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## **CHEUNG KONG (HOLDINGS) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 0001)

### **THE CHAIRMAN'S STATEMENT FOR 2009**

#### **HIGHLIGHTS**

	<b>2009</b>	2008 (Restated)	Change
	<b>HK\$ Million</b>	HK\$ Million	
Profit before share of results of Hutchison Whampoa Group	<b>12,808</b>	6,693	+91%
Share of profit of Hutchison Whampoa Group	<b>7,078</b>	6,336	+12%
Profit attributable to shareholders	<b>19,886</b>	13,029	+53%
Earnings per share	<b>HK\$8.59</b>	HK\$5.63	+53%
Dividend per share	<b>HK\$2.70</b>	HK\$2.45	+10%

#### **PROFIT FOR THE YEAR**

The Group's audited profit attributable to shareholders for the year ended 31st December, 2009 amounted to HK\$19,886 million (2008 (restated) - HK\$13,029 million). Earnings per share were HK\$8.59 (2008 (restated) - HK\$5.63).

#### **DIVIDEND**

The Directors recommend the payment of a final dividend of HK\$2.20 per share in respect of 2009 to shareholders whose names appear on the Register of Members of the Company on 27th May, 2010. This together with the interim dividend of HK\$0.50 per share gives a total of HK\$2.70 per share for the year (2008 - HK\$2.45 per share). The proposed final dividend will be paid on 1st June, 2010 following approval at the 2010 Annual General Meeting.

## **PROSPECTS**

### **Poised For Strong Growth**

2009 was a challenging year for most economies and businesses around the globe. As a result of our prudent approach to managing risks and strengthening our operations, we were able to deliver solid growth and good returns to shareholders in this difficult environment. For the year ended 31st December, 2009, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$12,808 million.

Solid progress was made in all of our operating activities during the year. We recorded satisfactory growth in contributions from property sales and property rental. Contribution from hotels and serviced suites has decreased as a result of current economic conditions. Returns from investment and finance were higher as compared to last year given the improvement in the financial markets in the latter part of 2009. The significant increase in the fair value of investment properties was recorded mainly due to the completion of a new project during the year under review.

#### **2009 in Review**

Repercussions from the financial crisis which began in 2008 continued to be felt in various markets around the globe. The severity of the downturn impacted not only the banking and financial industries, but also all other sectors to varying degrees, including trade and commerce, real estate, hotel and travel, as well as retail.

Hong Kong has benefited from the support of the Central and local Government's policies and initiatives. After four consecutive quarters of contraction, the domestic economy resumed year-on-year growth of 2.6% in the fourth quarter of 2009, and real GDP for the full year fell by 2.7% from 2008. Overall the local economy has steadily stabilised.

The Group's property business in Hong Kong has benefited from the solid performance of the local property sector in 2009, when property transactions and prices were supported by a high level of affordability and the unwinding of pent-up demand. In view of the prevailing low interest rate environment and the Government's recent enhancement of the Application List System aimed at increasing the flexibility of land supply, the local property market is expected to remain stable and positive in the medium to longer term.

In 2009, the Group executed its development initiatives as scheduled, and registered sound results for its various property projects. The increase in turnover and profit contribution from our property operations was satisfactory. Actions to further expand our well-established land bank have continued. With a low average land acquisition cost, we are confident that we can generate a good return on our existing land reserves which are sufficient to underpin development plans over the coming five to six years.

Good progress has been made by the Group's property business in the Mainland. Various projects are progressing as planned, and the proportion of contribution from these operations continues to grow satisfactorily. While the Central Government is initiating measures aimed at regulating loan supply and curtailing home price rises, these measures will be beneficial to the stability and sustainability of the market in the longer term. The Group has confidence in the strong fundamentals and tremendous potential of the Mainland's market. We will actively prepare for further expansion by making prudent, selective investments in quality sites and projects in the Mainland.

The Group has seized growth opportunities as they arise in overseas markets such as Singapore and the United Kingdom. The satisfactory contribution from operations in these markets will enable us to further increase the value of our property portfolio.

### **Listed Affiliated Companies**

We are well positioned to capture opportunities globally through the strategic investments in our listed affiliated companies, particularly through the Hutchison Whampoa Group's diversified businesses across 54 countries. All of the core businesses of these companies recorded solid performances in 2009.

