

Notes to Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

In accordance with SSAP 1 (revised) “Presentation of Financial Statements”, statement of changes in equity is prepared to replace the statement of recognised gains and losses required in previous years.

In accordance with SSAP 15 (revised) “Cash Flow Statements”, the preparation of cash flow statement is modified as required.

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

(b) Consolidation

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

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

(c) Subsidiaries

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

(d) Jointly controlled entities

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) **Jointly controlled entities** *(continued)*

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

(e) **Associates**

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

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

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

(f) **Investments in securities**

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

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

(g) **Fixed assets**

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

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

Hotel and serviced suite properties, which are held for operation, are stated at cost less provision for diminution in value where appropriate under fixed assets. Costs of significant improvements are capitalised and costs incurred to maintain the hotel and serviced suite properties in their continual good condition are charged to the profit and loss account in the year in which they are incurred.

1. PRINCIPAL ACCOUNTING POLICIES (*continued*)

(g) Fixed assets (*continued*)

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

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

(h) Stock of properties

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

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

(i) Revenue recognition

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

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

(j) Foreign exchange

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)***(k) Taxation**

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

Tax deferred or accelerated by the effect of timing difference is provided, using the liability method, to the extent that it is probable that a liability or an asset will crystallise.

(l) Borrowing costs

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

2. TURNOVER AND CONTRIBUTION

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

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

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

	2002 \$ Million	2001 \$ Million
Property sales	961	4,386
Property rental	806	746
Hotels and serviced suites	391	269
Property and project management	287	259
Group turnover	2,445	5,660
Share of property sales of jointly controlled entities	6,677	1,826
Turnover	9,122	7,486

During the year, the Group's overseas operations (including property sales of jointly controlled entities) were mainly in the Mainland and the United Kingdom which accounted for approximately 9% and 1% of the turnover respectively.

2. TURNOVER AND CONTRIBUTION *(continued)*

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

	Company and subsidiaries		Jointly controlled entities and unlisted associates		Total	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Property sales	209	1,410	426	486	635	1,896
Property rental	618	581	198	100	816	681
Hotels and serviced suites	49	57	3	(5)	52	52
Property and project management	81	80	(1)	(11)	80	69
	957	2,128	626	570	1,583	2,698
Investment and finance					895	1,086
Interest expenses					(650)	(776)
Provision for property projects					–	(1,500)
Revaluation deficit of investment properties					(825)	–
Profit on spin-off of subsidiaries					1,001	–
Others					(151)	(92)
Taxation (excluding share of taxation of listed associates)					(150)	(187)
Minority interests					52	22
Share of net results of listed associates						
Hutchison Whampoa Limited					7,138	5,986
CK Life Sciences Int'l., (Holdings) Inc.					(17)	–
Profit attributable to shareholders					8,876	7,237

3. SHARE OF RESULTS OF ASSOCIATES

The share of results of associates in 2002 included the Group's share of profit of \$564 million arising from disposal of equity interests in certain ports by Hutchison Whampoa Limited.

The share of results of associates in 2001 included the Group's share of profit of \$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 \$14,876 million made by Hutchison Whampoa Limited.

4. PROFIT BEFORE TAXATION

	2002 \$ Million	2001 \$ Million
Profit before taxation is arrived at after charging:		
Interest expenses		
Bank loans and other loans repayable within 5 years	875	1,217
Other loans not repayable within 5 years	25	45
	900	1,262
Less: Interest capitalised (see note (a))	(250)	(486)
	650	776
Directors' emoluments (see note (b))		
Salaries, allowances and benefits in kind	86	86
Contribution to retirement scheme	9	9
Discretionary bonus	37	32
	132	127
Less: Amount paid back	(13)	(11)
	119	116
Auditors' remuneration	5	5
Costs of properties sold	767	2,579
Operating lease charges – properties	51	53
Depreciation	104	60
Impairment losses on investment securities	34	17
Revaluation deficit of investment properties	825	186
and after crediting:		
Net rental income	728	669
Interest income from banks	33	81
Income from listed investments		
Dividend from investments in securities	45	44
Interest from investments in securities	92	79
Income from unlisted investments		
Dividend from investments in securities	19	30
Interest from jointly controlled entities	239	621
Interest from investments in securities	6	14
Net realised and unrealised holding gains on other investments	78	187
Profit on disposal of investment securities	–	17

4. PROFIT BEFORE TAXATION (continued)

Notes:

- (a) Interest was capitalised to property development projects at the average annual rate of approximately 2% (2001 – 5%) during the year.
- (b) Directors' emoluments included directors' fee of \$545,000 (2001 – \$543,110). Other than a director's fee of \$5,000, no other remuneration was paid to the Chairman, Mr. Li Ka-shing. The independent non-executive directors received a director's fee of \$30,000 each and for those who acted as members of the Audit Committee, an additional \$30,000 each was paid. Certain directors received directors' remuneration from associates of which \$13 million (2001 – \$11 million) was paid back to the Company.

