



CHEUNG KONG (HOLDINGS) LIMITED

長江實業(集團)有限公司

Interim Report For 1998



CHEUNG KONG (HOLDINGS) LIMITED
NOTICE OF PAYMENT
OF INTERIM DIVIDEND, 1998

The Board of Directors of Cheung Kong (Holdings) Limited announces that the Group's unaudited consolidated net profit after tax and after exceptional provisions for the six months ended 30th June, 1998 amounted to HK\$3,023 million which represents earnings of HK\$1.32 per share. The Directors have resolved to pay an interim dividend for 1998 of HK\$0.28 per share to shareholders whose names appear on the Register of Members of the Company on 20th October, 1998. The dividend will be paid on 21st October, 1998.

The Register of Members of the Company will be closed from Tuesday, 13th October, 1998 to Tuesday, 20th October, 1998, 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 Monday, 12th October, 1998.

By Order of the Board
Eirene Yeung
Company Secretary

Hong Kong, 27th August, 1998

CHEUNG KONG (HOLDINGS) LIMITED INTERIM REPORT FOR 1998

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit for the first half of 1998, after provision for taxation and after total exceptional provisions against property projects and listed securities of HK\$3,435 million, amounted to HK\$3,023 million. Earnings per share were HK\$1.32. The unaudited consolidated profit and loss account for the six months ended 30th June, 1998 and the comparisons with the same period last year are set out in the accompanying table.

INTERIM DIVIDEND

The Directors have decided to pay an interim dividend for 1998 of HK\$0.28 per share (HK\$0.39 per share in 1997) to shareholders whose names appear on the Register of Members of the Company on 20th October, 1998. The dividend will be paid on 21st October, 1998.

BUSINESS REVIEW

1. Projects Completed in the First Half Year of 1998:

Name	Location	Total Gross Floor Area	Group's Interest
		(sq. m.)	
The GreenWood Laguna Verde (Blocks 1-5)	Kowloon Inland Lot No. 11056	55,320	Joint Venture
Villa Esplanada Phase I	Tsing Yi Town Lot No. 129	68,130	22.5%
The Center	Inland Lot No. 8827	130,000	Joint Venture
Vista Paradiso Phase I	Sha Tin Town Lot No. 338	86,630	50%

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

Name	Location	Total Gross Floor Area	Group's Interest
		(sq. m.)	
The Paramount	Tai Po Town Lot No. 97	12,230	35%
DeerHill Bay	Tai Po Town Lot No. 135	60,000	Joint Venture
Industrial/Office Building	New Kowloon Inland Lot No. 6224	16,650	Joint Venture
Industrial/Office Building	Kwun Tong Inland Lot No. 729	21,900	Joint Venture
Kingswood Ginza	Tin Shui Wai Town Lot No. 4	107,800	48.25%*
Tierra Verde Phase I	Tsing Yi Town Lot No. 132	107,300	Joint Venture

* Please refer to the terms of an agreement and supplemental agreements mentioned in the Chairman's Statements for 1988, 1991 and 1994.

3. New Acquisitions and Joint Developments:

- (1) In January 1998, a subsidiary of the Group entered into a joint venture agreement with the owner to redevelop the property at Nos. 29-51, Wo Yi Hop Road, Kwai Chung, New Territories for non-industrial purposes (subject to relevant approvals). The site area is approximately 7,870 sq. m.
- (2) In February 1998, the Group acquired certain commercial units (totalling approximately 11,470 sq. m.) and 67 car parking spaces in East Asia Gardens, Nos. 36-60 Texaco Road, Tsuen Wan to be held for long-term investment.

- (3) In March 1998, a subsidiary of the Group was awarded the tender for Sha Tin Town Lot No. 461 at Ma On Shan for the construction of a hotel. The site is of approximately 8,000 sq. m. and the total developable gross floor area is about 56,000 sq. m. The planned development in which the Group holds a 51% interest is scheduled for completion in 2001.
 - (4) In March 1998, an associated company in which the Group has a 42.5% interest was awarded the tender for Kowloon Inland Lot No. 11086 at Canton Road for commercial/residential development. The site area is approximately 10,480 sq. m. Total developable gross floor area is about 94,300 sq. m. Completion is scheduled for 2001.
 - (5) In July 1998, an associated company which is 50% owned by the Group executed the deed of exchange in respect of the Comprehensive Development Lot Nos. 1397 s.ARP, s.B, s.C & RP in SD4, Lai King Hill Road, Kwai Chung. It is expected that the new development on the exchanged lot will consist of a commercial and residential complex with total developable gross floor area of approximately 52,040 sq. m.
4. Major Associated Company:

The associated Hutchison Whampoa Group recorded net profits after tax and after exceptional provisions for the half year ended 30th June, 1998 of HK\$4,310 million, as compared to HK\$7,848 million for the same period in 1997.

