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CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2011

HIGHLIGHTS

	2011	2010 (Restated) ^{Note 2}	Change
	HK\$ Million	HK\$ Million	
Turnover ^{Note 1}	42,359	32,863	+29%
Profit before property revaluation	13,127	11,410	+15%
Property revaluation (net of tax)	4,941	5,344	-8%
Profit before share of results of Hutchison Whampoa Group	18,068	16,754	+8%
Share of results of Hutchison Whampoa Group			
Profit attributable to shareholders before profit on disposal of investments and others	11,566	10,082	+15%
Profit on disposal of investments and others	16,421	-	N/A
Profit attributable to shareholders	46,055	26,836	+72%
Earnings per share	HK\$19.88	HK\$11.59	+72%
Final dividend per share	HK\$2.63	HK\$2.45	+7%
Full year dividend per share	HK\$3.16	HK\$2.95	+7%

Note 1: Turnover does not include the turnover of jointly controlled entities (except for proceeds from property sales shared by the Group) or the turnover of associates, notably the Hutchison Whampoa Group. Total revenue of the Hutchison Whampoa Group for the year amounted to HK\$387,717 million (2010 (restated) – HK\$319,096 million).

Note 2: The 2010 comparative figures have been restated as a result of the current year's adoption of HKAS 12 (Amendments) "Deferred Tax: Recovery of Underlying Assets" which has been applied retrospectively.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2011 amounted to HK\$46,055 million (2010 (restated) – HK\$26,836 million). Earnings per share were HK\$19.88 (2010 (restated) – HK\$11.59).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$2.63 per share in respect of 2011 to shareholders whose names appear on the Register of Members of the Company at the close of business on 31st May, 2012. This together with the interim dividend of HK\$0.53 per share gives a total of HK\$3.16 per share for the year (2010 – HK\$2.95 per share). The proposed final dividend will be paid on 14th June, 2012 following approval at the 2012 Annual General Meeting.

PROSPECTS

Growth and Resilience Amid Challenges

2011 in Review

Business Performance

In 2011, sovereign debt problems continued to plague Eurozone nations, inflationary pressure rose globally, and the pace of U.S. recovery from the 2008 financial crisis was less robust than anticipated. Against this backdrop, the worldwide economic and business environment has become increasingly challenging.

Maintaining a balance between progress and stability has always been one of the Group's prime operating principles. Prior to the onset of the financial crisis, the Group had already adopted prudent measures to minimise the impact of external forces. Investments were cautiously made during the year, strictly adhering to our fundamental financial policy of maintaining a healthy debt ratio. The Group has again demonstrated its resilience in this difficult operating environment, and continued to deliver solid performances on all fronts.

Our overall operating results were favourable. For the year ended 31st December, 2011, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$18,068 million, a rise of 8% over the previous year.

We achieved a solid performance in our core property businesses, with strong progress being made in enriching our portfolio and strengthening the revenue drivers. In 2011, major performance indicators were generally in line with our expectations. Contributions from property sales as well as hotels and serviced suites improved over last year. A one-off gain was recorded arising from the injection of the Group's interest in Oriental Plaza in Beijing into Hui Xian Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange.

The property market sentiment in Hong Kong has been conservative since the middle of 2011 amid heightened external uncertainties. However, market conditions are expected to remain stable due to solid market fundamentals, continuing purchasing power, low levels of unemployment, low interest rates, together with rising construction costs fuelled by high inflation.

The Group has executed various development initiatives in 2011, and the marketing of its projects has been well-received by the market. Our landbank has been expanding in a healthy, sustainable manner, with a number of selectively chosen high-quality sites successfully acquired at reasonable prices. With ample land resources, we are well placed to continue to generate steady streams of revenue at attractive margins.

The Mainland's property market faced challenges as home prices in major cities continued to soften. However, we are cautiously optimistic about the future given the Central Government's ongoing tightening measures to help ensure a stable and healthy property market over the long term, and the anticipated increases in purchasing power and housing demand supported by rising labour wages which will outpace inflation.

In overseas markets, the Group is progressing well and in accordance with its development and marketing schedules. We are focused on securing suitable investment opportunities to extend further our footprint beyond Hong Kong, leveraging our accumulated expertise and experience in providing comprehensive property developments to accommodate diverse market needs and aspirations.

Listed Affiliated Companies

The Group continued to benefit from the global opportunities arising from its strategic investments in listed affiliated companies, particularly through the Hutchison Whampoa Group's diversified portfolio of global businesses. In 2011, businesses in markets beyond Hong Kong continued to perform favourably and generate increased profits to the Group and its listed affiliated companies.

The Hutchison Whampoa Group

In 2011, the Hutchison Whampoa Group's core businesses and operations spanning 53 countries continued to perform well. Its balance sheet and liquidity were strengthened through a number of successful equity capital markets transactions, including the initial public offer of units in Hutchison Port Holdings Trust listed in Singapore. The 3 Group achieved improved EBITDA and a second year of EBIT positive results. The acquisition of a 100% interest in Orange Austria by Hutchison 3G Austria, which is expected to complete in mid-2012 subject to regulatory approval, is expected to create operational synergies and efficiencies, which should result in corresponding increases in 3 Austria's contribution to the 3 Group. Prospects for the Hutchison Whampoa Group are promising. It is well positioned for continued growth and will continue to invest and expand its core businesses.