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

	2002 Number of Directors	2001 Number of Directors
Nil – \$1,000,000	11	11
\$6,500,001 – \$7,000,000	–	1
\$9,000,001 – \$9,500,000	1	–
\$9,500,001 – \$10,000,000	2	2
\$11,000,001 – \$11,500,000	1	1
\$12,000,001 – \$12,500,000	1	1
\$14,000,001 – \$14,500,000	1	1
\$22,000,001 – \$22,500,000	1	1
\$39,000,001 – \$39,500,000	–	1
\$42,500,001 – \$43,000,000	1	–

5. TAXATION

	2002 \$ Million	2001 \$ Million
Company and subsidiaries		
Hong Kong profits tax	45	123
Overseas tax	2	1
Deferred tax	–	(9)
Jointly controlled entities		
Hong Kong profits tax	70	18
Overseas tax	24	41
Associates		
Hong Kong profits tax	453	392
Overseas tax	744	629
	1,338	1,195

Hong Kong profits tax has been provided for at the rate of 16% (2001 – 16%).

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders dealt with in the profit and loss account of the Company is \$3,845 million (2001 – \$3,856 million).

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2001 – 2,316,164,338 shares) in issue during the year.

8. FIXED ASSETS

	Land and buildings in Hong Kong \$ Million	buildings outside Hong Kong \$ Million	Investment properties in Hong Kong \$ Million	Hotels and serviced suites in Hong Kong \$ Million	outside Hong Kong \$ Million	Other assets \$ Million	Total \$ Million
Group							
Cost or valuation							
At 1st January, 2002	533	722	11,476	2,264	529	445	15,969
Restructure of interests in jointly controlled entities and associates	–	–	1,152	1,554	–	117	2,823
Spin-off of subsidiaries	(151)	–	–	–	–	(84)	(235)
Additions/transfers	(334)	(722)	197	2,457	723	244	2,565
Disposals	–	–	(1)	–	–	(52)	(53)
Deficits on revaluation	–	–	(825)	–	–	–	(825)
At 31st December, 2002	48	–	11,999	6,275	1,252	670	20,244
Accumulated depreciation/provisions							
At 1st January, 2002	3	–	–	891	–	234	1,128
Restructure of interests in jointly controlled entities and associates	–	–	–	–	–	56	56
Spin-off of subsidiaries	(5)	–	–	–	–	(19)	(24)
Depreciation	2	–	–	–	–	104	106
Written back on disposals	–	–	–	–	–	(38)	(38)
At 31st December, 2002	–	–	–	891	–	337	1,228
Net book value							
At 31st December, 2002	48	–	11,999	5,384	1,252	333	19,016
Net book value							
At 31st December, 2001	530	722	11,476	1,373	529	211	14,841

At the balance sheet date:

- certain properties in Hong Kong with aggregate carrying value of \$17,079 million (2001 – \$13,007 million) and certain properties outside Hong Kong with aggregate carrying value of \$1,252 million (2001 – \$1,250 million) were held under medium term leases, all other properties were held under long leases; and
- certain hotel properties with aggregate carrying value of \$852 million (2001 – \$848 million) were pledged as securities for bank loans.

