

Consolidated Profit and Loss Account

For the year ended 31st December, 2005

	Note	2005 \$ Million	2004 (Restated) \$ Million
Group turnover		6,171	12,149
Share of property sales of jointly controlled entities		8,187	6,282
Turnover	(3)	14,358	18,431
Group turnover		6,171	12,149
Investment and other income		942	2,259
Operating costs			
Property and related costs		(3,640)	(10,176)
Salaries and related expenses		(649)	(615)
Interest and other finance costs		(347)	(350)
Other expenses		(325)	(391)
		(4,961)	(11,532)
Share of net profit of jointly controlled entities		3,288	938
Increase in fair value of investment properties		1,776	678
Operating profit		7,216	4,492
Share of net profit of associates		7,248	6,510
Profit before taxation	(4)	14,464	11,002
Taxation	(5)	(259)	(230)
Profit for the year		14,205	10,772
Profit attributable to minority interests		(210)	(72)
Profit attributable to shareholders	(6)	13,995	10,700
Dividends			
Interim dividend paid at \$0.42 (2004 – \$0.38) per share		973	880
Final dividend proposed at \$1.58 (2004 – \$1.42) per share		3,659	3,289
		4,632	4,169
Earnings per share	(7)	\$6.04	\$4.62

Consolidated Balance Sheet

As at 31st December, 2005

	Note	2005 \$ Million	2004 (Restated) \$ Million
Non-current assets			
Fixed assets	(8)	9,612	7,385
Investment properties	(9)	11,710	10,545
Associates	(11)	126,281	124,444
Jointly controlled entities	(12)	22,849	21,259
Investments available for sale	(13)	7,169	7,619
Long term loans		403	1,245
		178,024	172,497
Current assets			
Stock of properties	(14)	27,106	25,812
Debtors, deposits and prepayments	(15)	1,338	2,254
Investments held for trading	(16)	1,014	1,040
Derivative financial instruments		435	–
Bank balances and deposits		8,310	4,033
		38,203	33,139
Current liabilities			
Bank and other loans	(17)	3,904	3,139
Creditors and accruals	(18)	2,416	2,663
Derivative financial instruments		193	–
Provision for taxation		564	553
		31,126	26,784
Net current assets			
		209,150	199,281
Total assets less current liabilities			
Non-current liabilities			
Bank and other loans	(17)	18,683	17,907
Deferred tax liabilities	(19)	544	428
		19,227	18,335
Net assets			
		189,923	180,946
Representing:			
Share capital	(20)	1,158	1,158
Share premium		9,331	9,331
Reserves		174,673	165,312
Shareholders' funds		185,162	175,801
Minority interests		4,761	5,145
Total equity		189,923	180,946

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

Balance Sheet

As at 31st December, 2005

	Note	2005 \$ Million	2004 (Restated) \$ Million
Non-current assets			
Fixed assets	(8)	18	16
Subsidiaries	(10)	28,877	27,552
Associates	(11)	50	397
Jointly controlled entities	(12)	62	104
Investments available for sale	(13)	–	14
Long term loans		4	17
		29,011	28,100
Current assets			
Stock of properties	(14)	3	3
Debtors, deposits and prepayments	(15)	204	44
Bank balances and deposits		483	896
		690	943
Current liabilities			
Creditors and accruals	(18)	119	112
Provision for taxation		19	17
		552	814
Net current assets			
		29,563	28,914
Net assets			
Representing:			
Share capital	(20)	1,158	1,158
Share premium		9,331	9,331
Reserves	(21)	19,074	18,425
Total equity		29,563	28,914

Li Ka-shing
Director

Ip Tak Chuen, Edmond
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Share capital and premium \$ Million	Capital reserve \$ Million	Investment revaluation reserve \$ Million	Exchange reserve \$ Million	Retained profits \$ Million	Minority interests \$ Million	Total \$ Million
Balance at 1st January, 2005, as previously reported	10,489	345	–	296	169,035	5,232	185,397
Prior year adjustments (note 2(a))	–	–	–	–	(4,364)	(87)	(4,451)
Balance at 1st January, 2005, as restated	10,489	345	–	296	164,671	5,145	180,946
Adjustment at 1st January, 2005 upon adoption of HKAS 39 (note 2(a))							
Company and subsidiaries	–	–	–	–	669	–	669
Associates	–	–	–	–	(1,222)	–	(1,222)
Profit for the year	–	–	–	–	13,995	210	14,205
Change in fair value of investments available for sale	–	–	160	–	–	(1)	159
Exchange translation differences	–	–	–	41	–	3	44
Share of reserves of jointly controlled entities/unlisted associates	–	–	14	(34)	–	–	(20)
Change in minority interests	–	–	–	–	–	(466)	(466)
Dividend paid to minorities	–	–	–	–	–	(130)	(130)
Dividend paid to shareholders	–	–	–	–	(4,262)	–	(4,262)
Balance at 31st December, 2005	10,489	345	174	303	173,851	4,761	189,923
Balance at 1st January, 2004, as previously reported	10,489	345	–	142	160,546	4,106	175,628
Prior year adjustments (note 2(a))	–	–	–	–	(2,684)	(67)	(2,751)
Balance at 1st January, 2004, as restated	10,489	345	–	142	157,862	4,039	172,877
Profit for the year	–	–	–	–	10,700	72	10,772
Exchange translation differences	–	–	–	1	–	–	1
Share of reserves of jointly controlled entities/unlisted associates	–	–	–	153	–	–	153
Change in minority interests	–	–	–	–	–	1,041	1,041
Dividend paid to minorities	–	–	–	–	–	(7)	(7)
Dividend paid to shareholders	–	–	–	–	(3,891)	–	(3,891)
Balance at 31st December, 2004	10,489	345	–	296	164,671	5,145	180,946

