



Innovative Value Creation
on Solid Foundations



CHEUNG KONG (HOLDINGS) LIMITED
INTERIM REPORT 2001

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- ▶ Enhancing further our established position by bringing together our strengths in the local and overseas property businesses.
 - ▶ Progressing well in our active foray into the new technology arena to gain first-mover advantage.
 - ▶ Reinforcing our drive for diversification and globalisation through the solid progress of Hutchison Whampoa's strategic investments.
 - ▶ Our increased market responsiveness and innovative initiatives will improve our global competitiveness further.
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Notice of Payment of Interim Dividend, 2001

The Board of Directors of Cheung Kong (Holdings) Limited announces that the Group's unaudited consolidated net profit after tax for the six months ended 30th June, 2001 amounted to HK\$4,212 million which represents earnings of HK\$1.82 per share. The Directors have declared an interim dividend for 2001 of HK\$0.38 per share to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. The dividend will be paid on 19th October, 2001.

The Register of Members of the Company will be closed from Thursday, 11th October, 2001 to Thursday, 18th October, 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 10th October, 2001.

By Order of the Board
Eirene Yeung
Company Secretary

Hong Kong, 23rd August, 2001

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit after tax for the first half of 2001 amounted to HK\$4,212 million. Earnings per share were HK\$1.82.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2001 of HK\$0.38 per share (HK\$0.38 per share in 2000) to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. The dividend will be paid on 19th October, 2001.

BUSINESS REVIEW

1. Projects Completed in the First Half Year of 2001 :

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
No. 1 Star Street	The Remaining Portion of Section A of Inland Lot No. 2837	9,320	100%
Villa Esplanada Phase III	Tsing Yi Town Lot No. 129	79,640	22.5%
The Metropolis Hotel, Shopping Arcade and Office Tower	Kowloon Inland Lot No. 11077	97,180	Joint Venture
University Court	Section A of New Kowloon Inland Lot No. 2491	4,072	100%
Beijing Oriental Plaza Phase II Office Building	No. 1, East Chang An Ave., Dong Cheng District, Beijing	150,000	33.3775%

2. Projects Scheduled for Completion during the Second Half Year :

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Laguna Grande Laguna Verde	Kowloon Inland Lot No. 11056	121,280	Joint Venture
Ocean Vista Laguna Verde	Kowloon Inland Lot No. 11056	65,390	Joint Venture
Harbourfront Landmark	Kowloon Inland Lot No. 11055	62,460	50%
Beijing Oriental Plaza Phase III Office Building, Hotel and Serviced Apartments	No. 1, East Chang An Ave., Dong Cheng District, Beijing	178,000	33.3775%

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

- (1) In March 2001, an associated company in which the Group has a 33.33% interest was awarded the tender for Land Parcel A (comprising Land Parcels A1 and A2) at Marina Boulevard, Singapore to be developed for commercial purposes. With a total site area of approximately 15,600 sq. m. and a developable gross floor area of approximately 152,000 sq. m., the proposed project is scheduled for completion in 2005.
- (2) In May 2001, the Group as developer obtained approval from the Town Planning Board for the planning application for the development of Junk Bay Town Lot No. 1 sB and the remaining portion, Shek Kok Road. The site has an area of approximately 19,480 sq. m. and is planned for a residential development comprising a total developable gross floor area of approximately 97,400 sq. m. Lease modification is in progress.

- (3) In May 2001, the Group executed the land grant with the Government in respect of Lot No. 815 in DD 110, Shek Kong, Yuen Long. Earmarked for a residential development with a total developable gross floor area of approximately 10,300 sq. m., the site has an area of about 25,800 sq. m.
- (4) In July 2001, the Group reached an agreement with the Government for the land grant of Inland Lot No. 8972, Tiger Balm Garden, Tai Hang for residential purposes. The site area is approximately 7,230 sq. m. and the developable gross floor area is approximately 47,300 sq. m. Completion is scheduled for 2004.
- (5) In July 2001, approval from the Town Planning Board was obtained for the planning application for various lots in DD 379, Siu Sau Tsuen, Tuen Mun for residential purposes. The project, a joint venture between the Group and another developer, has a site area of about 26,000 sq. m. Further design and planning are underway.
- (6) During the period under review, the Group continued to acquire agricultural land with potential for development. Some of these sites are under varying stages of design and planning applications.
- (7) The Group's property projects in the Mainland are on schedule, both for sale and leasing.

