real Estate Fund Limited, an investment fund established by Dubai Islamic Bank PJSC, the Company and ARA Asset Management Limited in August 2004 for investment in Asian property markets.

- (7) October 2004:- The Group successfully bid for Kowloon Inland Lot No. 11124 (“KIL 11124”) at Sheung Shing Street, Homantin, Kowloon at a Government auction. The site has an area of approximately 17,700 sq. m. and is planned for a residential and commercial development estimated to have a total developable gross floor area of about 159,800 sq. m.
- (8) November 2004:- For the purpose of the development of KIL 11124 above, the Group disposed of 10% equity interests in its indirect wholly owned subsidiary to Nan Fung Development Limited. The indirect wholly owned subsidiary has entered into the land grant with the Government in respect of KIL 11124.
- (9) November 2004:- A wholly foreign-owned enterprise owned as to 50% by each of the Group and the Hutchison Whampoa Group acquired a piece of land with an area of about 690,900 sq. m. located at New South District, Chengdu, the Mainland for development into residential and commercial properties.
- (10) December 2004:- An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group acquired the entire issued share capital of and the benefit of the debts owed by The Kowloon Hotel Limited, the registered owner of “The Kowloon Hotel” at Nathan Road, Tsim Sha Tsui, Kowloon. The acquisition was completed on 1st February, 2005.
- (11) December 2004:- The Group acquired the hotel portion of the development at the Remaining Portion of Kowloon Inland Lot No. 4013, No. 38 Sung Wong Toi Road, To Kwa Wan. The site has a total developable gross floor area of about 21,400 sq. m.
- (12) December 2004:- A new joint venture company equally owned by the Group and the Hutchison Whampoa Group was established to own and develop 6 pieces of land with an aggregate developable site area of approximately 485,000 sq. m., located at Xi’an Hi-Tech Industrial Development Zone, the Mainland for development into residential and commercial properties.

- (13) December 2004:- A joint venture company equally owned by the Group and the Hutchison Whampoa Group was successful in bidding for a piece of land located at Pinghu Town, Longgang District, Shenzhen, the Mainland. The land has an area of approximately 223,600 sq. m. and is designated for a residential and commercial development.
- (14) January 2005:- The Group was awarded the tender by MTR Corporation Limited for the development at Area 86, Tseung Kwan O, Site F of Tseung Kwan O Town Lot No. 70. With an area of approximately 14,200 sq. m., the site is designated for a residential and commercial development estimated to have a total developable gross floor area of about 139,800 sq. m.
- (15) February 2005:- A 50/50 joint venture company of the Group and the Hutchison Whampoa Group was established for the purpose of owning and developing the land located at Maqiao Town, Minhang District, Shanghai, the Mainland. The land has an aggregate area of approximately 260,100 sq. m. and is planned for development into residential and commercial properties.
- (16) During the year 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.
- (17) The Group's property projects in the Mainland are 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\$17,015 million (2003 - HK\$12,971 million), an increase of HK\$4,044 million when compared with last year, and comprised mainly the sale of residential units of Harbourfront Landmark completed in previous years and the sale of residential units of property projects completed during the year, including One Beacon Hill, Vianni Cove, Sky Tower, Banyan Garden (Phases 2 and 3), The Cairnhill and Albany Cove of Caribbean Coast in Hong Kong, of which approximately 98% of the residential units completed during the year were sold as of the year end date.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$1,577 million (2003 - HK\$1,660 million), a decrease of HK\$83 million when compared with last year. Contribution margins for the property projects completed during the year were low as most of the residential units of these projects were presold during 2003 which was subject to various adverse economic conditions. However, the return of confidence and interest in the luxury residential property market in Hong Kong during the year has helped the sales of property projects, like the Harbourfront Landmark and One Beacon Hill, to achieve a better contribution than before.

Amid the gradual recovery of the Hong Kong economy during the year, the presales of residential units of The Pacifica and Carmel Cove of Caribbean Coast in Hong Kong were satisfactory with increasing prices. Up to the year end date, more than half of the residential units of these two property projects, scheduled for completion in 2005, have been presold.