***The Hutchison Whampoa Group*** The global operations of the Hutchison Whampoa Group performed solidly despite a very difficult operating environment in 2009. The 3G business is currently developing on a steady improving course. With an improvement in cash flow, the debt level of the Hutchison Whampoa Group was reduced. Overall the businesses of the Hutchison Whampoa Group are progressing well. It will continue to look to commit new investment capital to further expand its core businesses, and is forging ahead to grow as new opportunities emerge. There remain many elements of uncertainty in the global economy, but we are confident in the growth prospects of the Hutchison Whampoa Group in 2010 barring major unforeseen circumstances.

**CKI** Cheung Kong Infrastructure Holdings Limited (“CKI”) recorded a strong performance for 2009, which was pleasing given the challenging economic conditions. It has an established track record of steady growth and continued increase in dividends, as well as the capability to overcome challenges and difficulties, such as those of the recent financial crisis. CKI is optimistic about its future prospects and will continue to build on its growth momentum, sound fundamentals and solid business foundation.

**HK Electric** Hongkong Electric Holdings Limited (“HK Electric”) reported lower earnings from its Hong Kong operations due to the lower rate of permitted return under the new Scheme of Control Agreement and lower cash deposit balances and deposit interest rates. The impact of the decreased Hong Kong earnings was substantially offset by the strong operating results from activities outside Hong Kong, with earnings significantly increased from those recorded for 2008.

**CK Life Sciences** CK Life Sciences Int’l, (Holdings) Inc. (“CK Life Sciences”) recorded a good performance in 2009. The significant turnaround in overall results can be largely attributed to increased profitability in the health sector and improved investment returns, as well as a reduction in finance costs. CK Life Sciences will continue to leverage its sound fundamentals and steady business operations to drive for better performance in the future. Continued efforts will be made to streamline and consolidate existing operations, and to explore opportunities to expand prudently.

### **Looking Ahead**

There have been early signs of improvement in the European and the U.S. economies. While the global market has yet to fully stabilise and it is still confronted by a number of uncertainties and potential problems, including the risks associated with the debt problems of certain nations, the general economic conditions worldwide should improve further in 2010 as compared to 2009.

The Mainland’s economy returned to a faster track of growth in 2009, stimulated by strong government-led investment and consumption. Real GDP growth was 8.7% for the year, and is expected to remain at a level of over 8% in 2010. The Central Government has stated its intention to maintain proactive fiscal policies and moderately relaxed monetary measures, and to push ahead with economic restructuring by promoting private consumption. Against this backdrop, the Mainland’s economy is expected to maintain a steady pace of growth in 2010 and to show promising long-term prospects.

The Mainland’s development and steady growth will continue to provide solid support for Hong Kong’s economy. Accelerated economic cooperation with the Mainland should present Hong Kong with good growth opportunities, and support a steady, sustainable economic recovery and development. We have confidence in the medium and longer-term economic prospects of the Mainland and Hong Kong.

The Group is steadfast in its strategy to invest in the future by following its primary operating principle of achieving a balance between progress and stability. The Group has considerable reserves to draw upon and has solid financial strength. Barring any unforeseen circumstances, the Group's shareholders' funds will continue to grow significantly and the Group's ability to generate cash will continue to be strong in the coming years. We operate with a very low gearing ratio, approximately 9.5% at year end, and have the ability to mobilise not less than HK\$50 billion to take advantage of timely investment opportunities for large-scale development. Given all its strengths and potential, the Cheung Kong Group is uniquely placed for future growth and expansion. We are very confident in the prospects of the Group in 2010 and beyond.

Intelligent, creative, dedicated and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. We take this opportunity to thank our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service and contributions during the year.