8. FIXED ASSETS (continued)

Company	Other assets \$ Million
Cost	
At 1st January, 2002	147
Additions	31
Disposals	(2)
At 31st December, 2002	176
Accumulated depreciation	
At 1st January, 2002	106
Depreciation	25
Written back on disposals	(2)
At 31st December, 2002	129
Net book value at 31st December, 2002	47
Net book value at 31st December, 2001	41

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

	Land and buildings in Hong Kong \$ Million	buildings outside Hong Kong \$ Million	Investment properties in Hong Kong \$ Million	Hotels and serviced suites in Hong Kong \$ Million	outside Hong Kong \$ Million	Other assets \$ Million	Total \$ Million
At 31st December, 2002							
– at valuation	–	–	11,999	–	–	–	11,999
– at cost	48	–	–	6,275	1,252	670	8,245
	48	–	11,999	6,275	1,252	670	20,244
At 31st December, 2001							
– at valuation	–	–	11,476	–	–	–	11,476
– at cost	533	722	–	2,264	529	445	4,493
	533	722	11,476	2,264	529	445	15,969

Investment properties have been revalued at 31st December, 2002 by DTZ Debenham Tie Leung, professional valuers, on an open market value basis. Gross rental income derived from investment properties during the year amounted to \$616 million (2001 – \$580 million).

9. SUBSIDIARIES

	2002 \$ Million	2001 \$ Million
Unlisted investments in subsidiaries	2,267	2,267
Amounts due from subsidiaries	28,825	28,066
Amounts due to subsidiaries	(6,307)	(8,467)
	24,785	21,866

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

10. ASSOCIATES

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Listed investments in associates	124,672	120,009	–	–
Unlisted investments in associates	487	1,148	518	861
	125,159	121,157	518	861
Amounts due from associates	420	690	36	39
Amounts due to associates	(20)	(111)	(1)	(63)
	125,559	121,736	553	837
Market value of investments in associates				
– listed in Hong Kong	107,902	160,298	–	–

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

11. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Unlisted investments in jointly controlled entities	3,970	2,472	420	145
Amounts due from jointly controlled entities	22,471	27,290	1,004	2,858
Amounts due to jointly controlled entities	(112)	(355)	(18)	(151)
	26,329	29,407	1,406	2,852

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

12. INVESTMENTS IN SECURITIES

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Investment securities				
Equity securities – unlisted	196	242	14	14
Debt securities – unlisted	29	29	–	–
Equity securities – listed in Hong Kong	430	463	–	–
Equity securities – listed overseas	910	873	–	–
	1,565	1,607	14	14
Other investments				
Equity securities – unlisted	203	73	–	–
Debt securities – unlisted	47	176	–	–
Equity securities – listed in Hong Kong	1,164	840	–	–
Equity securities – listed overseas	442	554	–	–
Debt securities – listed overseas	2,439	1,904	–	–
	4,295	3,547	–	–
Less: Amounts classified under current assets	900	790	–	–
	3,395	2,757	–	–
Amounts classified under non-current assets	4,960	4,364	14	14
Market value of investment securities				
– listed in Hong Kong	951	1,920	–	–
– listed overseas	476	1,638	–	–
Market value of other investments				
– listed in Hong Kong	1,164	840	–	–
– listed overseas	2,881	2,458	–	–
	5,472	6,856	–	–

13. STOCK OF PROPERTIES

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Properties for/under development	14,927	15,068	–	–
Joint development projects	6,076	4,733	–	–
Properties for sale	2,251	2,462	3	3
	23,254	22,263	3	3
Less: Customers' deposits received	3,077	374	–	–
	20,177	21,889	3	3

At the balance sheet date, stock of properties amounting to \$2,270 million (2001 – \$2,538 million) were carried at net realisable value.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Trade debtors	313	750	–	–
Deposits, prepayments and other debtors	1,115	693	64	54
	1,428	1,443	64	54

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:

	2002 \$ Million	2001 \$ Million
Current to one month	285	715
Two to three months	8	11
Over three months	20	24
	313	750

15. BANK AND OTHER LOANS

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Bank loans repayable				
within 1 year	118	4,403	–	–
after 1 year but not exceeding 2 years	118	47	–	–
after 2 years but not exceeding 5 years	10,648	10,349	–	–
after 5 years	1,875	675	–	–
Other loans repayable				
within 1 year	2,500	1,250	–	–
after 1 year but not exceeding 2 years	1,400	2,500	–	–
after 2 years but not exceeding 5 years	4,914	4,400	–	–
after 5 years	300	757	–	–
	21,873	24,381	–	–
Less: Amounts classified under current liabilities	2,618	5,653	–	–
Amounts classified under non-current liabilities	19,255	18,728	–	–

At the balance sheet date:

- (a) bank loans amounting to \$282 million (2001 – \$314 million) were secured by certain assets of the Group; and
- (b) other loans included the following fixed rate and floating rate notes and bonds listed on the Luxembourg Stock Exchange or the Singapore Stock Exchange which were issued by Cheung Kong Finance Cayman Limited and Joynote Ltd, wholly owned subsidiaries, and are guaranteed by the Company:

HK\$ 2,000,000,000	7.50% due March 2003 (issued in 2000)
HK\$ 500,000,000	7.35% due July 2003 (issued in 2000)
HK\$ 300,000,000	HIBOR + 0.28% due February 2004 (issued in 2001)
HK\$ 300,000,000	5.36% due May 2004 (issued in 2001)
HK\$ 300,000,000	5.38% due June 2004 (issued in 2001)
HK\$ 200,000,000	7.88% due November 2004 (issued in 1999)
HK\$ 300,000,000	7.75% due December 2004 (issued in 1999)
HK\$ 1,000,000,000	7.68% due January 2005 (issued in 2000)
HK\$ 550,000,000	5.25% due April 2005 (issued in 2002)
HK\$ 1,000,000,000	HIBOR + 0.5% due July 2005 (issued in 2000)
HK\$ 500,000,000	7.68% due July 2005 (issued in 2000)
HK\$ 500,000,000	7.88% due December 2006 (issued in 1999)
SGD 100,000,000	4.55% due March 2007 (issued in 2000)
HK\$ 910,000,000	HIBOR + 0.38% due September 2007 (issued in 2002)
HK\$ 300,000,000	8.38% due January 2010 (issued in 2000)

16. CREDITORS AND ACCRUALS

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Trade creditors	1,499	136	–	–
Accruals and other creditors	1,660	1,387	135	134
	3,159	1,523	135	134

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

	2002 \$ Million	2001 \$ Million
Current to one month	1,487	119
Two to three months	8	12
Over three months	4	5
	1,499	136

17. DEFERRED TAXATION

Deferred taxation is mainly caused by accelerated tax depreciation allowances in excess of depreciation expenses. No provision has been made for the revaluation surplus of investment properties as they do not constitute timing differences. There were no significant unprovided timing differences at the balance sheet date.

18. SHARE CAPITAL

	2002 No. of shares	2001 No. of shares	2002 \$ Million	2001 \$ Million
Authorised:				
Shares of \$0.5 each	3,800,000,000	3,800,000,000	1,900	1,900
Issued and fully paid:				
Shares of \$0.5 each	2,316,164,338	2,316,164,338	1,158	1,158

19. RESERVES

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Capital reserve				
Balance at 1st January and 31st December	345	345	199	199
Exchange translation reserve				
Balance at 1st January	78	52	1	1
Company and subsidiaries	(50)	62	–	–
Share of translation reserve				
Jointly controlled entities	67	(35)	–	–
Associates	–	(1)	–	–
Balance at 31st December	95	78	1	1
Investment property revaluation reserve				
Balance at 1st January	1,640	1,922	416	600
Revaluation surplus/(deficit)				
Company and subsidiaries	–	(377)	–	–
Jointly controlled entities	450	214	–	–
Associates	–	(119)	–	(184)
Balance at 31st December	2,090	1,640	416	416
	2,530	2,063	616	616

20. RETAINED PROFITS

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Balance at 1st January as previously reported	150,095	146,510	14,515	14,365
Prior year adjustment	(98)	(44)	–	–
Balance at 1st January as restated	149,997	146,466	14,515	14,365
Profit for the year	8,876	7,237	3,845	3,856
Interim dividend paid	(880)	(880)	(880)	(880)
Proposed final dividend	(2,826)	(2,826)	(2,826)	(2,826)
Balance at 31st December	155,167	149,997	14,654	14,515

At the balance sheet date, retained profits of the Group included \$97,024 million (2001 – \$93,603 million) retained by associates and \$428 million (2001 – \$170 million) retained by jointly controlled entities. The Company's reserves available for distribution to shareholders including the proposed final dividend amounted to \$17,014 million (2001 – \$16,806 million). Proposed final dividend for 2001 was approved by shareholders on 23rd May, 2002 and paid on 28th May, 2002.

21. EMPLOYEES RETIREMENT SCHEMES

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

During the year, the Group's costs incurred on employees retirement schemes were \$58 million (2001 – \$58 million) and forfeited contributions in the amount of \$8 million (2001 – \$8 million) were used to reduce current year's contributions.