Contribution from property sales for 2005 will mainly come from the sale of residential units of The Pacifica and Carmel Cove of Caribbean Coast in Hong Kong and a few other property projects in the Mainland which are scheduled for completion.

Property Rental

Turnover of property rental for the year was HK\$568 million (2003 - HK\$695 million), a decrease of HK\$127 million when compared with last year mainly due to the Group's disposal of various retail shopping malls to Fortune REIT, a Singapore unit trust in August last year. The Group's existing investment property portfolio comprises mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 30% and 36% respectively of the turnover of property rental for the year.

Contribution from property rental, including share of results of jointly controlled entities, was HK\$852 million (2003 - HK\$839 million), an increase of HK\$13 million when compared with last year. Contribution from the Group's investment property portfolio was reduced following the disposal of various retail shopping malls last year and was made up by an increase in contribution from jointly controlled entities as rental income from investment properties, including The Metropolis Tower in Hong Kong and Oriental Plaza in the Mainland, continued to grow at high occupancy rates.

At the year end date, the Group's investment property portfolio recorded an investment property revaluation surplus of HK\$678 million, based on professional valuation, reflecting a recovery of rental rates of commercial properties in Hong Kong.

Hotels and Serviced Suites

Turnover of hotels and serviced suites for the year was HK\$605 million (2003 - HK\$452 million), an increase of HK\$153 million when compared with last year mainly because turnover during last year was affected by the SARS outbreak in Hong Kong and the Mainland.

Contribution from hotels and serviced suites, including share of results of jointly controlled entities, was HK\$256 million (2003 - HK\$83 million), an increase of HK\$173 million when compared with last year. Operating conditions during the year, in the absence of SARS, were significantly better than that of last year and helped to lift the contribution from hotels and serviced suites both in Hong Kong and the Mainland. The results of the Group's hotel and serviced suite operations during the year were satisfactory with good occupancy and room rates.

In February 2005, the Group completed the acquisition of The Kowloon Hotel at Tsim Sha Tsui in Hong Kong. The Group has a 50% interest in the hotel, which will make a contribution to group profit in 2005.

The prospects for hotel and serviced suite operations in Hong Kong and the Mainland are good and the Group's hotel and serviced suite operations will continue to make a good contribution.

Property and Project Management

Turnover of property and project management for the year was HK\$243 million (2003 - HK\$218 million), an increase of HK\$25 million when compared with last year. Contribution from property and project management, including share of results of jointly controlled entities, was HK\$88 million (2003 - HK\$74 million), an increase of HK\$14 million when compared with last year. The increase in turnover and contribution was in line with the increase in property and project management services rendered by the Group during the year.

While the contribution from property management is not significant, the Group is committed to providing top quality services to properties under our management. At the year end date, the total floor area under the Group's property management was approximately 74 million square feet and this is expected to grow steadily following the gradual completion of the Group's property projects in the coming years.

Major Associates

The associated Hutchison Whampoa Group recorded consolidated profit after tax for the year of HK\$16,128 million (2003 (restated) - HK\$11,677 million). All of the Hutchison Whampoa Group's established businesses achieved strong operating performances as well as solid financial performances.

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders of HK\$1,929,000 (2003 - HK\$928,000) for the year. The CK Life Sciences Group has made solid progress in its environmental and health-related businesses on all fronts in 2004 – from financial results, corporate expansion to research and development.

FINANCIAL REVIEW

Liquidity and Financing

During the year, the Group issued notes in the total amount of HK\$300 million with five years terms and redeemed notes in the total amount of HK\$1,603 million. At the year end date, outstanding bonds and notes issued by the Group amounted to HK\$6.8 billion.

Together with bank loans of HK\$14.2 billion, the Group's total borrowings at the year end date were HK\$21 billion, an increase of HK\$3.1 billion from last year end date, and the maturity profile spread over a period of six years with HK\$3.1 billion repayable within one year, HK\$17.6 billion within two to five years and HK\$0.3 billion beyond five 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\$4 billion) over shareholders' funds, at 9.4% (2003 (restated) – 7.4%) at the year end date.