**Li Ka-shing**  
Chairman

Hong Kong, 30th March, 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Major Business Activities

#### 1. Developments Completed during 2009:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
1881 Heritage	Kowloon Inland Lot No. 11161	13,023	100%
Celestial Heights Phases 1 and 2	Kowloon Inland Lot No. 11124	159,804	90%
Harbour Plaza 8 Degrees	The Remaining Portion of Kowloon Inland Lot No. 4013	21,420	100%
Regency Park Phases 1A and 1B	Jingyuetan, Changchun	61,243	50%
Regency Residence Phase 1	Nangan, Changchun	97,784	50%
Noble Hills Phases 1A, 1B1 and 1B2	Wangcheng Jinxing Dadao, Changsha	28,432	50%
Le Parc Phases 1A and 1B	High-Tech Zone, Chengdu	192,108	50%
Cape Coral Phases 1A and 1B	Nanan, Chongqing	220,384	47.5%
Noble Hills Phases 1A and 1B1	Douxi, Chongqing	11,831	50%
Seasons Villas Phase 4A	Huamu Road, Pudong, Shanghai	1,500	50%
Regency Park Phases VIA, VIII and VIIIA	Huamu Road, Pudong, Shanghai	12,322	50%

<b>Name</b>	<b>Location</b>	<b>Total Gross Floor Area (sq. m.)</b>	<b>Group's Interest</b>
Regency Park Phases 1 and 2	Guanlan, Shenzhen	97,232	50%
Le Sommet Phase 1A	Ping Hu, Longgang, Shenzhen	58,455	50%
The Greenwich Phase 1A	Hi-Tech Industrial Development Zone, Xian	117,319	50%
Kerry Everbright City Phase IIB	Zhabei District, Shanghai	55,150	24.75%

## 2. Developments in Progress and Scheduled for Completion in 2010:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Central Park Towers II	Tin Shui Wai Town Lot No. 24	69,457	98.47%
LOHAS Park Le Prestige and Le Prime	Site AB of The Remaining Portion of Tseung Kwan O Town Lot No. 70	226,430	Joint Venture
Conduit 18	Section A of Inland Lot No. 711	2,961	100%
Festival City Phases 1 and 2	Sha Tin Town Lot No. 529	200,744	Joint Venture
Marina Bay Residences and Marina Bay Financial Centre Phase 1	Marina Bay, Singapore	243,797	16.7%
La Grande Ville Phase 1	Shun Yi District, Beijing	95,477	100%
Regency Park Phase 2	Jingyuetan, Changchun	111,713	50%
Regency Residence Phases 1 and 2A	Nanguan, Changchun	45,383	50%
Noble Hills Phases 1B2, 1B3 and 2	Wangcheng Jinxing Dadao, Changsha	151,476	50%
Tianning Project Phases 1, 2A and 2B	Tianning District, Changzhou	19,777	50%
Le Parc Phase 2	High-Tech Zone, Chengdu	319,511	50%
Regency Oasis Phase 1A	Wenjiang, Chengdu	91,572	50%
Noble Hills Phases 1B1, 1B2 and 1C	Douxi, Chongqing	133,485	50%
The Riverside and Metropolitan Plaza Phases 1 and 3	Huangsha MTR Station Podium, Guangzhou	241,809	50%
Zhoupu Project Phase 1	Zhoupu, Nanhui Area, Shanghai	31,187	42.5%



<b>Name</b>	<b>Location</b>	<b>Total Gross Floor Area (sq. m.)</b>	<b>Group's Interest</b>
Regency Cove Phases 1A, 1B and 2	Maqiao Town, Ming Hang Area, Shanghai	44,292	42.5%
Regency Park Phase IIB	Huamu Road, Pudong, Shanghai	9,954	50%
Century Place	Shennan Road, Huaqiangbei Futian District, Shenzhen	179,606	40%
Regency Park Phase 3	Guanlan, Shenzhen	60,336	50%
Le Sommet Phases 1A and 3	Ping Hu, Longgang, Shenzhen	53,910	50%
Tianjin Metropolitan Phases 1 and 2	Yingkoudao, Tianjin	157,897	40%
Caidian Project Phase 1A	Caidian, Wuhan	59,871	50%
The Greenwich Phases 1B and 2A	Hi-Tech Industrial Development Zone, Xian	268,475	50%

