



CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 001)

CONNECTED TRANSACTION

The Board wishes to announce that on 8 June 2006, Cheung Kong Development, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with Nan Fung pursuant to which Cheung Kong Development agreed to sell and Nan Fung agreed to purchase the Sale Share, being the entire issued share capital of Neko International, for a consideration of US\$1.00.

The only principal asset of Neko International is a 15% shareholding in Rivet Profits, which holds the entire issued share capital of Rich Asia. The remaining 85% of the issued shares in Rivet Profits is held by Cheung Kong Development. Nan Fung also agreed to procure a sum of approximately HK\$678 million (equivalent to 15% of the total sum advanced by the Group to Rich Asia and interest thereon) to be advanced to Rich Asia at Completion, upon the receipt of which Rich Asia will repay an equal sum to the Group.

On 1 February 2006, Rich Asia and the Company entered into the Development Agreement with MTRC in relation to the Development.

The S&P Agreement constitutes a connected transaction for the Company. As the relevant percentage ratios (as defined in the Listing Rules) represented by the sale of the Sale Share and the advancement to be procured by Nan Fung to Rich Asia pursuant to the S&P Agreement together with the guarantee fee detailed below are more than 0.1% but less than 2.5%, in accordance with Rule 14A.32 of the Listing Rules, details of the transaction are required to be disclosed in this announcement and included in the Company's next published annual report and accounts.

A. S&P AGREEMENT

1. Date

8 June 2006

2. Parties

(i) Cheung Kong Development, a wholly-owned subsidiary of the Company

(ii) Nan Fung

Nan Fung is a substantial shareholder of certain subsidiaries of the Company.

3. Assets to be disposed of by Cheung Kong Development

Pursuant to the S&P Agreement, Cheung Kong Development agreed to sell and Nan Fung agreed to purchase the Sale Share for a consideration of US\$1.00. The Sale Share represents the entire issued share capital of Neko International.

The only principal asset of Neko International is a 15% shareholding in Rivet Profits, which holds the entire issued share capital of Rich Asia. The remaining 85% of the issued shares in Rivet Profits is held by Cheung Kong Development.

Currently, the only principal asset of Rivet Profits is its shareholding and investment in Rich Asia, and the only principal asset of Rich Asia is in relation to the Development pursuant to the Development Agreement.

Neko International was incorporated on 3 January 2006. Up to the date of this announcement, no financial statements of Neko International have been prepared. Payments made by Rich Asia under the Development up to the date of this announcement are summarized in section B below.

4. The consideration

Pursuant to the S&P Agreement, a sum of US\$1.00 (equivalent to the par value of the Sale Share) was to be paid by Nan Fung to Cheung Kong Development as consideration for the acquisition of the Sale Share on Completion.

Nan Fung also agreed to procure a sum of approximately HK\$678 million (equivalent to 15% of the total sum advanced by the Group to Rich Asia and interest thereon) to be advanced to Rich Asia at Completion, upon the receipt of which Rich Asia will repay an equal sum to the Group. Such advancement shall be unsecured and on normal commercial terms.

The consideration was determined after arm's length negotiations between Cheung Kong Development and Nan Fung.

5. MTRC's consent

Requisite consent from MTRC has been obtained in relation to the proposed transfer of 15% indirect beneficial interest in Rich Asia.

6. Completion and Shareholders' Agreement

Completion took place on 8 June 2006, the day on which the S&P Agreement was entered into.

In accordance with the S&P Agreement, at Completion, Cheung Kong Development, the Company, Neko International, Chen's Holdings and Rivet Profits entered into the Shareholders' Agreement in relation to, inter alia, the business, management, ownership and financing of Rivet Profits and Rich Asia.

Under the terms of the Shareholders' Agreement, among other things, each of Cheung Kong Development and Neko International agreed with Rivet Profits that all further funds required for the purposes of the Development shall be contributed or procured by the shareholders of Rivet Profits in proportion to their respective shareholdings in Rivet Profits or financed by borrowing from banks and/or financial institutions.

Pursuant to the Shareholders' Agreement, Chen's Holdings (being the holding company of Nan Fung) agreed to indemnify and pay the Company 15% of all amounts paid or procured to be paid by the Company under the Guarantee. Furthermore, in consideration of the Company providing the Guarantee to MTRC in respect of the obligations of Rich Asia (covering the 15% attributable to Nan Fung) under the Development Agreement and other development documents as requested by MTRC, Chen's Holdings agreed to pay to the Company in each quarter of a financial year a guarantee fee which was determined after arm's length negotiation between the Company and Chen's Holdings. Such guarantee fee shall be payable so long as the Guarantee is in effect.

B. BACKGROUND – TSEUNG KWAN O AREA 86 PACKAGE TWO DEVELOPMENT

On 1 February 2006: (i) Rich Asia and the Company entered into the Development Agreement with MTRC in relation to the Development; (ii) the Company entered into the Guarantee in favour of MTRC whereby the Company agreed to guarantee the due performance and observance by Rich Asia of all the terms and conditions in the Development Agreement and other development documents; and (iii) Rich Asia and the Company entered into the Loan Agreement with MTRC pursuant to which MTRC agreed to provide the Loan, in the amount of HK\$4,000 million, to Rich Asia for payment of part of the Assessed Premium.