22. CHARGES ON ASSETS

At the balance sheet date, certain assets of the Group with aggregate carrying value of \$852 million (2001 – \$1,133 million) were pledged to secure loan facilities utilised by subsidiaries and affiliated companies.

23. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date:

- (a) the Group had capital commitments as follows:
- (i) contracted but not provided for
fixed assets – \$155 million (2001 – \$358 million)
 - (ii) authorised but not contracted for
fixed assets – \$1 million (2001 – \$7 million)
- (b) the Group's share of capital commitments of the jointly controlled entities were as follows:
- (i) contracted but not provided for – \$912 million (2001 – \$171 million)
 - (ii) authorised but not contracted for – \$199 million (2001 – \$1,750 million)
- (c) the Group's share of contingent liabilities of jointly controlled entities in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 47 years amounted to \$4,582 million;
- (d) the Company provided guarantees for loan financing as follows:
- (i) bank and other loans utilised by subsidiaries – \$21,544 million (2001 – \$24,020 million)
 - (ii) bank loans utilised by jointly controlled entities – \$1,918 million (2001 – \$1,697 million)
 - (iii) bank loans utilised by affiliated companies – Nil (2001 – \$33 million)
- and certain subsidiaries provided guarantees for bank loans utilised by jointly controlled entities and affiliated companies amounted to \$1,089 million (2001 – \$969 million) and \$25 million (2001 – \$25 million) respectively; and
- (e) the Company provided guarantee for the minimum revenue to be shared by the other party of a joint development project undertaken by a jointly controlled entity amounted to \$100 million (2001 – \$100 million).

24. OPERATING LEASE

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

	Group	
	2002 \$ Million	2001 \$ Million
Future minimum lease income receivable		
not later than 1 year	602	582
later than 1 year and not later than 5 years	673	617
later than 5 years	21	23
	1,296	1,222

24. OPERATING LEASE (continued)

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

	Group		Company	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Future minimum lease charges payable				
not later than 1 year	78	66	63	48
later than 1 year and not later than 5 years	113	181	107	170
later than 5 years	2	–	–	–
	193	247	170	218

25. RELATED PARTY TRANSACTIONS

During the year and in the ordinary course of business, the Group undertook various joint venture projects with related parties, including the Chairman, Mr. Li Ka-shing, and Hutchison Whampoa Limited, on normal commercial terms. Advances were made to/received from and guarantees were provided for these joint venture projects on a pro rata basis. Advances made/received by the Group at the balance sheet date were disclosed as amount due from/to associates and jointly controlled entities in notes (10) and (11). Guarantees provided by the Group for bank loans utilised by jointly controlled entities at the balance sheet date were disclosed in note (23).

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

26. SEGMENT INFORMATION

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

	Company and subsidiaries \$ Million	Jointly controlled entities and unlisted associates \$ Million	Assets \$ Million	Liabilities \$ Million
At 31st December, 2002				
Property development	21,989	14,734	36,723	(2,033)
Property investment	12,178	8,166	20,344	(241)
Hotels and serviced suites	7,030	3,359	10,389	(298)
Property and project management	172	17	189	(53)
Total segment assets/(liabilities)			67,645	(2,625)
Investments in listed associates			124,672	–
Cash and investments in securities			6,401	–
Bank and other loans			–	(21,873)
Other assets/(liabilities)			2,349	(1,062)
Total assets/(liabilities)			201,067	(25,560)
At 31st December, 2001				
Property development	23,478	18,505	41,983	(816)
Property investment	11,647	8,178	19,825	(225)
Hotels and serviced suites	3,330	3,389	6,719	(71)
Property and project management	186	18	204	(56)
Total segment assets/(liabilities)			68,731	(1,168)
Investments in listed associates			120,009	–
Cash and investments in securities			5,672	–
Bank and other loans			–	(24,381)
Other assets/(liabilities)			2,098	(900)
Total assets/(liabilities)			196,510	(26,449)

26. SEGMENT INFORMATION (continued)

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

	Total Segment Assets		Capital Expenditure	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Hong Kong	51,035	52,955	654	130
The Mainland	11,538	11,022	93	43
Asia	4,544	4,076	–	–
Europe	468	619	–	–
North America	60	59	–	–
	67,645	68,731	747	173

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

	Depreciation		Capital Expenditure	
	2002 \$ Million	2001 \$ Million	2002 \$ Million	2001 \$ Million
Property investment	–	–	197	–
Hotels and serviced suites	50	24	515	165
Property and project management	28	25	35	8
	78	49	747	173

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements reported in Hong Kong dollars and set out on pages 52 to 83 were approved by the board of directors on 20th March, 2003.