### **3. New Acquisitions and Joint Developments and Other Major Events:**

#### **Hong Kong**

- (1) April 2009: A wholly owned subsidiary of the Group reached an agreement with the Government in respect of the site at 873 Lai Chi Kok Road, Cheung Sha Wan, New Kowloon Inland Lot No. 6354. With an area of approximately 2,844 sq. m., the site is designated for a commercial and residential development estimated to have a developable gross floor area of about 23,996 sq. m. In July 2009, the Group completed the land exchange and executed the land grant with the Government in respect of the development.
- (2) August 2009: A wholly owned subsidiary of the Group acquired 77-87 Ma Tau Wai Road, Hung Hom, Subsection 6, Subsection 7, Section A of Subsection 8, the Remaining Portion of Subsection 8, Subsection 9 and Subsection 10 of Section A of Kowloon Marine Lot No. 53. With an area of approximately 543 sq. m., the site is designated for a commercial and residential development estimated to have a developable gross floor area of approximately 3,527 sq. m.
- (3) October 2009: A wholly owned subsidiary of the Group acquired 133-139 Electric Road, North Point, the Remaining Portion of Inland Lot No. 3319. With an area of approximately 697 sq. m., the site is earmarked for a residential development estimated to have a developable gross floor area of approximately 6,276 sq. m.
- (4) November 2009: A wholly owned subsidiary of the Group set up a U.S.\$2,000,000,000 Euro Medium Term Note Programme (the "Programme") for the purpose of issuing notes (the "Notes") which may be denominated in any currency as agreed with the dealer(s) from time to time. The maximum aggregate nominal amount of all Notes outstanding under the Programme from time to time will not exceed U.S.\$2,000,000,000. The Programme provides that the Notes may be listed on The Stock Exchange of Hong Kong Limited or such other or further stock exchanges as may be agreed with the relevant dealer(s).
- (5) January 2010: A wholly owned subsidiary of the Group successfully won the contract for the joint development of two sites located at Lai Chi Kok Road/Kweilin Street and Yee Kuk Street in Sham Shui Po in a public tender exercise. In February 2010, the Group entered into a development agreement with the Urban Renewal Authority for the joint development of the sites. With an aggregate area of approximately 3,339 sq. m., the sites are planned for a commercial and residential development estimated to have a total developable gross floor area of approximately 29,649 sq. m.
- (6) During the year under review, the Group continued to acquire properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

#### **The Mainland and Overseas**

- (7) November 2009: A wholly owned subsidiary of the Group successfully bid for the parcel of land at Upper Thomson Road in Singapore with a site area of approximately 20,848 sq. m. for development into residential properties.
- (8) During the year under review, the Group's property projects in the Mainland and overseas were on schedule, both in terms of sales and leasing.

## **Property Sales**

Turnover of property sales for the year, including share of property sales of jointly controlled entities, was HK\$21,513 million (2008 – HK\$13,889 million), an increase of HK\$7,624 million when compared with last year, and comprised mainly the sale of the remaining residential units of four property projects completed last year – The Capitol and Seasons Monarch in Hong Kong and Maison des Artistes and Regency Park Phase VII in Shanghai, and the sale of residential units of property projects completed during the year, including Celestial Heights Phases 1 and 2 in Hong Kong, Le Parc Phase 1 in Chengdu, Cape Coral Phase 1 in Chongqing, Regency Park Phases 1 and 2 in Shenzhen, and several other property projects in the Mainland.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$8,396 million (2008 – HK\$6,547 million), an increase of HK\$1,849 million when compared with last year. While economic recovery in Hong Kong and the Mainland was underway, the property market was active during the year with strong demand for residential properties, and property prices picked up sharply amid low mortgage interest rates and expectation of inflation.

Contribution from property sales for 2010 will mainly be derived from the sale of residential units of Central Park Towers II, Le Prestige, Le Prime, La Mer and Festival City Phases 1 and 2 in Hong Kong, La Grande Ville Phase 1 in Beijing, The Riverside Phase 3 in Guangzhou, Regency Cove Phases 1 and 2 in Shanghai, Century Place and Regency Park Phase 3 in Shenzhen, Marina Bay Residences in Singapore and several other property projects scheduled for completion.

During the year, the presale of residential units of Central Park Towers II, Le Prestige and Le Prime in Hong Kong were launched and all the units were soon sold out, whereas the presale of residential units of various property projects in the Mainland met with good market response. The presale of residential units of La Mer and Festival City Phase 1 have also been launched in March 2010 and presale results have been satisfactory.