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	Note	2005 \$ Million	2004 (Restated) \$ Million
Operating activities			
Cash generated from/(used in) operations	(a)	1,467	(7,404)
Investment in/advance to jointly controlled entities		(3,459)	(2,474)
Dividend/repayment from jointly controlled entities		4,498	5,547
Dividend from associates		4,192	3,686
Dividend from investments in securities		90	129
Interest received		424	306
Dividend paid to shareholders		(4,262)	(3,891)
Dividend paid to minorities		(130)	(7)
Profits tax paid		(125)	(165)
Net cash from/(used in) operating activities		2,695	(4,273)
Investing activities			
Investment in/advance to associates		(8)	(122)
Repayment from associates		24	14
Investment in/advance to jointly controlled entities		(2,360)	(632)
Repayment from jointly controlled entities		1,975	–
Disposal of jointly controlled entities		1,253	–
Purchase of investments available for sale		(940)	(1,700)
Disposal/redemption of investments available for sale		2,223	2,472
Addition of investment properties		(968)	–
Disposal of investment properties		1,989	24
Addition of fixed assets		(2,065)	(656)
Net cash from/(used in) investing activities		1,123	(600)
Financing activities			
Borrowing of bank and other loans		6,846	7,673
Repayment of bank and other loans		(5,299)	(4,536)
Increase/(decrease) in funding from minorities		(466)	1,025
Interest and other finance costs paid		(622)	(438)
Net cash from financing activities		459	3,724
Net increase/(decrease) in cash and cash equivalents		4,277	(1,149)
Cash and cash equivalents at 1st January		4,033	5,182
Cash and cash equivalents at 31st December	(b)	8,310	4,033

Notes:

(a) Cash generated from/(used in) operations

	2005	2004
	\$ Million	(Restated) \$ Million
Profit before taxation	14,464	11,002
Interest income	(429)	(273)
Interest expenses	347	350
Dividend income from investments in securities	(90)	(172)
Share of net profit of jointly controlled entities	(3,288)	(938)
Share of net profit of associates	(7,248)	(6,510)
Increase in fair value of investment properties	(1,776)	(678)
Profit on disposal of jointly controlled entities	(162)	–
Profit on disposal of investment properties	(288)	(15)
Loss/(gain) on investments available for sale	127	(439)
Depreciation	166	202
(Increase)/decrease in long term loans	846	(437)
Decrease in investments held for trading	437	2,051
Increase in stock of properties	(3,204)	(5,540)
Increase/(decrease) in customers' deposits received	2,157	(6,282)
(Increase)/decrease in debtors, deposits and prepayments	218	(217)
Increase in derivative financial instruments	(242)	–
Increase/(decrease) in creditors and accruals	(554)	483
Exchange difference and other items	(14)	9
	1,467	(7,404)

(b) Cash and cash equivalents

	2005	2004
	\$ Million	\$ Million
Bank balances and deposits	8,310	4,033

1. General Information

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and other corporate information are set out on page 148 of the annual report.

2. Principal Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards (“HKFRSs”). The financial statements are prepared under the historical cost convention except that, as set out in notes 2(f), 2(h) and 2(k), investments in securities, investment properties and derivative financial instruments are stated at fair values.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has already early adopted some of the HKFRSs in the preparation of financial statements for the year ended 31st December, 2004. The adoption of the other effective HKFRSs has resulted in the following changes in the accounting policies for (i) hotel and serviced suite properties; and (ii) investments in securities:

- (i) In prior years, hotel and serviced suite properties, which are held for operation, were stated at cost less provision for impairment where appropriate. No depreciation was provided based on the properties’ high residual values if the unexpired lease terms were over 20 years.

Following the adoption of HK Interpretation 2 “The Appropriate Accounting Policies for Hotel Properties” which concludes that the residual value of land held under an operating lease would typically be zero and the residual value of a building situated on leasehold land will highly likely be insignificant relative to the depreciable amount, hotel and serviced suite properties, which are held for operation, are stated at cost less depreciation and provision for impairment.

This change in accounting policy has been applied retrospectively.

- (ii) In prior years, investments in securities intended to be held on a continuing basis, which are not investments in subsidiaries, jointly controlled entities or associates, were classified as investment securities and were carried at cost less provision for impairment where appropriate. Results of these investments were included in the profit and loss account only to the extent of dividends and interests received and receivable. Other investments were stated at fair values in the balance sheet. Changes in fair value were dealt with in the profit and loss account.

Following the adoption of HKAS 39 “Financial Instruments: Recognition and Measurement”, investments which are not subsidiaries, jointly controlled entities or associates are classified as either investments held for trading or investments available for sale, and are stated at fair values in the balance sheet. For investments held for trading, changes in fair value are included in the profit and loss account; and for investments available for sale, changes in fair value are dealt with in the reserves.

2. Principal Accounting Policies (continued)

(a) Basis of preparation (continued)

This change in accounting policy has been applied prospectively from 1st January, 2005. The difference between the carrying amounts of investment securities and their fair values at 31st December, 2004 has been adjusted to retained profits at 1st January, 2005.

The above changes in the accounting policies have the following effects on the financial statements:

	Hotel and serviced suite properties		Investments in securities		Total	
	Year ended 31st December		Year ended 31st December		Year ended 31st December	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Decrease in investment and other income	-	-	(199)	-	(199)	-
Increase in depreciation	(102)	(101)	-	-	(102)	(101)
Decrease in share of net profit of jointly controlled entities	(52)	(32)	-	-	(52)	(32)
Decrease in share of net profit of associates	-	-	(140)	-	(140)	-
Decrease in taxation	10	9	-	-	10	9
Decrease in profit attributable to minority interests	19	20	-	-	19	20
Decrease in profit attributable to shareholders	(125)	(104)	(339)	-	(464)	(104)
Decrease in earnings per share	\$(0.05)	\$(0.05)	\$(0.15)	-	\$(0.20)	\$(0.05)

	Hotel and serviced suite properties		Investments in securities		Total	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
Decrease in fixed assets	(557)	(455)	-	-	(557)	(455)
Increase in associates	-	-	19	-	19	-
Decrease in jointly controlled entities	(139)	(87)	-	-	(139)	(87)
Increase in investments available for sale	-	-	631	-	631	-
Decrease in deferred tax liabilities	43	33	-	-	43	33
Increase/(decrease) in net assets	(653)	(509)	650	-	(3)	(509)
Increase/(decrease) in retained profits at 1st January	(422)	(318)	815	-	393	(318)
Increase in investment revaluation reserve	-	-	174	-	174	-
Decrease in profit attributable to shareholders	(125)	(104)	(339)	-	(464)	(104)
Decrease in minority interests	(106)	(87)	-	-	(106)	(87)
Increase/(decrease) in total equity	(653)	(509)	650	-	(3)	(509)

2. Principal Accounting Policies (continued)

(a) Basis of preparation (continued)

The adoption of the new and revised HKFRSs by Hutchison Whampoa Limited and CK Life Sciences Int'l., (Holdings) Inc. has material effects on its profit attributable to shareholders, various balance sheet items and opening balance of shareholders' funds. The Group's share of these effects has the following impact on the financial statements:

	Year ended 31st December	
	2005 \$ Million	2004 \$ Million
Decrease in share of net profit of associates	(1,888)	(1,576)
Decrease in profit attributable to shareholders	(1,888)	(1,576)
Decrease in earnings per share	\$(0.82)	\$(0.68)

	31/12/2005	31/12/2004
	\$ Million	\$ Million
Decrease in associates	(7,198)	(3,942)
Decrease in net assets	(7,198)	(3,942)
Decrease in retained profits at 1st January	(5,310)	(2,366)
Decrease in profit attributable to shareholders	(1,888)	(1,576)
Decrease in total equity	(7,198)	(3,942)

In summary, the Group's profit attributable to shareholders was decreased by \$2,352 million for the year ended 31st December, 2005 and was decreased by \$1,680 million for the year ended 31st December, 2004 (restated from \$12,380 million to \$10,700 million); retained profits at 1st January, 2005 and 1st January, 2004 were decreased by \$4,917 million and \$2,684 million respectively; and earnings per share for the years ended 31st December, 2005 and 31st December, 2004 were decreased by \$1.02 and \$0.73 respectively.

The adoption of the new and revised HKFRSs has also resulted in changes in the presentation of the financial statements and certain comparative figures have been restated to conform with the current year's presentation and basis of preparation.

At the balance sheet date, some of the HKFRSs were in issue but not yet effective. The Group has already commenced an assessment of the impact of these HKFRSs and adoption of these HKFRSs when they become effective is not expected to result in substantial changes to the principal accounting policies.

2. Principal Accounting Policies *(continued)*

(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 (2)(d) and note (2)(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 and associates is carried at cost and reviewed for impairment annually. Impairment, if any, is charged to the profit and loss account.

(c) Subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment 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 impairment. When the investment cost in a jointly controlled entity, less provision for impairment 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 impairment.

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.

2. Principal Accounting Policies (continued)

(f) Investments in securities

Investments which are not subsidiaries, jointly controlled entities or associates are classified as either investments held for trading or investments available for sale, and are stated at fair values in the balance sheet. For investments held for trading, changes in fair value are included in the profit and loss account; and for investments available for sale, changes in fair value are dealt with in the reserves. Purchases and sales of investments in securities are accounted for at trade-date.

(g) Fixed assets

Fixed assets, including hotel and serviced suite properties which are held for operation, are stated at cost less depreciation and provision for impairment.

Leasehold land is amortised over the remaining term of the lease on a straight-line basis. Buildings are depreciated at annual rates of 2% to 4% on the costs of the respective buildings. Other fixed assets are depreciated on a straight-line basis at annual rates of 5% to 33¹/₃% based on their respective estimated useful lives.

(h) Investment properties

Investment properties, which are held for rental, are stated at fair values in the balance sheet. Changes in fair value are included in the profit and loss account.

(i) Long term loans

Long term loans are non-derivative financial assets with fixed or determinable payments and are carried at amortised costs less provision for impairment.

(j) 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.

(k) Derivative financial instruments

Derivative financial instruments, which are used for investment and financial purposes, are stated at fair values in the balance sheet. Changes in fair value of derivative financial instruments that are designated and qualify as fair value hedges are included in the profit and loss account, together with any changes in fair value of the hedged assets or liabilities that are attributable to the hedged risk. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account.

2. Principal Accounting Policies *(continued)*

(l) Bank and other loans

Bank and other loans, including bonds and notes issued by the Group, are recognised initially at fair values and are subsequently carried at amortised costs.

(m) 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 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.

(n) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions during the year are converted at the rates of exchange ruling at the transaction dates. 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 exchange rates prevailing at the balance sheet date and results are translated at the average rates of exchange during the year unless the average rates are not reasonable approximations of the exchange rates at the transaction dates, in which case the exchange rates at the transaction dates will be used. Exchange differences are dealt with in the reserves.

(o) 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 tax is provided for at the applicable local rates on the estimated assessable profits of the individual company concerned.

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.

2. Principal Accounting Policies (continued)

(p) Borrowing costs

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

3. 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:

	2005 \$ Million	2004 \$ Million
Property sales	4,717	10,733
Property rental	590	568
Hotels and serviced suites	642	605
Property and project management	222	243
Group turnover	6,171	12,149
Share of property sales of jointly controlled entities	8,187	6,282
Turnover	14,358	18,431

During the year, the Group's overseas operating activities (including property sales of jointly controlled entities) were mainly in the Mainland and Singapore which accounted for approximately 10% and 5% of the turnover respectively.

3. Turnover and Contribution *(continued)*

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Property sales	1,269	845	2,037	732	3,306	1,577
Property rental	470	451	431	401	901	852
Hotels and serviced suites	129	56	146	65	275	121
Property and project management	98	88	–	–	98	88
	1,966	1,440	2,614	1,198	4,580	2,638
Investment and finance					779	1,610
Interest and other finance costs					(347)	(350)
Increase in fair value of investment properties						
Subsidiaries					1,776	678
Jointly controlled entities					1,165	12
Others					102	199
Taxation (excluding share of taxation of listed associates)					(1,021)	(497)
Profit attributable to minority interests					(210)	(72)
					6,824	4,218
Share of net profit/(loss) of listed associates						
Hutchison Whampoa Limited					7,166	6,484
CK Life Sciences Int'l., (Holdings) Inc.					5	(2)
Profit attributable to shareholders					13,995	10,700

4. Profit before Taxation

	2005 \$ Million	2004 \$ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank loans and other loans repayable within 5 years	729	424
Other loans not repayable within 5 years	9	25
	738	449
Less: Amount capitalised (see note (a))	(391)	(99)
	347	350
Directors' emoluments (see note (b))		
Salaries, allowances and benefits in kind	93	89
Pension scheme contribution	9	9
Discretionary bonus	44	32
	146	130
Less: Amount paid back	(12)	(17)
	134	113
Auditors' remuneration	5	5
Costs of properties sold	3,205	9,123
Depreciation	166	202
Impairment losses – investments available for sale	154	26
Operating lease charges – properties	30	27
and after crediting:		
Net rental income	521	506
Interest income from banks	117	25
Interest income from jointly controlled entities/associates	146	78
Income from listed investments in securities		
Dividend income from equity securities	89	143
Interest income from debt securities	39	97
Income from unlisted investments in securities		
Dividend income from equity securities	1	29
Interest income from debt securities	97	49
Profit on disposal of investments available for sale	27	118
Profit on disposal of investment properties	288	15
Profit on disposal of jointly controlled entities	162	–

4. Profit before Taxation (continued)

Notes:

- (a) Interest was capitalised to property development projects at the average annual rate of approximately 2.5% (2004 – 1%) during the year.
- (b) Directors' emoluments comprised payments to the Company's directors (including the five highest paid individuals in the Group) in connection with the management of the affairs of the Group. The independent non-executive directors receive an annual director's fee of \$100,000 each; and for those acting as members of the Audit Committee and/or Remuneration Committee, additional annual fee of \$100,000 each is paid for the former and \$50,000 each is paid for the latter. The emoluments of the Company's directors, excluding emoluments received by them from the Group's associates, are as follows:

	Director Fees	Salaries, Allowances and Benefits in Kind	Pension Scheme Contribution	Discretionary Bonus	Inducement or Compensation Fee	2005 Total	2004 Total
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
Li Ka-shing ⁽¹⁾	0.01	–	–	–	–	0.01	0.01
Li Tzar Kuoi, Victor ⁽²⁾	0.10	29.00	2.90	7.45	–	39.45	36.20
Kam Hing Lam ⁽³⁾	0.10	15.40	1.53	0.43	–	17.46	16.68
Ip Tak Chuen, Edmond ⁽⁴⁾	0.10	10.73	1.07	3.50	–	15.40	14.31
Chung Sun Keung, Davy	0.10	6.70	0.67	5.00	–	12.47	10.97
Pau Yee Wan, Ezra	0.10	7.70	0.77	5.60	–	14.17	12.99
Woo Chia Ching, Grace	0.10	7.70	0.77	7.60	–	16.17	15.48
Chiu Kwok Hung, Justin	0.10	6.84	0.68	7.00	–	14.62	13.27
Leung Siu Hon	0.10	–	–	–	–	0.10	0.17
Fok Kin-ning, Canning	0.10	–	–	–	–	0.10	0.10
Frank John Sixt	0.10	–	–	–	–	0.10	0.10
Chow Kun Chee, Roland	0.10	–	–	–	–	0.10	0.17
George Colin Magnus ⁽⁵⁾	0.10	6.12	0.61	8.08	–	14.91	8.93
Kwok Tun-li, Stanley	0.25	–	–	–	–	0.25	0.13
Yeh Yuan Chang, Anthony	0.10	–	–	–	–	0.10	0.10
Simon Murray	0.10	–	–	–	–	0.10	0.10
Chow Nin Mow, Albert	0.10	–	–	–	–	0.10	0.10
Hung Siu-lin, Katherine	0.10	–	–	–	–	0.10	0.10
Wong Yick-ming, Rosanna	0.15	–	–	–	–	0.15	0.10
Kwan Chiu Yin, Robert	0.20	–	–	–	–	0.20	0.05
Cheong Ying Chew, Henry	0.20	–	–	–	–	0.20	0.05
Total	2.41	90.19	9.00	44.66	–	146.26	130.11

- (1) Other than a director's fee of \$5,000, no other remuneration was paid to the Chairman, Mr. Li Ka-shing. The amount of director's fee shown above is a result of rounding. The director's fee of \$50,000 received by Mr. Li Ka-shing from Hutchison Whampoa Limited was paid back to the Company.
- (2) Part of the directors' emoluments in the sum of \$3,700,000 received by Mr. Li Tzar Kuoi, Victor from the Hutchison Whampoa Group and the director's fee of \$70,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.
- (3) Part of the directors' emoluments in the sum of \$1,552,000 received by Mr. Kam Hing Lam from the Hutchison Whampoa Group and the directors' emoluments of \$1,470,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.

4. Profit before Taxation (continued)

Notes (b): (continued)

- (4) Part of the directors' emoluments in the sum of \$1,870,000 received by Mr. Ip Tak Chuen, Edmond from Cheung Kong Infrastructure Holdings Limited and the directors' emoluments of \$670,000 received by him from CK Life Sciences Int'l., (Holdings) Inc. were paid back to the Company.
- (5) Part of the directors' emoluments in the sum of \$2,728,333 received by Mr. George Colin Magnus from the Hutchison Whampoa Group was paid back to the Company.

5. Taxation

	2005 \$ Million	2004 \$ Million
Company and subsidiaries		
Hong Kong profits tax	137	154
Overseas tax	(1)	2
Deferred tax	123	74
	259	230

Hong Kong profits tax has been provided for at the rate of 17.5% (2004 – 17.5%) on the estimated assessable profits for the year and operating profit (after adjusting for share of taxation of jointly controlled entities) is reconciled with taxation as follows:

	2005 \$ Million	2004 \$ Million
Adjusted operating profit at Hong Kong tax rate of 17.5% (2004 – 17.5%)	1,395	832
Effect of different tax rates at overseas locations	238	46
Increase in fair value of investment properties	(248)	(96)
Profit on disposal of properties held for rental	(186)	(3)
Profit on disposal of subsidiaries and jointly controlled entities	(28)	(60)
Net effect of tax losses and deductible temporary differences utilised/not recognised	(77)	35
Net effect of non-assessable/deductible items	(77)	(261)
Others	(4)	1
	1,013	494
Less: Share of taxation of jointly controlled entities	(754)	(264)
	259	230

6. Profit Attributable to Shareholders

Profit attributable to shareholders dealt with in the profit and loss account of the Company is \$4,841 million (2004 – \$4,275 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 (2004 – 2,316,164,338 shares) in issue during the year.

8. Fixed Assets

Group	Land and	Hotels and		Other	Total
	buildings in	in	outside		
	Hong Kong	Hong Kong	Hong Kong	assets	\$ Million
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
Cost					
At 1st January, 2004	355	6,333	1,275	702	8,665
Additions/transfers	25	577	(21)	44	625
Disposals	–	–	–	(32)	(32)
At 31st December, 2004	380	6,910	1,254	714	9,258
Translation difference	–	–	29	5	34
Additions/transfers	44	2,151	6	164	2,365
Disposals	–	–	–	(12)	(12)
At 31st December, 2005	424	9,061	1,289	871	11,645
Accumulated depreciation/provisions					
At 1st January, 2004	–	1,157	88	433	1,678
Depreciation	–	74	27	101	202
Written back on disposals	–	–	–	(7)	(7)
At 31st December, 2004	–	1,231	115	527	1,873
Translation difference	–	–	2	3	5
Depreciation	–	74	28	64	166
Written back on disposals	–	–	–	(11)	(11)
At 31st December, 2005	–	1,305	145	583	2,033
Net book value					
At 31st December, 2005	424	7,756	1,144	288	9,612
At 31st December, 2004	380	5,679	1,139	187	7,385

At the balance sheet date:

- certain properties in Hong Kong with aggregate carrying value of \$8,013 million (2004 – \$5,893 million) and certain properties outside Hong Kong with aggregate carrying value of \$1,144 million (2004 – \$1,139 million) were held under medium term leases, all other properties were held under long leases; and
- certain hotel properties of non-wholly owned subsidiaries with aggregate carrying value of \$1,120 million (2004 – \$1,115 million) were pledged to secure bank loan facilities of these subsidiaries.