4. Major Associated Company :

The associated Hutchison Whampoa Group recorded unaudited consolidated net profit after tax for the half year ended 30th June, 2001 of HK\$7,193 million (2000: HK\$31,126 million).

PROSPECTS

Following its established strategies, the Group continues to strengthen its property business, venture into new technologies and embark on diversification and globalisation. These underlying principles of the Group's various initiatives have consolidated its sound foundations and will continue to guide it in the future.

- The Group targets to strengthen its established position in the property market with even stronger fundamentals for further growth. Following successive interest rate cuts and the improving purchasing power of flat buyers, the local property market is set for recovery. The Group continues to enhance its responsiveness to the market through its ongoing pursuit of innovation and perfection, which will position it well for the anticipated market upturn.

It has been the Group's policy to build up a sizable quality landbank by selective acquisitions of prime sites. Our existing landbank, comprising mainly of urban sites and agricultural land with prime locations and good potential for development, is sufficient to support our development in the next four or five years.

The Group will continue its efforts in enriching its quality portfolio of investment properties which is expected to expand significantly in the next few years. This is in line with the Group's policy to increase progressively the recurrent earnings base from its rental properties.

Good progress was reported for the Group's active foray into the Mainland and overseas property markets. The Group will continue to strengthen its presence in these markets by pursuing selective investments when appropriate opportunities arise. Building on its good reputation and experience in property development, the Group is positioned to develop further its property business based on the combined strengths of its local and overseas property portfolios.

- The Group is branching out into the new tech and hi-tech arena to capitalise on the synergies between its traditional businesses and new technologies. Active ventures have commenced in areas such as biotechnology, e-commerce and other Internet-related businesses following a disciplined approach to expansion. These businesses, usually long-term investments with low capital and high return, are expected to mature and provide profit contributions for the Group in one or two years. The Group's enterprising corporate culture, coupled with its professional team of hi-tech experts, efficient management and strong financial capabilities, will enable the Group to gain first-mover advantage in this exciting era led by knowledge and new technologies.
- The Group's initiatives for diversification and globalisation have continued. Riding on the solid progress of Hutchison Whampoa's strategic investments, the Group continues to build up and strengthen its quality assets around the globe, creating better value for its shareholders.

The drop in total profit of the Hutchison Whampoa Group for the first-half of the year was attributable to the provision made against the fall in share prices of telecommunications companies in which it has interests according to its prudent accounting policy. Momentum of business growth was maintained both locally and overseas, with solid performances recorded for all of its core businesses. Start-up operations such as the 3G mobile services are being tightly managed under the discipline of cost rationalisation and controlled expansion. While these businesses are currently at an investment stage, they are poised to become important earnings generators for the Group when they mature in the next two or three years. The Hutchison Whampoa Group is in an enviable position to meet the challenges and opportunities ahead supported by its strong financial foundation.

The Cheung Kong Group has been prudent in financial management and allocation of assets and talents. With the shareholders' interest in mind, the Group always strives to maintain its financial flexibility with substantial cash reserves in order to capture attractive investments at the right time and appropriate prices. The Group is focused on enhancing further its competitive edge in the fast-changing global arena. This vision is shared by all of its business divisions which are alert to the latest trends and are committed to strengthening their existing base while exploring new business opportunities. The dynamism and vitality that power the solid growth of the Group will continue to drive it forward in the years to come.

The global economic slowdown will inevitably have an impact on the recovery of Hong Kong's economy. However, I look forward to the long term economic prospects of Hong Kong and the Mainland with confidence and high expectations. The Greater China region is poised to exhibit increased vitality and will benefit from tremendous investment opportunities given China's continuing strong economic growth, its impending entry to the WTO and the hosting of the Olympic Games. The Cheung Kong Group will continue to be based in Hong Kong, the home base from which it thrives and excels as it continues to seek suitable expansion opportunities globally.