PROSPECTS

During the first half of 1998, Hong Kong suffered worse than expected economic problems as a result of continuing fallout from the regional financial turmoil. Gross domestic product declined and unemployment increased as many businesses went through a critical period of adjustment.

In view of the significant correction in the property and securities markets, the Group has made exceptional provisions of HK\$2,450 million and HK\$985 million respectively against the diminution in value of the Tung Chung and Wan Hoi Street property projects, and its portfolio of listed securities. However, following our established accounting policies, the values of appreciated property projects are not being written up.

Due to the credit crunch and rising cost of borrowing, most enterprises in Hong Kong have come under great financial pressure. However, the Group's sound fundamentals and strong financial position enable it to weather the storm. Along with sufficient stand-by credit, our liquidity has been further enhanced by a syndicated loan successfully raised during the period. In the existing market conditions and given its strong financial fundamentals, the Group will further strengthen its land bank through the selective acquisitions of prime sites with good potential for development. We will also position ourselves to pursue other suitable investments that will support our further growth.

Tierra Verde Phase I and II have registered satisfactory sales when released during the period with most units immediately sold, following a good market response and impressive over-subscription. Several residential projects of the Group, including Laguna Verde Phase II in Hung Hom, The Paramount in Tai Po, Peninsula Heights of Broadcast Drive and Monte Vista in Sha Tin, are scheduled for sale in the second half year.

While new properties have been progressively completed, the Group's quality portfolio of rental properties was further enhanced by a continuing increase in total gross floor area.

The businesses of the associated Hutchison Whampoa Group are well managed, diversified and increasingly international. While its profits have reduced substantially during the first half as a result of the negative impacts from the regional economic instability, its various overseas investments are performing well and are expected to bring satisfactory returns to the Group.

The Government has taken measures to bolster the economy and stabilise the property market, and given the successive adjustments in the market, and higher construction costs compared to those in neighbouring and Western nations, the possibility of a further plunge in property prices is limited. The market is set to gradually recover in line with the stabilising economy given strong underlying demand for property, provided that confidence is restored and the liquidity crunch and the unemployment rate are eased. The long-term prospects for the property sector remain optimistic.

The second half of 1998 will continue to be difficult and challenging. In a difficult business environment, the Group will continue to be based in Hong Kong, and pursue suitable investments both in Hong Kong and the Mainland following its traditional discipline of prudent financial management and practical development. On the back of steady economic progress, a stable currency and high GNP growth of the Mainland, Hong Kong is well positioned to consolidate its role as a financial, trade and service center in the region. I am sure of its ability to show remarkable resilience after the present economic difficulties and adjustments, and have total confidence in the long-term prospects for its economy.

I take this opportunity to extend my thanks to my 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, 27th August, 1998

Consolidated Profit And Loss Account

For the six months ended 30th June, 1998

		Six months ended 30/6/1998	Six months ended 30/6/1997
	Note	HK\$ Million	HK\$ Million
Turnover	(1)	10,563	1,719
Operating profit excluding exceptional items			
Company and subsidiaries		2,883	2,000
Share of results of jointly controlled entities for property projects	(2)	2,168	556
Exceptional items	(3)	(3,435)	7,728
Operating profit		1,616	10,284
Share of results of associated companies		2,343	4,030
Profit before taxation		3,959	14,314
Taxation	(4)		
Company and subsidiaries			
Hong Kong profits tax		302	116
Overseas tax		2	4
Jointly controlled entities for property projects			
Hong Kong profits tax		309	19
Overseas tax		22	13
Associated companies			
Hong Kong profits tax		168	185
Overseas tax		85	64
Profit after taxation		3,071	13,913
Minority interests		48	133
Profit attributable to shareholders		3,023	13,780
Interim dividend		643	896
Profit for the period retained		2,380	12,884
Earnings per share	(5)	HK\$1.32	HK\$6.00
Dividends per share		HK\$0.28	HK\$0.39

Notes:

(1) Turnover	1998	1997
	HK\$ Million	HK\$ Million
Company and subsidiaries	5,861	1,158
Share of turnover of jointly controlled entities for property projects	4,702	561
	10,563	1,719

(2) Share of results of jointly controlled entities for property projects

The Group's share of results of jointly controlled entities for property projects are accounted for in accordance with the Statement of Standard Accounting Practice No.21 "Accounting for Interests in Joint Ventures" issued by the Hong Kong Society of Accountants which becomes effective from 1st January, 1998. Comparative figures for the same period last year have been reclassified to conform with the current period's presentation.