8. Fixed Assets (continued)

Company	Other assets	
	2005 \$ Million	2004 \$ Million
Cost		
At 1st January	181	179
Additions	11	3
Disposals	(5)	(1)
At 31st December	187	181
Accumulated depreciation		
At 1st January	165	152
Depreciation	9	13
Written back on disposals	(5)	–
At 31st December	169	165
Net book value at 31st December	18	16

9. Investment Properties

	2005 \$ Million	2004 \$ Million
Investment properties in Hong Kong		
At 1st January	10,545	9,876
Additions	1,090	–
Disposals	(1,701)	(9)
Increase in fair value	1,776	678
At 31st December	11,710	10,545

At the balance sheet date:

- investment properties have been revalued by DTZ Debenham Tie Leung Limited, independent professional valuers, on an open market value basis;
- investment properties with aggregate carrying value of \$11,207 million (2004 – \$10,093 million) and \$503 million (2004 – \$452 million) were held under medium term leases and long leases respectively; and
- gross rental income and direct operating expenses of investment properties during the year amounted to \$456 million (2004 – \$414 million) and \$26 million (2004 – \$27 million) respectively.

10. Subsidiaries

	2005 \$ Million	2004 \$ Million
Unlisted investments in subsidiaries	2,071	2,078
Amounts due from subsidiaries	32,161	30,547
Amounts due to subsidiaries	(5,355)	(5,073)
	28,877	27,552

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

11. Associates

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Listed investments in associates	27,160	27,160	–	–
Unlisted investments in associates	169	167	51	51
Share of results and reserves	98,623	96,891	–	467
	125,952	124,218	51	518
Amounts due from associates	352	374	–	–
Amounts due to associates	(23)	(148)	(1)	(121)
	126,281	124,444	50	397
Market value of investments in associates – listed in Hong Kong	159,994	158,469	–	–

Particulars regarding the principal associates are set out in Appendix II. Extracts of financial statements of the listed associates, Hutchison Whampoa Limited and CK Life Sciences Int'l., (Holdings) Inc., are set out in Appendix IV and Appendix V respectively.

12. Jointly Controlled Entities

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Unlisted investments in jointly controlled entities	1,137	1,315	–	4
Share of results and reserves	3,943	3,336	–	–
	5,080	4,651	–	4
Amounts due from jointly controlled entities	18,695	18,143	62	100
Amounts due to jointly controlled entities	(926)	(1,535)	–	–
	22,849	21,259	62	104

Particulars regarding the principal jointly controlled entities are set out in Appendix III. The aggregate amounts of non-current assets, current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in jointly controlled entities are as follows:–

	2005 \$ Million	2004 \$ Million
Non-current assets	12,258	13,678
Current assets	19,563	14,724
Current liabilities	(3,577)	(3,283)
Non-current liabilities	(6,072)	(4,984)
Income	10,995	7,515
Expenses	(6,858)	(6,318)

13. Investments Available for Sale

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Listed investments				
Equity securities – listed in Hong Kong	3,613	3,673	–	–
Equity securities – listed overseas	2,336	1,727	–	–
Debt securities – listed overseas	–	636	–	–
	5,949	6,036	–	–
Unlisted investments				
Equity securities	263	616	–	14
Debt securities	957	967	–	–
	1,220	1,583	–	14
	7,169	7,619	–	14
Market value of listed investments				
– listed in Hong Kong	3,613	4,015	–	–
– listed overseas	2,336	2,620	–	–
	5,949	6,635	–	–

14. Stock of Properties

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Properties for/under development	19,893	17,359	–	–
Joint development projects	6,032	3,991	–	–
Properties for sale	3,339	4,463	3	3
	29,264	25,813	3	3
Less: Customers' deposits received	2,158	1	–	–
	27,106	25,812	3	3

15. Debtors, Deposits and Prepayments

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Trade debtors	892	752	–	–
Deposits, prepayments and other debtors	446	1,502	204	44
	1,338	2,254	204	44

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:

	2005 \$ Million	2004 \$ Million
Current to one month	841	714
Two to three months	29	8
Over three months	22	30
	892	752

16. Investments Held for Trading

	2005 \$ Million	2004 \$ Million
Listed investments		
Equity securities – listed in Hong Kong	144	249
Equity securities – listed overseas	60	453
Debt securities – listed overseas	137	279
	341	981
Unlisted investments		
Equity securities	406	59
Debt securities	267	–
	673	59
	1,014	1,040

17. Bank and Other Loans

	2005 \$ Million	2004 \$ Million
Bank loans repayable		
within 1 year	2,995	92
after 1 year but not exceeding 2 years	2,176	2,835
after 2 years but not exceeding 5 years	8,076	11,296
after 5 years	36	–
	13,283	14,223
Other loans repayable		
within 1 year	909	3,047
after 1 year but not exceeding 2 years	2,285	909
after 2 years but not exceeding 5 years	5,610	2,567
after 5 years	500	300
	9,304	6,823
Less: Amounts classified under current liabilities	22,587	21,046
Amounts classified under non-current liabilities	3,904	3,139
	18,683	17,907

At the balance sheet date:

- (a) bank loans amounting to \$382 million (2004 – \$173 million) were secured by certain assets of the Group;
- (b) other loans included fixed rate and floating rate bonds and notes 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	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)
 - (ii) issued by Cheung Kong Bond Finance Limited in Hong Kong:

AUD	20,000,000	4.75% due October 2006 (issued in 2003)
HK\$	638,000,000	9.38% (1st year)/thereafter subject to equity linked terms, due August 2007 (issued in 2005)
HK\$	280,000,000	6% (1st half year)/thereafter subject to equity linked terms, due October 2007 (issued in 2005)
HK\$	500,000,000	10% (1st year)/thereafter subject to equity linked terms, due May 2008 (issued in 2005)
HK\$	1,000,000,000	3.5% due July 2008 (issued in 2005)
HK\$	900,000,000	3% (first 2 years)/4% (thereafter) due October 2008 (issued in 2003)

17. Bank and Other Loans (continued)

- (ii) issued by Cheung Kong Bond Finance Limited in Hong Kong: (continued)
- | | | |
|------|-------------|---|
| HK\$ | 300,000,000 | 6.68% (1st year)/0.60% (2nd to 4th year)/subject to terms (5th year) due February 2009 (issued in 2004) |
| HK\$ | 500,000,000 | 4.4% due April 2015 (issued in 2005) |
- (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) |
|------|-------------|---|
- (iv) issued by Cheung Kong Finance Japan Limited in Japan:
- | | | |
|-----|----------------|--|
| JPY | 33,000,000,000 | 0.95% due August 2010 (issued in 2005) |
|-----|----------------|--|
- (c) bank and other loans carried interest, after hedging where appropriate, at effective rates based on HIBOR/LIBOR plus a margin less than 1% per annum.