Our innovative and dedicated staff have been a major force supporting our solid growth. I take this opportunity to extend my thanks to our colleagues on the Board and the staff members of the Group for their hard work, loyal service and continuing support during the period.

Li Ka-shing

Chairman

Hong Kong, 23rd August, 2001

DIRECTORS' INTERESTS

As at 30th June, 2001, the interests of the Directors in the shares or debentures of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

(a) Interests in the Company

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	62,741,098 (Note 1)	771,705,406 (Note 2)	834,446,504
Li Tzar Kuoi, Victor	220,000	–	500,000	771,705,406 (Note 2)	772,425,406
George Colin Magnus	56,000	10,000	–	150,000 (Note 5)	216,000
Kam Hing Lam	10,000	–	–	–	10,000
Leung Siu Hon	633,100	64,500	–	–	697,600
Chow Kun Chee, Roland	65,600	–	–	–	65,600
Hung Siu-lin, Katherine	20,000	–	–	–	20,000
Yeh Yuan Chang, Anthony	–	384,000	–	–	384,000

(b) Interests in Associated Corporations**Hutchison Whampoa Limited**

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	–	2,139,002,773 (Note 3)	2,139,002,773
Li Tzar Kuoi, Victor	–	–	1,086,770 (Note 4)	2,139,002,773 (Note 3)	2,140,089,543
George Colin Magnus	880,000	9,900	–	–	889,900
Leung Siu Hon	11,000	28,600	–	–	39,600
Fok Kin-ning, Canning	962,597	–	148,278 (Note 7)	–	1,110,875
Chow Kun Chee, Roland	49,931	–	–	–	49,931
Hung Siu-lin, Katherine	34,000	–	–	–	34,000
Yeh Yuan Chang, Anthony	–	100,000	–	–	100,000
Chow Nin Mow, Albert	97	–	–	–	97
Simon Murray	25,000	7,000	–	–	32,000

Cheung Kong Infrastructure Holdings Limited

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	–	1,912,109,945 (Note 6)	1,912,109,945
Li Tzar Kuoi, Victor	–	–	–	1,912,109,945 (Note 6)	1,912,109,945
Kam Hing Lam	100,000	–	–	–	100,000

Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, by virtue of their interests in the share capital of the Company as described in Note 2 and as Directors of the Company are deemed to be interested in the shares of the subsidiaries and associated companies of the Company held through the Company under the provisions of the SDI Ordinance.

Also by virtue of their interests as discretionary beneficiaries of certain discretionary trusts as described in Note 2 and as Directors of the Company, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, are deemed to be interested in the shares of the following subsidiaries and associated company of the Company held by Li Ka-Shing Unity Trustee Company Limited (and companies it controls) as trustee of The Li Ka-Shing Unity Trust:

Subsidiary	Number of Ordinary Shares
Beautiland Company Limited	15,000,000
Jabrin Limited	2,000
Kobert Limited	75
Tsing-Yi Realty, Limited	945,000
Associated Company	Number of Ordinary Shares
Believewell Limited	1,000

In addition, Mr. Li Ka-shing is deemed to be interested in 4 shares of Tosbo Limited, a subsidiary of the Company, and 2 shares of Rasam Limited, an associated company of the Company, by virtue of his interest through his private companies.

Notes:

1. Such shares are held by certain companies in which Mr. Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
2. The two references to 771,705,406 shares relate to the same block of shares in the Company. Such shares are held by Li Ka-Shing Unity Trustee Company Limited (“TUT”) as trustee of The Li Ka-Shing Unity Trust (the “LKS Unity Trust”) and by companies controlled by TUT as trustee of the LKS Unity Trust. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard.

More than one-third of the issued share capital of TUT and of the trustees of the aforementioned discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-shing owns more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited and accordingly is taken to be interested in the 771,705,406 shares in the Company under the SDI Ordinance.