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 year end date, approximately 95% of the Group's borrowings was in HK\$ with the balance in US\$ and SGD mainly for the purpose of financing projects outside Hong Kong. While the Group derives its revenue and maintains cash balances mainly in HK\$, it ensures that its exposure to fluctuations in foreign exchange rates is minimised.

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 or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of exposure to interest rate and exchange rate fluctuations.

Charges on Assets

At the year end date, certain assets of the Group with aggregate carrying value of HK\$1,227 million (2003 - HK\$1,248 million) were pledged to secure bank loan facilities utilised by subsidiaries.

Contingent Liabilities

At the year end date, the Group's contingent liabilities were as follows:

- (1) 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 45 years amounted to HK\$4,526 million; and
- (2) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK\$3,597 million (2003 - HK\$2,721 million) and HK\$21 million (2003 - HK\$23 million) respectively.

Employees

At the year end date, the Group employed approximately 6,900 employees for its principal businesses. The related employees' cost (excluding directors' emoluments) amounted to approximately HK\$978 million for the year. 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.

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 OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

With the exception that the Non-executive Directors have no set term of office but retire from office on a rotational basis in accordance with the Company's Articles of Association, the Company has, throughout the year ended 31st December, 2004, complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which was in force prior to 1st January, 2005. The Company's Articles of Association have been amended on 20th May, 2004 to provide that all Directors shall retire on such manner of rotation as required by the Listing Rules, i.e. once every three years.

The Code of Best Practice set out in Appendix 14 of the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1st January, 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

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 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1st January, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises three members all of whom are Independent Non-executive Directors, namely, Mr. Kwan Chiu Yin, Robert (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Mr. Cheong Ying Chew, Henry. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting process and internal controls. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met twice in 2004.

The Group's annual results for the year ended 31st December, 2004 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2005 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, 19th May, 2005 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 will be closed from Thursday, 12th May, 2005 to Thursday, 19th May, 2005, 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 4:00 p.m. on Wednesday, 11th May, 2005.

Consolidated Profit and Loss Account
For the year ended 31st December, 2004

	2004	2003 (Restated)
	HK\$ Million	HK\$ Million
Group turnover	12,149	8,467
Share of property sales of jointly controlled entities	6,282	5,869
Turnover	<u>18,431</u>	<u>14,336</u>
Group turnover	12,149	8,467
Investment and other income	2,259	2,164
Operating costs		
Property and related costs	(10,176)	(6,382)
Salaries and related expenses	(615)	(620)
Interest expenses	(350)	(517)
Other expenses	(290)	(284)
	(11,431)	(7,803)
Share of results of jointly controlled entities	1,236	1,300
Increase/(decrease) in fair value of investment properties	678	(784)
Operating profit	<u>4,891</u>	<u>3,344</u>
Share of results of associates	7,474	5,123
Profit before taxation	<u>12,365</u>	<u>8,467</u>
Taxation	107	243
Profit after taxation	<u>12,472</u>	<u>8,710</u>
Minority interests	(92)	(2)
Profit attributable to shareholders	<u><u>12,380</u></u>	<u><u>8,708</u></u>
Dividends		
Interim dividend paid	880	880
Final dividend proposed	3,289	3,011
	<u>4,169</u>	<u>3,891</u>
Earnings per share	HK\$5.35	HK\$3.76
Dividends per share		
Interim dividend	HK\$0.38	HK\$0.38
Final dividend	HK\$1.42	HK\$1.30

Consolidated Balance Sheet
As at 31st December, 2004

	2004	2003 (Restated)
	HK\$ Million	HK\$ Million
Non-current assets		
Fixed assets	18,385	17,217
Associates	128,386	123,983
Jointly controlled entities	21,346	22,568
Investments in securities	7,619	7,231
Long term loans	1,245	929
	176,981	171,928
Current assets		
Investments in securities	1,040	3,659
Stock of properties	25,812	13,891
Debtors, deposits and prepayments	2,254	2,060
Bank balances and deposits	4,033	5,182
	33,139	24,792
Current liabilities		
Bank and other loans	3,139	1,585
Creditors and accruals	2,663	2,210
Provision for taxation	553	562
Net current assets	26,784	20,435
Total assets less current liabilities	203,765	192,363
Non-current liabilities		
Bank and other loans	17,907	16,357
Deferred tax liabilities	461	378
	18,368	16,735
Minority interests	5,232	4,106
Net assets	180,165	171,522
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	641	487
Retained profits	165,746	157,535
Proposed final dividend	3,289	3,011
Shareholders' funds	180,165	171,522