18. Creditors and Accruals

	Group		Company	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Trade creditors	160	518	–	–
Accruals and other creditors	2,256	2,145	119	112
	2,416	2,663	119	112

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

	2005 \$ Million	2004 \$ Million
Current to one month	140	494
Two to three months	12	15
Over three months	8	9
	160	518

19. Deferred Tax Liabilities

At the balance sheet date:

- (a) deferred tax liabilities amounting to \$378 million (2004 – \$343 million) and \$166 million (2004 – \$85 million) were provided on temporary differences arising from accelerated tax depreciation and changes in fair value of investment properties respectively; and
- (b) tax losses and deductible temporary differences amounting to \$2,640 million (2004 – \$2,464 million), of which \$176 million (2004 – \$210 million) expire within 5 years, were not recognised.

20. Share Capital

	2005 No. of shares	2004 No. of shares	2005 \$ Million	2004 \$ 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

21. Reserves

	Capital reserve \$ Million	Retained profits \$ Million	2005 Total \$ Million	2004 Total \$ Million
At 1st January	199	18,226	18,425	18,041
Adjustment at 1st January, 2005 upon adoption of HKAS 39 (note 2(a))	–	70	70	–
Profit for the year	–	4,841	4,841	4,275
Dividend paid	–	(4,262)	(4,262)	(3,891)
At 31st December	199	18,875	19,074	18,425

The Company's reserves available for distribution to shareholders, including the proposed final dividend, amounted to \$18,875 million (2004 – \$17,759 million). Proposed final dividend for 2004 was approved by shareholders on 19th May, 2005 and paid on 24th May, 2005.

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	
	2005 \$ Million	2004 \$ Million
Future minimum lease income receivable		
not later than 1 year	470	428
later than 1 year and not later than 5 years	481	402
later than 5 years	1	14
	952	844

22. 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	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Future minimum lease charges payable not later than 1 year	55	44	40	23
later than 1 year and not later than 5 years	81	13	71	–
	136	57	111	23

23. Segment Information

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

	Company and subsidiaries \$ Million	Jointly controlled entities \$ Million	Assets \$ Million	Liabilities \$ Million
At 31st December, 2005				
Property development	29,558	10,467	40,025	(1,310)
Property investment	12,174	8,394	20,568	(150)
Hotels and serviced suites	9,372	3,704	13,076	(524)
Property and project management	145	–	145	(70)
Total segment assets/(liabilities)			73,814	(2,054)
Investments in listed associates			125,598	–
Cash and investments in securities			14,819	–
Bank and other loans			–	(22,587)
Other assets/(liabilities)			1,996	(1,663)
Total assets/(liabilities)			216,227	(26,304)
At 31st December, 2004				
Property development	28,078	9,524	37,602	(1,823)
Property investment	11,109	8,561	19,670	(187)
Hotels and serviced suites	7,181	3,066	10,247	(217)
Property and project management	128	–	128	(55)
Total segment assets/(liabilities)			67,647	(2,282)
Investments in listed associates			123,481	–
Cash and investments in securities			11,888	–
Bank and other loans			–	(21,046)
Other assets/(liabilities)			2,620	(1,362)
Total assets/(liabilities)			205,636	(24,690)

23. 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	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Hong Kong	52,100	49,427	3,301	612
The Mainland	15,550	12,696	12	6
Asia	5,385	4,511	–	–
Europe	775	898	–	–
North America	4	115	–	–
	73,814	67,647	3,313	618

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

	Depreciation		Capital Expenditure	
	2005 \$ Million	2004 \$ Million	2005 \$ Million	2004 \$ Million
Property investment	–	–	1,013	26
Hotels and serviced suites	137	169	2,281	586
Property and project management	13	16	19	6
	150	185	3,313	618

24. 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 – \$317 million (2004 – \$1,158 million)
 - jointly controlled entities – Nil (2004 – \$869 million)
 - (ii) authorised but not contracted for
 - fixed assets – \$4 million (2004 – Nil)
- (b) the Group's share of capital commitments of the jointly controlled entities were as follows:
 - (i) contracted but not provided for – \$713 million (2004 – \$474 million)
 - (ii) authorised but not contracted for – \$1,565 million (2004 – \$947 million)
- (c) the Group's share of contingent liability of a jointly controlled entity in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 44 years amounted to \$4,494 million;

24. Commitments and Contingent Liabilities (continued)

- (d) the minimum share of revenue guaranteed by the Company to be received by the other party of a joint venture project in a period of 40 years amounted to \$672 million (2004 – Nil); and
- (e) the Company provided guarantees for loan financing as follows:
 - (i) bank and other loans utilised by subsidiaries – \$22,205 million (2004 – \$20,873 million)
 - (ii) bank loans utilised by jointly controlled entities – \$1,109 million (2004 – \$919 million) and certain subsidiaries provided guarantees for bank loans utilised by jointly controlled entities and investee company amounted to \$3,622 million (2004 – \$2,678 million) and \$19 million (2004 – \$21 million) respectively.

25. Employees Pension Schemes

The principal employees pension schemes operated by the Group, including the occupational retirement schemes and the mandatory provident fund schemes, are defined contribution schemes. For occupational retirement schemes, contributions are made by either the employer only or both the employer and the employees at rates ranging from approximately 5% to 10% of the employees' salary. For mandatory provident fund schemes, contributions are made by both the employer and the employees at 5% each of the employees' relevant monthly income which is capped at \$20,000.

During the year, the Group's costs incurred on employees pension schemes were \$59 million (2004 – \$56 million) and forfeited contributions in the amount of \$5 million (2004 – \$6 million) were used to reduce current year's contributions.