3. The two references to 2,139,002,773 shares in Hutchison Whampoa Limited (“HWL”) relate to the same block of shares comprising:
 - (a) 2,130,202,773 shares held by certain subsidiaries of the Company. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors of the Company, are deemed to be interested in such shares by virtue of their interests in the shares of the Company as described in Note 2 as, inter alia, discretionary beneficiaries of certain discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard; and
 - (b) 8,800,000 shares held by a unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard.

More than one-third of the issued share capital of the trustees of the aforementioned unit trust and discretionary trusts are owned by Li Ka-Shing Castle Holdings Limited in which Mr. Li Ka-shing owns more than one-third of its issued share capital and accordingly, Mr. Li Ka-shing is taken to be interested in the 8,800,000 shares in HWL under the SDI Ordinance.

4. Such shares are held by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
5. Such interests in the shares are held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary.
6. The two references to 1,912,109,945 shares in Cheung Kong Infrastructure Holdings Limited (“CKI”) relate to the same block of shares comprising:
 - (a) 1,906,681,945 shares held by a subsidiary of HWL. Certain subsidiaries of the Company hold more than one-third of the issued share capital of HWL. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor by virtue of their deemed interest in the shares of the Company as discretionary beneficiaries of certain discretionary trusts as described in Note 2 above, are deemed to be interested in such shares of CKI held by the subsidiary of HWL.
 - (b) 3,603,000 shares held by Pennywise Investments Limited (“Pennywise”) and 1,825,000 shares held by Triumphant Investments Limited (“Triumphant”). Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust. Mr. Li Tzar Kuoi, Victor is deemed to be interested in such shares of CKI held by Pennywise and Triumphant by virtue of his interests as discretionary beneficiary of certain discretionary trusts as described in Note 2 above and as a Director of CKI. Mr. Li Ka-shing is deemed to be interested in such shares of CKI held by Pennywise and Triumphant by virtue of his deemed interest in TUT and the trustees of those discretionary trusts as described in Note 2 above.
7. These shares are held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his wife.

As at 30th June, 2001, Mr. Li Tzar Kuoi, Victor had corporate interests in a notional amount of HK\$25,000,000 in the 8.15% Notes due 2002 issued by Cheung Kong Finance Cayman Limited and a nominal amount of US\$5,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited. Such Notes are held by a company in which he is entitled to control one-third or more of the voting rights at its general meetings.

As at 30th June, 2001, Mr. Fok Kin-ning, Canning had a personal interest in 100,000 ordinary shares in Hutchison Telecommunications (Australia) Limited, and corporate interests in a notional amount of US\$11,000,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited and a nominal amount of US\$6,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited. Such interests in the Notes are held through a company which is equally owned by him and his wife.

Certain Directors held qualifying shares in certain subsidiaries in trust for the Company and other subsidiaries.

Apart from the above, as at 30th June, 2001 there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register required to be kept under Section 16(1) of the SDI Ordinance showed that, in addition to the interests disclosed above in respect of the Directors, the Company has been notified by Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust that each of them is taken to have an interest under the SDI Ordinance in the same 771,705,406 shares of the Company as described in Note 2 above.

LIQUIDITY AND FINANCING

During the period, the Group issued bonds and notes in the total amount of HK\$900 million due 2004 and redeemed notes in the amount of HK\$334 million due January this year. At 30th June, 2001, outstanding bonds and notes issued by the Group amounted to HK\$8.9 billion.

Together with bank loans of HK\$12.1 billion, the Group's total borrowings as at 30th June, 2001 was HK\$21 billion, with no significant change from last year end date, and the maturity profile spread over a period of nine years with HK\$5.9 billion repayable within 1 year, HK\$13.8 billion within 2 to 5 years and HK\$1.3 billion within 6 to 9 years.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$1.7 billion) over shareholders' funds, at 11.8% at the interim period end date.

With cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 85% of the total at interim period end date, was in HK\$ with the balance mainly in US\$. While the Group derives its revenue and maintains cash balances mainly in HK\$, it holds sufficient liquid investments denominated in US\$ to cover its exposure to fluctuations in foreign exchange rates.