## **Property Rental**

Turnover of the Group's property rental for the year was HK\$1,155 million (2008 – HK\$945 million), an increase of HK\$210 million when compared with last year, mainly due to higher rental secured by The Center, a commercial office property in Hong Kong, for leases renewed before the global financial crisis took place last year, and the completion of 1881 Heritage, a new heritage revitalisation landmark for cultural tourism, shopping and leisure in Hong Kong, which commenced generating rental income during the first half year. The Group's existing investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 37% and 52% respectively of the turnover of the Group's property rental for the year.

Contribution from the Group's property rental was HK\$1,062 million (2008 – HK\$829 million), and contribution including share of results of jointly controlled entities was HK\$1,739 million (2008 – HK\$1,449 million), an increase of HK\$290 million when compared with last year. The local commercial leasing market eased in the first half year while businesses cut back on costs and reduced floor space requirements in the wake of the global financial crisis. As business sentiment and consumer confidence gradually improved in the second half year, rentals for retail and commercial properties became more stable.

At the year end date, the Group accounted for an increase in the fair value of investment properties of HK\$3,857 million (2008 – HK\$134 million) based on a professional valuation, mainly attributable to the completion of 1881 Heritage during the year, and shared an increase in the fair value of investment properties of HK\$693 million (2008 – HK\$467 million) of jointly controlled entities.

### **Hotels and Serviced Suites**

Turnover of the Group's hotels and serviced suites for the year was HK\$1,399 million (2008 – HK\$1,383 million), an increase of HK\$16 million when compared with last year. The increase in turnover was mainly attributable to the opening of Harbour Grand Hong Kong during the year which offset a decrease in turnover due to decrease in demand for hotels and serviced suites in Hong Kong and the Mainland as a result of a recession in the global economy.

Contribution from the Group's hotels and serviced suites was HK\$360 million (2008 – HK\$470 million) and contribution including share of results of jointly controlled entities was HK\$517 million (2008 – HK\$810 million), a decrease of HK\$293 million when compared with last year. During the year, operating conditions for hotels and serviced suites were difficult with low occupancy and room rates, and operating results were further affected by the spread of Influenza A H1N1 worldwide during the first half year.

Besides the opening of Harbour Grand Hong Kong in the first half year, Harbour Plaza 8 Degrees also commenced operation in the second half year. Both hotels are located in Hong Kong and will further their contribution to group profit when the local economy benefits from the global economic recovery.

### **Property and Project Management**

Turnover of property and project management for the year was HK\$226 million (2008 – HK\$219 million), of which income from property management was HK\$158 million (2008 – HK\$157 million), an increase of HK\$1 million when compared with last year, and income from project related services was HK\$68 million (2008 – HK\$62 million), an increase of HK\$6 million when compared with last year.

Contribution from property management was HK\$103 million (2008 – HK\$98 million), an increase of HK\$5 million when compared with last year, while project related services made a small contribution to group profit.

The Group is committed to providing high quality services to properties under our management. At the year end date, the total floor area under the Group's property management was approximately 86 million square feet and this is expected to grow steadily following the gradual completion of the Group's property projects in the years ahead.

### **Major Associates**

The Hutchison Whampoa Group, a listed associate, reported profit attributable to shareholders for the year ended 31st December, 2009 of HK\$14,168 million (2008 (restated) – HK\$12,681 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2009 of HK\$187,098,000 (2008 – loss of HK\$351,768,000).

## **FINANCIAL REVIEW**

### **Liquidity and Financing**

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. During the year, the Group purchased back notes due in 2010 in the total amount of HK\$122 million and redeemed notes upon maturity in the total amount of HK\$1.4 billion.

At the year end date, the Group's bonds and notes, bank loans and other loans (including a loan from a joint development partner) amounted to HK\$6.8 billion, HK\$23.3 billion and HK\$4.4 billion respectively, and the Group's total borrowings were HK\$34.5 billion, a decrease of HK\$9.7 billion from the end of last year. The maturity profile is spread over a period of nine years, with HK\$9.2 billion repayable within one year, HK\$24.1 billion within two to five years and HK\$1.2 billion beyond five years.