(3) Exceptional items	1998	1997
	HK\$ Million	HK\$ Million
Provision for property projects of jointly controlled entities	(2,450)	-
Provision for investments in listed securities	(985)	-
Profit on disposal of subsidiaries	-	7,728
	(3,435)	7,728

(4) Taxation

Hong Kong profits tax is provided for at the rate of 16% (1997 - 16.5%) on the estimated assessable profits for the period. Overseas taxation is provided for based on the applicable local legislation on the estimated assessable profits of the individual company concerned. The effect of deferred tax to the Group for the period is immaterial.

(5) Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders and on 2,297,556,240 shares (1997 - 2,297,556,240 shares) in issue during the period.

DIRECTORS' INTERESTS

As at 30th June, 1998, the interests of the Directors in the shares 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	-	-	25,833,000	771,705,406	797,538,406 (Note 1)
Li Tzar Kuoi, Victor	220,000	100,000	-	771,705,406	772,025,406 (Note 1)
George Colin Magnus	56,000	10,000	-	150,000	216,000 (Note 3)
Kam Hing Lam	10,000	-	-	-	10,000
Hung Siu-lin, Katherine	20,000	-	-	-	20,000
Leung Siu Hon	598,100	64,500	-	-	662,600
Yeh Yuan Chang, Anthony	-	384,000	-	-	384,000
Chow Kun Chee, Roland	65,600	-	-	-	65,600
Simon Murray	-	-	-	211,000	211,000 (Note 4)

(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	-	-	-	1,944,547,978	1,944,547,978 (Note 2)
Li Tzar Kuoi, Victor	-	-	610,000	1,944,547,978	1,945,157,978 (Note 2)
George Colin Magnus	800,000	9,000	-	-	809,000
Leung Siu Hon	10,000	26,000	-	-	36,000
Fok Kin-ning, Canning	875,089	-	-	-	875,089
Chow Nin Mow, Albert	89	-	-	-	89
Chow Kun Chee, Roland	45,392	-	-	-	45,392
Simon Murray	-	-	-	165,000	165,000 (Note 4)

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	1,912,109,945 (Note 5)
Li Tzar Kuoi, Victor	-	-	-	1,912,109,945	1,912,109,945 (Note 5)
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 1 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 1 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 companies 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
Queboton Limited	1,000

In addition, Mr. Li Ka-shing is deemed to be interested in 7,500 shares of Wing Shaw Limited, an associated company of the Company, by virtue of his interest in part of such interests through his private company and his deemed interest in the remainder of such interests through those discretionary trusts and unit trust referred to in Note 2(b).

Notes :

1. 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 daughter, 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.

2. The two references to 1,944,547,978 shares in Hutchison Whampoa Limited (“HWL”) relate to the same block of shares comprising:

- (a) 1,936,547,978 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 1 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 daughter, and Mr. Li Tzar Kai, Richard; and

- (b) 8,000,000 shares held by a company controlled 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 daughter, 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 8,000,000 shares in HWL under the SDI Ordinance.

3. Such interests in the shares are held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary.
4. Such interests in the shares are held by a family trust fund under which Mr. Simon Murray is a discretionary beneficiary.

5. 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 1 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 1 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 1 above.

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

Apart from the above, as at 30th June, 1998 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, 1998, 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 1 above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June, 1998. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during this period.

MILLENNIUM ISSUE

The Group is well aware of the importance of taking appropriate steps to address the financial and operating system risks posed by the Year 2000. Since 1997, the Group has developed and implemented a Year 2000 compliance programme (the “Programme”) to ensure all major systems, computer applications, software and hardware devices owned or developed by the Group will accurately calculate date/time data prior to, through and beyond the year 2000.

In this connection, a steering committee has been established by the Group in 1997 to monitor the Programme and to implement necessary remedial and contingency measures. Progress on the Programme has been reported regularly to the Directors by the steering committee.

Measures under the Programme include problem identification and evaluation, and systems and software/hardware conversion, replacement and upgrading. The Group is aiming for its major systems to be Year 2000 compliant by mid-1999, after that further testing and refinements will be required where necessary. We are satisfied with the overall progress of the Programme which has been well within the defined time frame to date.

The Group is addressing the issue of counterparty compliance and has initiated communications with its major suppliers, contractors, sub-contractors and business partners to request confirmation that products and services provided and systems used by them are Year 2000 compliant. The Group is also assessing the commitment and progress in achieving Year 2000 compliance of such third parties which will be subject to their ability to eliminate any problems they may have with their own systems.

Total costs required for the Programme are estimated to be approximately HK\$8,000,000. As at 30th June, 1998, a total of HK\$5,500,000 has been incurred on assessment, programme modification and related works to achieve Year 2000 compliance. The Group expects a further amount of HK\$2,500,000 will be spent to complete the Programme and the subsequent testing process.

CODE OF BEST PRACTICE

None of the Directors is aware of 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.