The Group's borrowings are principally on a floating rate basis. For the fixed rate bonds and notes issued by the Group, interest rate swaps arrangements have been in place to convert the rates to floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of interest rate exposure.

CHARGES ON ASSETS

As at 30th June, 2001, certain assets of the Group with aggregate carrying value of HK\$824 million, with no significant change from last year end date, were pledged to secure loan facilities utilised by subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 30th June, 2001, the Group's contingent liabilities, with no significant change from last year end date, were as follows:

- (a) 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 48 years amounted to HK\$4,592 million;
- (b) guarantees provided for bank loans utilised by jointly controlled entities amounted to HK\$2,142 million, utilised by associates amounted to HK\$109 million and utilised by affiliated companies amounted to HK\$58 million;
- (c) guarantees provided for the minimum revenue to be shared by the other parties of joint development projects undertaken by jointly controlled entities amounted to HK\$100 million.

EMPLOYEES

The Group, including its subsidiaries but excluding associates, employed approximately 5,200 employees at the interim period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$521 million for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

AUDIT COMMITTEE

The Group's interim report for the six months ended 30th June, 2001 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it shall meet at least twice each year.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June, 2001. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Consolidated Profit and Loss Account

For the six months ended 30th June, 2001

	Note	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Turnover	(2)		
Group activities		1,259	4,550
Share of property sales of jointly controlled entities		1,386	2,890
		2,645	7,440
Group turnover		1,259	4,550
Investment and other income		612	684
Operating costs			
Property and related costs		(706)	(2,397)
Salaries and related expenses		(328)	(383)
Interest expenses		(342)	(365)
Other expenses		(167)	(205)
		(1,543)	(3,350)
Share of results of jointly controlled entities		335	59
Operating profit		663	1,943
Share of results of associates	(3)	4,119	15,967
Profit before taxation	(4)	4,782	17,910
Taxation	(5)	(565)	(575)
Profit after taxation		4,217	17,335
Minority interests		(5)	60
Profit attributable to shareholders		4,212	17,395
Dividends			
Interim dividend of HK\$0.38 (2000 – HK\$0.38) per share		880	880
Earnings per share	(6)	HK\$1.82	HK\$7.57

Consolidated Balance Sheet

As at 30th June, 2001

	30/6/2001 (Unaudited) HK\$ Million	31/12/2000 (Audited) HK\$ Million
Non-current assets		
Fixed assets	15,282	15,245
Associates	120,462	119,383
Jointly controlled entities	30,101	28,039
Investments in securities	3,670	1,555
Long term loans	488	484
	170,003	164,706
Current assets		
Investments in securities	596	2,695
Stock of properties	18,351	18,039
Debtors, deposits and prepayments	881	886
Bank balances and deposits	1,685	2,429
	21,513	24,049
Current liabilities		
Bank and other loans	5,950	7,250
Creditors and accrued expenses	1,600	1,565
Provision for taxation	702	680
	13,261	14,554
Total assets less current liabilities	183,264	179,260
Non-current liabilities		
Bank and other loans	15,093	13,806
Deferred items	5	12
	15,098	13,818
Minority interests	4,606	3,298
Total net assets	163,560	162,144
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	2,349	2,319
Retained profits	149,842	146,510
Dividend		
Interim dividend for 2001	880	–
Final dividend for 2000	–	2,826
Total shareholders' funds	163,560	162,144

Consolidated Statement of Recognised Gains and Losses

For the six months ended 30th June, 2001

	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Exchange gains on translation of financial statements of subsidiaries, jointly controlled entities and associates	30	21
Net profit for the period	4,212	17,395
Total recognised gains and losses	4,242	17,416

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2001

	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Net cash inflow/(outflow) from operating activities	320	(1,426)
Net cash outflow from returns on investments and servicing of finance	(377)	(377)
Tax paid	(5)	(8)
Net cash outflow from investing activities	(1,980)	(3,162)
Net cash outflow before financing	(2,042)	(4,973)
Net cash inflow from financing	1,298	4,076
Decrease in cash and cash equivalents	(744)	(897)
Cash and cash equivalents at 1st January	2,429	3,337
Cash and cash equivalents at 30th June	1,685	2,440

Notes to Interim Financial Statements

(1) **Basis of preparation**

The interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” in Hong Kong. Save for changes described below, the interim financial statements have been prepared based on the same principal accounting policies as those set out in the annual report 2000.