The Group's gearing ratio at the year end date was approximately 9.5%, determined as the proportion of the Group's net borrowings (after deducting bank balances and deposits of HK\$11.4 billion) to shareholders' funds.

With cash and marketable securities in 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. At the year end date, approximately 81.7% of the Group's borrowings were in HK\$ with the balance in US\$ (or swapped into US\$) and S\$, mainly for the purpose of financing projects outside Hong Kong. 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. The fixed rate bonds and notes issued by the Group have associated swaps arrangements in place to convert the rates and related terms to a floating rate basis.

When appropriate and at times of interest rate or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used by the Group in the management of exposure to interest rate and foreign exchange rate fluctuations.

## **Charges on Assets**

At the year end date, certain subsidiaries of the Group pledged assets with aggregate carrying value of HK\$1,014 million (2008 – HK\$1,097 million) to secure bank loan facilities utilised.

## **Contingent Liabilities**

At the year end date, the Group's contingent liabilities were as follows:

- (1) guarantees provided for minimum share of revenue/profit receivable by other partners of joint development projects amounted to HK\$1,398 million (2008 – HK\$1,410 million); and
- (2) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK\$1,605 million (2008 – HK\$1,534 million) and HK\$283 million (2008 – Nil) respectively.

## **Employees**

At the year end date, the Group employed approximately 8,700 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$1,599 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31st December, 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2009.

## **AUDIT COMMITTEE**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference, which may from time to time be modified, in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company.

The Group's annual results for the year ended 31st December, 2009 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

According to the Code on CG Practices, the Company established its remuneration committee (“Remuneration Committee”) on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr. Li Ka-shing (Chairman of the Remuneration Committee) and two Independent Non-executive Directors, namely, Mr. Kwok Tun-li, Stanley and Dr. Wong Yick-ming, Rosanna.

## **ANNUAL GENERAL MEETING**

The 2010 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 27th May, 2010 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 20th May, 2010 to Thursday, 27th May, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the 2010 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 19th May, 2010.

The Directors (*Note*) of the Company as at the date of this document 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 (*also Alternate Director to Mr. Simon MURRAY*) 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.*



**Consolidated Income Statement**  
**For the year ended 31st December, 2009**

	<b>2009</b>	2008
	<b>HK\$ Million</b>	(Restated) HK\$ Million
Group turnover	<b>17,702</b>	12,856
Share of property sales of jointly controlled entities	<b>6,591</b>	3,580
Turnover	<u><b>24,293</b></u>	<u>16,436</u>
<b>Group turnover</b>	<b>17,702</b>	12,856
Investment and other income	<b>2,614</b>	466
Operating costs		
Property and related costs	<b>(10,314)</b>	(6,035)
Salaries and related expenses	<b>(1,032)</b>	(944)
Interest and other finance costs	<b>(233)</b>	(454)
Other expenses	<b>(672)</b>	(498)
	<b>(12,251)</b>	(7,931)
Share of net profit of jointly controlled entities	<b>2,734</b>	2,355
Increase in fair value of investment properties	<b>3,857</b>	134
Operating profit	<u><b>14,656</b></u>	<u>7,880</u>
Share of net profit of associates	<b>7,296</b>	6,209
<b>Profit before taxation</b>	<u><b>21,952</b></u>	<u>14,089</u>
Taxation	<b>(1,644)</b>	(859)
<b>Profit for the year</b>	<u><b>20,308</b></u>	<u>13,230</u>
Profit attributable to minority interests	<b>(422)</b>	(201)
<b>Profit attributable to shareholders</b>	<u><b>19,886</b></u>	<u>13,029</u>
<b>Earnings per share</b>	<b>HK\$8.59</b>	HK\$5.63

	<b>2009</b>	2008
	<b>HK\$ Million</b>	HK\$ Million
<b>Dividends</b>		
Interim dividend paid	<b>1,158</b>	1,158
Final dividend proposed	<b>5,096</b>	4,517
	<u><b>6,254</b></u>	<u>5,675</u>
<b>Dividends per share</b>		
Interim dividend	<b>HK\$0.50</b>	HK\$0.50
Final dividend	<b>HK\$2.20</b>	HK\$1.95