26. 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 (11) and (12). Guarantees provided by the Group for bank loans utilised by jointly controlled entities at the balance sheet date were disclosed in note (24).

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

27. Financial Risks and Management

Financial assets and financial liabilities of the Group include investments in securities, cash balances maintained for liquidity, loan and receivables arising from property business, bank and other loan borrowings, and derivative financial instruments for investment and financial purposes. The Group's treasury policies and how the management manages to mitigate the risks associated with these financial assets and financial liabilities are described below:

(a) Treasury policies

The Group maintains a conservative approach on foreign exchange exposure management. At the balance sheet date, approximately 87.5% of the Group's borrowings were in HK\$ (or swapped into HK\$) with the balance in US\$ (or swapped into US\$) mainly for the purpose of financing projects outside Hong Kong. While the Group derives its revenue mainly in HK\$, cash balances and marketable securities are maintained mainly in HK\$ or US\$, and the Group ensures that its exposure to fluctuations in foreign exchange rates is minimised.

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

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 foreign exchange rate fluctuations.

(b) Risk management

The Group's long term loans and trade debtors mainly arise from sale of properties developed by the Group. Long term loans are sometimes provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review and follow-up actions are carried out on overdue amounts to minimize exposure to credit risk.

Cash balances maintained for liquidity are placed with a number of major banks. Investments in securities and transactions involving derivative financial instruments are generally limited to issuers and counter-parties with sound credit.

27. Financial Risks and Management *(continued)*

(b) Risk management *(continued)*

Investments in securities and derivative financial instruments are stated at fair values. Fair values are determined based on quoted market price, otherwise, with reference to professional valuations and/or estimations that take into account assumptions and estimates on factors affecting the value of these financial instruments. Change of such assumptions and estimates to reasonable possible alternatives would not have material effect on the Group's result for the year and financial position at the balance sheet date. The carrying amounts of other financial assets and financial liabilities approximated their respective fair values at the balance sheet date.

Investments in securities and derivative financial instruments are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factors affecting the value of these financial instruments.

28. Approval of Financial Statements

The financial statements reported in Hong Kong dollars and set out on pages 100 to 140 were approved by the board of directors on 23rd March, 2006.

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	
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
Charming Sky Enterprises 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 Finance Japan Limited (Cayman Islands)	US\$ 1		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
City Investments Limited	HK\$ 1		100	Property development
Clever Venture Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Diamond Jubilee Investment Limited	HK\$ 1		100	Property development
East Leader Investments Limited	HK\$ 2		100	Property development
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
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 investment
Goodwell Property Management Limited	HK\$ 100,000		100	Property management
Great Expert Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Hero Star Venture Limited (British Virgin Islands)	US\$ 1		100	Securities & fund investment
iMarkets Limited	HK\$ 30,000,000		65	Provider of electronic trading platform
Japura Development Pte Ltd (Singapore)	SGD 1,000,000		76	Property development
Jetmark Limited	HK\$ 2		100	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

Principal Subsidiaries (continued)

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 investment
Mutual Luck Investment Limited	HK\$ 30,000		60	Property development
New Accord Limited	HK\$ 1		100	Property development & investment
New Profit Resources Limited	HK\$ 2		98.47	Property development
Pako Wise Limited	HK\$ 2	100		Property investment
Pearl Wisdom Limited	HK\$ 2		100	Property development
Perfect Idea Limited	HK\$ 20		100	Property investment
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
Rainbow Elite Investments Limited	HK\$ 1		100	Property development & investment
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
Total Win Group Limited (British Virgin Islands)	US\$ 1		100	Investment holding
Towerich Limited	HK\$ 2		51	Hotels & serviced suites
Union Art Investment Limited	HK\$ 1		100	Property development & investment
Union Ford Investments Limited	HK\$ 2		80	Property development
Volly Best Investment Limited	HK\$ 1		90	Property development
Winchesto Finance Company Limited	HK\$ 15,000,000	100		Finance
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 Finance Japan Limited	Japan
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 Group Company Limited (British Virgin Islands)		30.4	Financial planning, mortgage servicing & corporate insurance
CEF Holdings Limited	50		Investment holding
CK Life Sciences Int'l., (Holdings) Inc. (Cayman Islands)		44	Research & development, manufacturing, commercialisation, marketing & selling of environmental & human health products, & investments
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	Ports & related services, property & hotels, retail, energy, infrastructure, telecommunications, finance, investments & others
iBusiness Corporation Limited		49.6	e-commerce & 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 Indirectly	Principal Activities
Bayswater Developments Limited (British Virgin Islands)	50	Property development & investment
Beright Investments Limited (British Virgin Islands)	50	Property development
Chesgold Limited	50	Property investment
Cheung Wo Hing Fung Enterprises Limited (British Virgin Islands)	50	Property investment
Choicewide Group Limited (British Virgin Islands)	50	Investment in property project
Circadian (CH) Limited (The United Kingdom)	22.5	Property development
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
Forton Investment Limited	50	Property development
Gislingham Limited (British Virgin Islands)	50	Property development
Glenfield Investments Pte Ltd (Singapore)	50	Property development
Glory Sense Limited	50	Property development
Golden Famous International Limited	50	Property development
Hildon Development Limited	50	Property development
Hong Kong Shanghai Development Co Ltd (Samoa)	25	Property development & investment
Hui Xian Investment Limited	33.4	Investment in property project
Hutchison Whampoa Properties (Chengdu) Limited (The Mainland)	50	Property development
Konorus Investment Limited	42.5	Property development & investment
Mapleleaf Developments Limited (British Virgin Islands)	25	Property development
Marketon Investment Limited	50	Property development
Matrica Limited	30	Property development & investment
Mighty General Limited	50	Property development
Montoya (HK) Limited	50	Property development
Nanyang Brothers Properties Limited	50	Property development
New China Sheen Limited	50	Property development
New China Target Limited	50	Property development
One Raffles Quay Pte Ltd (Singapore)	33.3	Property development
Sky Island Limited (British Virgin Islands)	50	Property development
Smart Rainbow Limited (British Virgin Islands)	50	Hotels & serviced suites
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
Bayswater Developments Limited	The Mainland
Beright Investments Limited	The Mainland
Chesgold Limited	The Mainland
Cheung Wo Hing Fung Enterprises Limited	The Mainland
Choicewide Group Limited	Singapore
Circadian (CH) Limited	The United Kingdom
Circadian Limited	The United Kingdom
Forton Investment Limited	The Mainland
Gislingham Limited	The Mainland
Glenfield Investments Pte Ltd	Singapore
Glory Sense Limited	The Mainland
Hildon Development Limited	The Mainland
Hong Kong Shanghai Development Co Ltd	The Mainland
Hui Xian Investment Limited	The Mainland
Hutchison Whampoa Properties (Chengdu) Limited	The Mainland
Mapleleaf Developments Limited	The Mainland
Mighty General Limited	The Mainland
Montoya (HK) Limited	The Mainland
New China Sheen Limited	The Mainland
New China Target Limited	The Mainland
One Raffles Quay Pte Ltd	Singapore
Sky Island Limited	The Mainland

Extracts of Financial Statements of Hutchison Whampoa Limited

Appendix IV

Extracts of the 2005 published financial statements of Hutchison Whampoa Limited, a listed associate, is set out below.