Notes:

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

	2004	2003
	HK\$ Million	HK\$ Million
Property sales	10,733	7,102
Property rental	568	695
Hotels and serviced suites	605	452
Property and project management	243	218
Group turnover	<u>12,149</u>	<u>8,467</u>
Share of property sales of jointly controlled entities	<u>6,282</u>	<u>5,869</u>
Turnover	<u><u>18,431</u></u>	<u><u>14,336</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 operations (including property sales of jointly controlled entities) were mainly in the Mainland which accounted for approximately 7% of the turnover.

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

	<i>Company and subsidiaries</i>		<i>Jointly controlled entities</i>		<i>Total</i>	
	2004	2003	2004	2003	2004	2003
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	845	895	732	765	1,577	1,660
Property rental	451	549	401	290	852	839
Hotels and serviced suites	157	62	99	21	256	83
Property and project management	88	72	-	2	88	74
	<u>1,541</u>	<u>1,578</u>	<u>1,232</u>	<u>1,078</u>	<u>2,773</u>	<u>2,656</u>
Investment and finance					1,610	1,704
Interest expenses					(350)	(517)
Increase/(decrease) in fair value of investment properties						
Company and subsidiaries					678	(784)
Jointly controlled entities					12	185
Others					199	204
Taxation (excluding share of taxation of listed associates)					(508)	(572)
Minority interests					(92)	(2)
					<u>4,322</u>	<u>2,874</u>
Share of net profit of listed associates						
Hutchison Whampoa Limited					8,057	5,834
CK Life Sciences Int'l., (Holdings) Inc.					1	-
Profit attributable to shareholders					<u><u>12,380</u></u>	<u><u>8,708</u></u>

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

	2004	2003
	HK\$ Million	HK\$ Million
Interest expenses	449	693
Less: Interest capitalised	<u>(99)</u>	<u>(176)</u>
	350	517
Costs of properties sold	9,123	5,831
Depreciation	101	116
Net realised and unrealised holding gains on other investments	(1,038)	(1,584)
Profit on disposal of investment properties	<u>(15)</u>	<u>(182)</u>

(3) Hong Kong profits tax has been provided for at the rate of 17.5% (2003 – 17.5%) on the estimated assessable profits for the year. 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.

	2004	2003
	HK\$ Million	HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	154	98
Overseas tax	2	2
Deferred tax	83	116
Share of taxation charge/(credit)		
Jointly controlled entities	266	358
Associates	<u>(612)</u>	<u>(817)</u>
	<u>(107)</u>	<u>(243)</u>

(4) 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 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:

	2004	2003
	HK\$ Million	HK\$ Million
<i>Current to one month</i>	714	1,209
<i>Two to three months</i>	8	14
<i>Over three months</i>	<u>30</u>	<u>31</u>
	<u>752</u>	<u>1,254</u>

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

	2004	2003
	HK\$ Million	HK\$ Million
<i>Current to one month</i>	494	572
<i>Two to three months</i>	15	12
<i>Over three months</i>	<u>9</u>	<u>9</u>
	<u>518</u>	<u>593</u>

- (6) *The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has early adopted the following new HKFRSs in the preparation of the financial statements for the year ended 31st December, 2004:*

<i>Hong Kong Accounting Standard 36 ("HKAS 36")</i>	<i>Impairment of Assets</i>
<i>Hong Kong Accounting Standard 38 ("HKAS 38")</i>	<i>Intangible Assets</i>
<i>Hong Kong Accounting Standard 40 ("HKAS 40")</i>	<i>Investment Property</i>
<i>Hong Kong Financial Reporting Standard 3 ("HKFRS 3")</i>	<i>Business Combinations</i>
<i>Hong Kong Accounting Standard Interpretation 21 Revalued ("HKAS-Int 21")</i>	<i>Income Taxes - Recovery of Non-Depreciable Assets</i>