In accordance with SSAP 10 (revised) “Accounting for Investments in Associates” and SSAP 30 “Business Combinations”, goodwill arising on acquisition of subsidiaries and associates with effect from 1st January, 2001 is carried at cost as an asset and amortised over its estimated useful life as an expense, while the Group in prior years charged goodwill to reserves. This change in accounting policy has no significant impact on the interim financial statements. Goodwill previously charged to reserves and not yet recognised in profit and loss account is insignificant.

In accordance with SSAP 9 (revised) “Events after the Balance Sheet Date”, dividends declared or proposed after balance sheet dates should not be recognised as a liability at the balance sheet dates. Accordingly, interim dividend for 2001 and final dividend for 2000 are shown as separate components of equity in the interim financial statements.

(2) Turnover and contribution

The Group's turnover by operating activities and their respective contribution for the period are as follows:

	Turnover		Contribution	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million	2001 HK\$ Million	2000 HK\$ Million
Property sales				
Company and subsidiaries	661	4,138	48	1,869
Jointly controlled entities	1,386	2,890	266	79
Property rental	358	223	268	157
Hotel operation	131	45	24	–
Real estate agency and management	109	144	25	20
	2,645	7,440	631	2,125
Investment and finance			416	362
Others (including share of results of jointly controlled entities)			(42)	(179)
Interest expenses			(342)	(365)
Operating profit			663	1,943

Turnover of the Group's overseas operations, mainly from the Mainland, accounted for approximately 17% of the Group's turnover and their contributions were not material.

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.

(3) Share of results of associates

The share of results of associates in 2001 included the Group's share of profit of HK\$14,991 million arising from the merger of VoiceStream Wireless Corporation and Deutsche Telekom AG recognised by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,042 million made by Hutchison Whampoa Limited.

The share of results of associates in 2000 included the Group's share of profit of HK\$24,985 million arising from disposal of the shareholding in Mannesmann AG by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,991 million made by Hutchison Whampoa Limited.

(4) Profit before taxation

	Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million
Profit before taxation is arrived at after charging/(crediting):		
Interest expenses	680	704
Less: Interest capitalised	(338)	(339)
	342	365
Costs of properties sold	572	2,024
Depreciation	30	25
Net realised and unrealised holding gains on other investments	(262)	(30)

(5) Taxation

	Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	27	215
Overseas tax	–	(7)
Deferred tax	(7)	–
Jointly controlled entities		
Hong Kong profits tax	11	13
Overseas tax	23	11
Associates		
Hong Kong profits tax	173	172
Overseas tax	338	171
	565	575

Hong Kong profits tax has been provided for at the rate of 16% (2000 – 16%) on the estimated assessable profits for the period. Overseas taxation has been provided for at the applicable local rates on the estimated assessable profits of the individual company concerned.

(6) Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2000 – weighted average of 2,298,783,148 shares) in issue during the period.

(7) Related party transactions

During the period and in the ordinary course of business, the Group undertook various transactions with related parties on normal commercial terms, including advances made to, repayments received from, and guarantees provided for associates and jointly controlled entities. At the interim period end date, amounts due from associates and jointly controlled entities amounted to HK\$526 million and HK\$28,008 million respectively, amounts due to associates and jointly controlled entities amounted to HK\$78 million and HK\$866 million respectively, and interest received from jointly controlled entities during the period amounted to HK\$261 million.

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

(8) Debtors and creditors

The Group's debtors mainly comprise receivables for sale of properties and rental. Credit policies for each project are determined based on normal commercial terms with reference to the prevailing market conditions. The Group's creditors mainly comprise costs payable for property development projects which are payable upon completion of work certified by the architects.

At the interim period end date, most of the Group's debtors and creditors were current within their respective terms of credit and there were no significant overdue amounts.

(9) Review of interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.