Consolidated Profit and Loss Account

For the year ended 31st December, 2005

	2005 \$ Million	As restated 2004 \$ Million
Company and subsidiary companies		
Revenue	182,584	134,595
Cost of inventories sold	(62,804)	(52,006)
Staff costs	(25,730)	(21,478)
Telecommunications prepaid customer acquisition costs	(11,954)	(8,423)
Depreciation and amortisation	(35,727)	(30,727)
Other operating expenses	(60,233)	(39,146)
Change in fair value of investment properties	3,685	5,244
Profit on disposal of investments, elimination of minority interests and others	25,117	19,181
	14,938	7,240
Share of profits less losses of associated companies	8,067	5,921
Share of profits less losses of jointly controlled entities	3,927	1,765
	11,994	7,686
Interest and other finance costs	(15,405)	(11,220)
Profit before taxation	11,527	3,706
Current taxation charge	(2,511)	(2,386)
Deferred taxation credit	4,538	4,815
Profit after taxation	13,554	6,135
Allocated as: Loss attributable to minority interests	789	6,843
Profit attributable to shareholders of the Company	14,343	12,978

Consolidated Balance Sheet

At 31st December, 2005

	2005 \$ Million	As restated 2004 \$ Million
ASSETS		
Non-current assets		
Fixed assets	124,278	147,603
Investment properties	38,557	31,741
Leasehold land prepayments	32,374	31,037
Telecommunications licences	84,624	103,060
Telecommunications postpaid customer acquisition costs	6,172	6,823
Goodwill	17,954	10,577
Brand names and other rights	3,579	1,559
Associated companies	65,334	54,887
Interests in joint ventures	37,284	35,756
Deferred tax assets	15,723	12,259
Other non-current assets	4,426	8,230
Liquid funds and other listed investments	60,669	66,503
	490,974	510,035
Current assets		
Cash and cash equivalents	49,717	73,798
Trade and other receivables	36,011	45,873
Inventories	20,337	17,489
	106,065	137,160
Current liabilities		
Trade and other payables	56,873	66,245
Current borrowings	26,028	23,118
Current tax payables	2,080	1,898
	84,981	91,261
Net current assets	21,084	45,899
Total assets less current liabilities	512,058	555,934
Non-current liabilities		
Long term borrowings	238,883	259,875
Deferred tax liabilities	13,750	11,674
Pension obligations	2,323	2,424
Other non-current liabilities	3,473	2,167
	258,429	276,140
Net assets	253,629	279,794
CAPITAL AND RESERVES		
Share capital	1,066	1,066
Reserves	242,488	250,105
Shareholders' funds	243,554	251,171
Minority interests	10,075	28,623
Total equity	253,629	279,794

Appendix V

Extracts of the 2005 published financial statements of CK Life Sciences Int'l., (Holdings) Inc., a listed associate, is set out below.

Consolidated Income Statement

For the year ended 31st December, 2005

	2005 \$'000	Restated 2004 \$'000
Turnover	694,379	329,627
Cost of sales	(386,536)	(134,506)
	307,843	195,121
Other income	80,412	47,881
Staff costs	(142,711)	(111,533)
Depreciation	(28,836)	(23,515)
Amortization of intangible assets	(4,758)	(2,829)
Fair value change of financial instruments	(28,165)	–
Other operating expenses	(151,482)	(109,764)
Finance costs	(19,494)	(4,438)
Gain on disposal of an associate	–	4,179
Share of results of associates	3,337	2,279
Profit/(loss) before taxation	16,146	(2,619)
Taxation	(5,368)	(2,548)
Profit/(loss) for the year	10,778	(5,167)
Attributable to:		
Equity holders of the Company	12,234	(3,968)
Minority interests	(1,456)	(1,199)
	10,778	(5,167)

Consolidated Balance Sheet

As at 31st December, 2005

	2005 \$'000	Restated 2004 \$'000
Non-current assets		
Property, plant and equipment	359,953	348,335
Prepaid lease for land	27,827	27,918
Intangible assets	738,738	171,967
Interests in associates	30,922	27,585
Debt investment	174,179	–
Available-for-sale investments	210,879	–
Investments at fair value through profit and loss	1,280,331	–
Investments in securities	–	1,523,840
Other investments	–	211,166
Deferred taxation	7,216	–
	2,830,045	2,310,811
Current assets		
Debt investment	36,986	–
Investments at fair value through profit and loss	48,346	–
Derivative financial instruments	22,361	–
Investments in securities	–	97,795
Other investments	–	29,387
Inventories	127,914	41,484
Receivables and prepayments	202,990	140,480
Taxation	808	–
Deposit with financial institution	39,000	–
Bank balances and deposits	372,433	442,850
	850,838	751,996
Current liabilities		
Payables and accruals	(216,958)	(112,946)
Bank loans	(93,080)	(20,368)
Other loan	–	(13,737)
Finance lease obligations	(559)	(371)
Derivative financial instruments	(54,736)	–
Taxation	–	(2,174)
	(365,333)	(149,596)
Net current assets	485,505	602,400
Total assets less current liabilities	3,315,550	2,913,211
Non-current liabilities		
Bank loans	(461,200)	(60,217)
Loan from a minority shareholder	(34,252)	(7,239)
Finance lease obligations	(1,741)	(621)
Deferred taxation	(34,270)	(146)
	(531,463)	(68,223)
Total net assets	2,784,087	2,844,988

Consolidated Balance Sheet (continued)

As at 31st December, 2005

	2005 \$'000	Restated 2004 \$'000
Capital and reserves		
Share capital	640,738	640,738
Share premium and reserves	2,095,522	2,154,967
Equity attributable to equity holders of the Company	2,736,260	2,795,705
Minority interests	47,827	49,283
Total equity	2,784,087	2,844,988