The adoption of the above new HKFRSs has resulted in the following changes in the Group's accounting policies for (i) goodwill on acquisition of subsidiaries and associates; and (ii) valuation of investment properties and deferred tax thereon:

(i) In prior years, goodwill on acquisition of subsidiaries and associates was carried at cost and amortised over its estimated useful life. Following the adoption of HKAS 36, HKAS 38 and HKFRS 3, goodwill on acquisition of subsidiaries and associates is carried at cost and reviewed for impairment annually. Impairment, if any, is charged to the profit and loss account. This change in accounting policy has been applied prospectively from 1st January, 2004 and has no material effect on the Group.

(ii) In prior years, increases in valuations of investment properties were credited to investment property revaluation reserve whereas decreases in valuations were firstly set off against revaluation reserve and thereafter charged to the profit and loss account. Deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through sale. Following the adoption of HKAS 40 and HKAS-Int 21, changes in fair value of investment properties are included in the profit and loss account and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use. These changes in accounting policies have been applied retrospectively and the effects on the Group and jointly controlled entities are as follows:-

	2004 HK\$ Million	2003 HK\$ Million
Decrease in jointly controlled entities	(117)	(8)
Increase in deferred tax liabilities	(85)	(59)
Decrease in minority interests	4	4
Decrease in net assets	<u>(198)</u>	<u>(63)</u>
Increase in retained profits at 1st January,	1,741	1,498
Decrease in share of investment property revaluation reserve of jointly controlled entities	(1,883)	(1,804)
(Decrease)/increase in profit attributable to shareholders	<u>(56)</u>	<u>243</u>
Decrease in shareholders' funds	<u>(198)</u>	<u>(63)</u>

Hutchison Whampoa Limited has (i) adopted Statement of Standard Accounting Practice Interpretation 22 “The Appropriate Accounting Policies for Infrastructure Facilities”; and (ii) early adopted HKAS 36, HKAS 38, HKAS 40, HKFRS 3 and relevant interpretations. The adoption of these standards has material effects on its profit attributable to shareholders, various balance sheet items and opening shareholders' funds. The Group's share of such effects has impact on the Group as follows:-

	2004	2003
	HK\$ Million	HK\$ Million
Decrease in associates	<u>(2,408)</u>	<u>(3,258)</u>
Decrease in net assets	<u>(2,408)</u>	<u>(3,258)</u>
Decrease in retained profits at 1st January,	(3,258)	(1,908)
Increase/(decrease) in profit attributable to shareholders	<u>850</u>	<u>(1,350)</u>
Decrease in shareholders' funds	<u>(2,408)</u>	<u>(3,258)</u>

In summary, the Group's profit attributable to shareholders was increased by HK\$794 million for the year ended 31st December, 2004 and was decreased by HK\$1,107 million for the year ended 31st December, 2003 (restated from HK\$9,815 million to HK\$8,708 million); retained profits and reserves at 1st January, 2004 were decreased by HK\$1,517 million and HK\$1,804 million respectively; and retained profits and reserves at 1st January, 2003 were decreased by HK\$410 million and HK\$1,665 million respectively.

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been early adopted by the Group but is not yet in a position to state whether these new HKFRSs would have a significant impact on the Group's results and financial position.

Certain comparative figures have been restated to conform with the current year's presentation.

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

As at the date of this announcement, the Directors (Note) of the Company comprise Mr. Li Ka-shing (Chairman), Mr. Li Tzar Kuoi, Victor (Managing Director and Deputy Chairman), Mr. George Colin Magnus (Deputy Chairman), Mr. Kam Hing Lam (Deputy Managing Director), Mr. Chung Sun Keung, Davy, Mr. Ip Tak Chuen, Edmond, 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 and Mr. Chow Kun Chee, Roland 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, Mr. Kwan Chiu Yin, Robert and Mr. Cheong Ying Chew, Henry as Independent Non-executive Directors.

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

Please also refer to the published version of this announcement in The Asian Wall Street Journal dated 01/04/2005.