**Consolidated Statement of Financial Position**  
**As at 31st December, 2009**

	<b>31/12/2009</b>	31/12/2008	1/1/2008
	<b>HK\$ Million</b>	(Restated) HK\$ Million	(Restated) HK\$ Million
<b>Non-current assets</b>			
Fixed assets	<b>10,696</b>	11,624	10,560
Investment properties	<b>19,433</b>	15,670	15,497
Associates	<b>148,049</b>	144,977	142,567
Jointly controlled entities	<b>32,591</b>	29,391	23,614
Investments available for sale	<b>7,026</b>	4,678	10,060
Long term loan receivables	<b>444</b>	1,093	956
	<u><b>218,239</b></u>	<u>207,433</u>	<u>203,254</u>
<b>Current assets</b>			
Stock of properties	<b>62,999</b>	64,273	59,959
Debtors, deposits and prepayments	<b>2,799</b>	3,904	4,066
Investments held for trading	<b>1,927</b>	858	1,439
Derivative financial instruments	<b>83</b>	22	294
Bank balances and deposits	<b>11,423</b>	7,173	5,609
	<u><b>79,231</b></u>	<u>76,230</u>	<u>71,367</u>
<b>Current liabilities</b>			
Bank and other loans	<b>7,210</b>	8,991	8,872
Creditors and accruals	<b>12,078</b>	6,940	8,430
Loan from joint development partner	<b>2,000</b>	2,000	-
Derivative financial instruments	<b>460</b>	872	437
Provision for taxation	<b>1,028</b>	768	860
	<u><b>56,455</b></u>	<u>56,659</u>	<u>52,768</u>
<b>Net current assets</b>	<u><b>274,694</b></u>	<u>264,092</u>	<u>256,022</u>
<b>Total assets less current liabilities</b>	<u><b>274,694</b></u>	<u>264,092</u>	<u>256,022</u>
<b>Non-current liabilities</b>			
Bank and other loans	<b>25,279</b>	31,258	23,655
Loan from joint development partner	<b>-</b>	2,000	4,000
Deferred tax liabilities	<b>2,011</b>	1,359	1,300
	<u><b>27,290</b></u>	<u>34,617</u>	<u>28,955</u>
<b>Net assets</b>	<u><b>247,404</b></u>	<u>229,475</u>	<u>227,067</u>
<b>Representing:</b>			
Share capital	<b>1,158</b>	1,158	1,158
Share premium	<b>9,331</b>	9,331	9,331
Reserves	<b>233,110</b>	214,644	213,172
Shareholders' funds	<u><b>243,599</b></u>	<u>225,133</u>	<u>223,661</u>
Minority interests	<b>3,805</b>	4,342	3,406
<b>Total equity</b>	<u><b>247,404</b></u>	<u>229,475</u>	<u>227,067</u>

Notes:

(1) Turnover of the Group by operating activities for the year is as follows:

	2009 HK\$ Million	2008 HK\$ Million
Property sales	14,922	10,309
Property rental	1,155	945
Hotels and serviced suites	1,399	1,383
Property and project management	226	219
Group turnover	<u>17,702</u>	<u>12,856</u>
Share of property sales of jointly controlled entities	6,591	3,580
Turnover	<u><u>24,293</u></u>	<u><u>16,436</u></u>

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.

During the year, turnover of the Group's operating activities outside Hong Kong (including property sales of jointly controlled entities) accounted for approximately 27% (2008 - 23%) of the turnover and was derived from the following locations:

	2009 HK\$ Million	2008 HK\$ Million
The Mainland	6,676	3,783
Singapore	2	10
	<u><u>6,678</u></u>	<u><u>3,793</u></u>

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2009	2008	2009	2008	2009	2008 (Restated)
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	5,501	4,466	2,895	2,081	8,396	6,547
Property rental	1,062	829	677	620	1,739	1,449
Hotels and serviced suites	360	470	157	340	517	810
Property and project management	109	104	-	-	109	104
	<u><u>7,032</u></u>	<u><u>5,869</u></u>	<u><u>3,729</u></u>	<u><u>3,041</u></u>	<u><u>10,761</u></u>	<u><u>8,910</u></u>
Investment and finance					1,411	268
Interest and other finance costs					(233)	(454)
Increase in fair value of investment properties						
Subsidiaries					3,857	134
Jointly controlled entities					693	467
Others					218	30
Taxation						
Company and subsidiaries					(1,644)	(859)
Jointly controlled entities					(1,918)	(1,445)
Profit attributable to minority interests					(422)	(201)
					<u><u>12,723</u></u>	<u><u>6,850</u></u>
Share of net profit/(loss) of major listed associates						
Hutchison Whampoa Limited					7,078	6,336
CK Life Sciences Int'l., (Holdings) Inc.					85	(157)
Profit attributable to shareholders					<u><u>19,886</u></u>	<u><u>13,029</u></u>

(2) Profit before taxation is arrived at after charging/(crediting):

	2009 HK\$ Million	2008 HK\$ Million
Interest and other finance costs	496	1,077
Less: Amount capitalised	(263)	(623)
	<u>233</u>	<u>454</u>
Costs of properties sold	8,901	5,324
Depreciation	349	284
Impairment of investments available for sale	665	1,139
Gain on disposal of investments available for sale	(121)	(1,174)
(Gain)/loss on investments held for trading	(455)	752
Gain on disposal of investment properties	(350)	-
Profit on disposal of associates	(952)	-
	<u><u>233</u></u>	<u><u>454</u></u>

(3) Hong Kong profits tax has been provided for at the rate of 16.5% (2008 - 16.5%) on the estimated assessable profits for the year. Overseas tax has been provided for at the local enacted rates on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences based on the applicable enacted rates.

	2009 HK\$ Million	2008 HK\$ Million
Hong Kong profits tax	961	793
Overseas tax	31	7
Deferred tax	652	59
	<u>1,644</u>	<u>859</u>

(4) The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2008 - 2,316,164,338 shares) in issue during the year.

(5) 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 year end date is as follows:

	2009 HK\$ Million	2008 HK\$ Million
Current to one month	491	1,181
Two to three months	27	20
Over three months	8	6
	<u>526</u>	<u>1,207</u>

Ageing analysis of the Group's trade creditors at the year end date is as follows:

	2009 HK\$ Million	2008 HK\$ Million
Current to one month	365	349
Two to three months	40	25
Over three months	39	14
	<u>444</u>	<u>388</u>

(6) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The adoption of the HKFRSs which are effective for accounting periods beginning on 1st January, 2009 has resulted in the following change in the Group's accounting policies.

In prior years, investment property under development was classified as land and buildings and carried at cost less provision for impairment. Following the adoption of amendments to HKAS 16 "Property, Plant and Equipment" and HKAS 40 "Investment Property", investment property under development is classified as investment property and stated at fair value when its fair value becomes reliably determinable or upon completion of its construction, whichever is the earlier. The change in accounting policy has been applied prospectively from 1st January, 2009 and has no material impact on the Group's results and financial position.

The adoption of the 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.

During the year, Hutchison Whampoa Limited, a listed associate, had changes in accounting policies which have material effects on its profit attributable to shareholders and opening balance of shareholders' funds. The Group's share of the effects of these changes has the following impact on the financial statements:

	<b>Year ended 31st December</b>		
	<b>2009</b>	<b>2008</b>	
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	
Increase/(decrease) in share of net profit of associates	<b>479</b>	(2,489)	
Increase/(decrease) in profit attributable to shareholders	<b>479</b>	(2,489)	
Increase/(decrease) in earnings per share	<b>HK\$0.21</b>	<b>HK\$(1.07)</b>	
	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>1/1/2008</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Decrease in associates	<b>(5,552)</b>	(6,031)	(3,542)
Decrease in net assets	<b>(5,552)</b>	(6,031)	(3,542)
Decrease in retained profits at 1st January	<b>(6,031)</b>	(3,542)	(3,542)
Increase/(decrease) in profit for the year	<b>479</b>	(2,489)	-
Decrease in total equity	<b>(5,552)</b>	(6,031)	(3,542)

For those HKFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

(7) The annual results have been reviewed by the Audit Committee.