

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

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

(b) Consolidation

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

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

(c) Subsidiaries

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Jointly controlled entities

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

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

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

(e) Associates

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

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

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

(f) Investments in securities

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

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



1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Fixed assets

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

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

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

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

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

(h) Stock of properties

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Revenue recognition

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

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

(j) Foreign exchange

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

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

(k) Taxation

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

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

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



1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Taxation *(continued)*

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

(l) Borrowing costs

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

2. TURNOVER AND CONTRIBUTION

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

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

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

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

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

2. TURNOVER AND CONTRIBUTION (*continued*)

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

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



NOTES TO FINANCIAL STATEMENTS *(continued)*

3. PROFIT BEFORE TAXATION

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

3. PROFIT BEFORE TAXATION (continued)

Notes:

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

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

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

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



NOTES TO FINANCIAL STATEMENTS *(continued)*

4. TAXATION

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

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

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

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

6. EARNINGS PER SHARE

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

7. FIXED ASSETS

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

At the balance sheet date:

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



NOTES TO FINANCIAL STATEMENTS (continued)

7. FIXED ASSETS (continued)

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

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

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

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

8. SUBSIDIARIES

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

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

9. ASSOCIATES

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

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

10. JOINTLY CONTROLLED ENTITIES

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

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



NOTES TO FINANCIAL STATEMENTS (continued)

11. INVESTMENTS IN SECURITIES

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

12. STOCK OF PROPERTIES

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

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

13. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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



NOTES TO FINANCIAL STATEMENTS (continued)

14. BANK AND OTHER LOANS

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

At the balance sheet date:

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

14. BANK AND OTHER LOANS (continued)

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

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

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

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

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

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

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

16. DEFERRED TAX ASSETS/LIABILITIES

At the balance sheet date:

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

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



NOTES TO FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL

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

18. RESERVES

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

19. RETAINED PROFITS

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

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

20. EMPLOYEES PENSION SCHEMES

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

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



21. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date:

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

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

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

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

22. OPERATING LEASE

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

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

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

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

23. RELATED PARTY TRANSACTIONS

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

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



NOTES TO FINANCIAL STATEMENTS *(continued)*

24. SEGMENT INFORMATION

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

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

24. SEGMENT INFORMATION (continued)

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

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

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

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

25. APPROVAL OF FINANCIAL STATEMENTS

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



PRINCIPAL SUBSIDIARIES

Appendix I

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

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

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

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

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



PRINCIPAL ASSOCIATES

Appendix II

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

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

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

Name	Area of Operation
Hong Kong Concord Holdings Limited	The Mainland

PRINCIPAL JOINTLY CONTROLLED ENTITIES

Appendix III

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

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

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

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