Up to the date of this announcement, Rich Asia has paid the Mandatory Payment in the amount of HK\$410 million and the Assessed Premium in the amount of HK\$8,061.47 million pursuant to the Development Agreement to MTRC which has accepted the land premium offer in respect of the Development Site from the Government dated 15 December 2005. Under the Loan Agreement, MTRC advanced the Loan, in the amount of HK\$4,000 million, to Rich Asia at the time of payment of the Assessed Premium subject to the terms of the Loan Agreement. Pursuant to the Loan Agreement, Rich Asia is required to repay MTRC HK\$2,000 million of the Loan, without interest, on 31 December 2009 or the date of issue of the last occupation permit for the phase 1 of the Development, whichever is the earlier. The outstanding balance of the Loan, being HK\$2,000 million, shall be repaid by Rich Asia to MTRC on 31 December 2011 or the date of issue of the first occupation permit for the phase 2 of the Development, whichever is the earlier.

C. REASONS FOR THE TRANSACTION

The entering into of the Development Agreement by Rich Asia and the Company with MTRC is in furtherance of the Group's business of property development in Hong Kong. The Group and Nan Fung have worked together on other projects and the Board considers that the previous experience of working together successfully made Nan Fung a suitable partner for undertaking the Development.

D. CONNECTED TRANSACTION

Nan Fung is a connected person of the Company within the meaning of the Listing Rules by virtue of being a substantial shareholder of certain subsidiaries of the Company. The S&P Agreement constitutes a connected transaction for the Company. As the relevant percentage ratios (as defined in the Listing Rules) represented by the sale of the Sale Share and the advancement to be procured by Nan Fung to Rich Asia pursuant to the S&P Agreement mentioned above together with the guarantee fee mentioned above are more than 0.1% but less than 2.5%, in accordance with Rule 14A.32 of the Listing Rules, details of the transaction are required to be disclosed in this announcement and included in the Company's next published annual report and accounts.

E. GENERAL

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

The principal activities of Nan Fung are financing, securities and property investment and investment holding. The principal activities of Chen's Holdings are property investment and development, investment holding and trading, spinning, money-lending, building management and provision of building construction contracting and management services.

The Board, including the independent non-executive Directors, considers that the S&P Agreement and the Shareholders' Agreement are on normal commercial terms and are fair and reasonable insofar as the interests of the shareholders of the Company are concerned.

F. DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

"Assessed Premium"	the land premium of the Development Site as assessed by the Government and paid in respect of the Development Site under the conditions for the grant of the Government Lease for Tseung Kwan O Town Lot No. 70
"Board"	the board of Directors
"Chen's Holdings"	Chen's Holdings Limited, a limited liability company incorporated in the British Virgin Islands and the holding company of Nan Fung
"Cheung Kong Development"	Cheung Kong Development Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Company"	Cheung Kong (Holdings) Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the S&P Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Development"	the construction and development of residential accommodation, commercial accommodation and associated facilities at the Development Site pursuant to the Development Agreement
"Development Agreement"	the agreement dated 1 February 2006 entered into between Rich Asia, the Company and MTRC in relation to the Development
"Development Site"	Site AB of Tseung Kwan O Town Lot No. 70, Tseung Kwan O, Sai Kung, Hong Kong
"Director(s)"	the director(s) of the Company
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries
"Guarantee"	the deed of guarantee dated 1 February 2006 made by the Company in favour of MTRC in respect of the obligations of Rich Asia under the Development Agreement and other development documents
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the interest-free loan of HK\$4,000 million advanced by MTRC to Rich Asia pursuant to the Loan Agreement
"Loan Agreement"	the agreement dated 1 February 2006 made between MTRC, Rich Asia and the Company pursuant to which MTRC agreed to make available the Loan to Rich Asia for the purpose of payment of part of the Assessed Premium
"Mandatory Payment"	the payment to reimburse MTRC for costs incurred in respect of certain property enabling works made on the Development Site, out of which HK\$20 million was paid as earnest money at the time of submission of the tender offer for the Development made by Rich Asia on 9 January 2006
"MTRC"	MTR Corporation Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Nan Fung"	Nan Fung Development Limited, a limited liability company incorporated in Hong Kong
"Neko International"	Neko International Limited, a limited liability company incorporated in the British Virgin Islands
"Rich Asia"	Rich Asia Investments Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Rivet Profits
"Rivet Profits"	Rivet Profits Limited, a limited liability company incorporated in the British Virgin Islands which is owned as to 85% by Cheung Kong Development and 15% by Neko International
"Sale Share"	1 share of US\$1.00 in the capital of Neko International, representing the entire issued share capital of Neko International
"Shareholders' Agreement"	the shareholders' agreement entered into by Cheung Kong Development, the Company, Neko International, Chen's Holdings and Rivet Profits on Completion
"S&P Agreement"	the sale and purchase agreement dated 8 June 2006 made between Cheung Kong Development as vendor and Nan Fung as purchaser in relation to the sale and purchase of the Sale Share
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$"	Hong Kong Dollars, the lawful currency of Hong Kong
"US\$"	United States Dollars, the lawful currency of the United States of America

By Order of the Board
CHEUNG KONG (HOLDINGS) LIMITED
Eirene Yeung
Company Secretary

Hong Kong, 8 June 2006

The Directors (Note) of the Company as at the date of this announcement are Mr. LI Ka-shing (Chairman), Mr. LI Tzar Kuoi, Victor (Managing Director and Deputy Chairman), Mr. KAM Hing Lam (Deputy Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Managing Director), Mr. CHUNG Sun Keung, Davy, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin-ning, Canning, Mr. Frank John SIXT, Mr. CHOW Kun Chee, Roland and Mr. George Colin MAGNUS as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna, Mr. KWAN Chiu Yin, Robert and Mr. CHEONG Ying Chew, Henry as Independent Non-executive Directors.

Note: Other than Chairman, Managing Director and Deputy Managing Directors, order by date of appointment, and in the case of Non-executive Directors ("NED")/Independent Non-executive Directors ("INED"), order by date of appointment as NED/INED.