Principal Subsidiaries

APPENDIX I

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

Name	Issued Ordinary Share Capital Nominal Value	Effective percentage held by the Company		Principal Activities
		Directly	Indirectly	
Art Full Resources Limited	HK\$ 2		100	Property investment
Bandick Limited	HK\$ 2		100	Property investment
Bermington Investment Limited	HK\$ 2		100	Property development
Biro Investment Limited	HK\$ 10,000		100	Property development
Bonder Way Investment Limited	HK\$ 2		100	Property development
Cheung Kong Finance Cayman Limited (Cayman Islands)	US\$ 1,000		100	Finance
Cheung Kong Finance Company Limited	HK\$ 2,500,000	100		Finance
Cheung Kong Holdings (China) Limited	HK\$ 2		100	Investment holding in the Mainland projects
Cheung Kong Investment Company Limited	HK\$ 20	100		Investment holding
Cheung Kong Property Development Limited	HK\$ 2	100		Project management
Citybase Property Management Limited	HK\$ 100,000		100	Property management
Conestoga Limited	HK\$ 10,000		60.9	Property investment
Fantastic State Limited	HK\$ 2		100	Property development
Gingerbread Investments Limited (British Virgin Islands)	US\$ 1		100	Property development
Glass Bead Limited (British Virgin Islands)	US\$ 1		100	Property investment
Global Coin Limited	HK\$ 2		100	Property development
Goodwell Property Management Limited	HK\$ 100,000		100	Property management
Hero Star Venture Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
iMarkets Limited	HK\$ 30,000,000		100	Provider of electronic trading platform
Japura Development Pte Ltd (Singapore)	SGD 1,000,000		76	Property development
Jingcofield Limited (British Virgin Islands)	US\$ 1		100	Property investment
Joynote Ltd (Singapore)	SGD 2		100	Finance
Match Power Investment Limited	HK\$ 2		100	Property development
Maxchief Limited	HK\$ 2		100	Property development
Metrofond Limited	HK\$ 2		100	Property development
Million Rise Investments Limited	HK\$ 2		100	Property development
Montaco Limited	HK\$ 100		87	Property development
Mutual Luck Investment Limited	HK\$ 30,000		51.3	Property development
New Profit Resources Limited	HK\$ 2		98.47	Property development

Name	Issued Ordinary Share Capital Nominal Value	Effective percentage held by the Company		Principal Activities
		Directly	Indirectly	
Nobleway Investment Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
Opal Charm Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
Pacific Top Development Limited	HK\$ 2		100	Property development
Pako Wise Limited	HK\$ 2	100		Property investment
Pearl Wisdom Limited	HK\$ 2		100	Property development
Pofield Investments Limited (British Virgin Islands)	US\$ 1		100	Property investment
Poko Shine Limited	HK\$ 2		100	Property investment
Potton Resources Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Prime Pro Group Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Quick Switch Limited (British Virgin Islands)	US\$ 1		100	Property investment
Randash Investment Limited	HK\$ 110		60.9	Hotels and serviced suites
Realty Zone Developments Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
Romefield Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Sai Ling Realty Limited	HK\$ 10,000	100		Property development
Sino China Enterprises Limited	HK\$ 2		100	Property development
Super Winner Development Limited	HK\$ 2		100	Property development
The Center (Holdings) Limited (British Virgin Islands)	US\$ 1		100	Property investment
Tin Shui Wai Development Limited	HK\$ 1,000		98.47	Property investment
Towerich Limited	HK\$ 2		51	Hotels and serviced suites
Union Ford Investments Limited	HK\$ 2		80	Property development
Winchesto Finance Company Limited	HK\$ 15,000,000	100		Finance
Winrise Champion Limited (British Virgin Islands)	US\$ 1		100	Property investment
Wisdom Choice Investment Limited	HK\$ 2		60	Property development
Yee Pang Realty Limited	HK\$ 10,000		94	Property investment
Yick Ho Limited	HK\$ 6,000,000		100	Investment in hotel projects

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

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

Principal Associates

APPENDIX II

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

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

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

Name	Area of Operation
Hong Kong Concord Holdings Limited	The Mainland

Principal Jointly Controlled Entities

APPENDIX III

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

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

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

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