CKI

In 2011, businesses of Cheung Kong Infrastructure Holdings Limited ("CKI") have generated strong results and recorded good organic growth. Profit contributions from overseas businesses were higher than that of Hong Kong operations. Two acquisitions were made by CKI during the year, namely an interest in the Meridian Cogeneration Plant in Canada and an interest in the Northumbrian Water Group Limited ("Northumbrian Water") in England. These acquisitions, in particular Northumbrian Water, are expected to act as a growth catalyst that will propel CKI's earnings to new heights. Following the share placement exercises in July 2011 and in March 2012, and the issue of U.S. dollar fixed rate callable perpetual securities via a fiduciary in February 2012, CKI has ample cash on hand and a strong balance sheet that enable it to continue to pursue infrastructure projects around the world.

Power Assets

Power Assets Holdings Limited ("Power Assets") achieved record results in 2011 with earnings from operations outside Hong Kong surpassing those from Hong Kong for the first time. Earnings from Hong Kong showed a modest decline. The overall excellent results were bolstered by the first full-year of earnings contributions from the acquisitions that Power Assets made in 2010, namely a 40% interest in UK Power Networks Limited and a 25% interest in the Seabank Power Station, both in the United Kingdom. Power Assets will continue to grow its earnings base outside Hong Kong, building on its strong foundations.

CK Life Sciences

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") achieved a steady operational performance in 2011. The acquisitions of Challenger Wine Trust, Qualco West Vineyard and Peaty Trading Group in Australia are poised to expand the reach of its agriculture-related business and boost its earnings. On the R&D front, the approval by the U.S. Food and Drug Administration of the Phase III clinical testing of CK Life Sciences' melanoma vaccine has brought CK Life Sciences to a new research milestone and a major step closer to the commercialisation of the melanoma vaccine. CK Life Sciences' fundamentals are sound and business operations are solid. It is well placed to drive further growth in the future.

Looking Ahead

Looking into 2012, global market conditions are expected to continue to improve modestly, given that the Eurozone markets affected by sovereign debt problems are showing signs of stabilisation, and the U.S. overall economy is on track for gradual growth as reflected by improvements in major economic indicators, and aided by low interest rates.

The Mainland stayed relatively resilient and maintained robust GDP growth of 9.2% in 2011. In line with the Central Government's economic growth target of 7.5%, the Mainland's economy is expected to continue to expand solidly in 2012, although the pace may be slightly moderated. Easing inflationary pressure, solid domestic demand, and the Central Government's fine-tuning of its tightening policy designed to ensure stable and sustainable growth will be positive factors conducive to its long-term prospects. Hong Kong's GDP growth will likely moderate in the coming year, but will remain positive as the Mainland's continued steady development will provide firm support to the local economy. Hong Kong's sound economic fundamentals and its close proximity to the Mainland as a high growth centre will be strong pillars for its sustainable development.

We are committed to strengthening our existing core businesses while embracing new growth opportunities through diversification and globalisation. Looking ahead, we will continue to pursue quality investments that carry long-term benefits for the Cheung Kong Group, and we would expect such investments to yield promising returns in three to four years. We firmly believe that we have the strength and resources to continue our global ventures on a path of growth with a fine balance of progress and stability. We are strongly confident in the Cheung Kong Group's future prospects.

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, 29th March, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2011:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
LOHAS Park Le Prime	Site AB of The Remaining Portion of Tseung Kwan O Town Lot No. 70	101,470	Joint Venture
Festival City Phase 3	Sha Tin Town Lot No. 529	113,211	Joint Venture
Uptown	The Remaining Portion of Lot No. 2064 in D.D. 121 Hung Shui Kiu, Yuen Long	49,876	50%
Meridian Hill	New Kowloon Inland Lot No. 5099	12,795	100%
Oceanaire	The Remaining Portion of Sha Tin Town Lot No. 548	82,200	100%
The Greenwich Phase 1C	Yao Jia Yuan Dong Li, Chaoyang District, Beijing	88,979	50%
Regency Park Phases 2A, 2B and 2D	Jingyue Economic Development Zone, Changchun	93,130	50%
Regency Residence Phases 1, 2A(2) and 2B	Nanguan District, Changchun	143,797	50%
Noble Hills Phase 2	Wangcheng County, Changsha	72,663	50%
Le Parc Phases 2B and 3	Chengdu High-Tech Zone, Chengdu	341,451	50%
Regency Oasis Phases 1A and 1B	Wenjiang District, Chengdu	123,039	50%
Noble Hills Phase 2A	Douxi, Chongqing	87,973	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
The Riverside and Metropolitan Plaza Phases 1 and 3	Huangsha, Guangzhou	164,309	50%
Regency Cove Phase 2	Maqiao Town, Minhang District, Shanghai	26,253	42.5%
Regency Park Phase 2B	Huamu Road, Pudong New District, Shanghai	10,188	50%
Le Sommet Phase 3	Longgang District, Shenzhen	48,969	50%
The Metropolitan Tianjin Phase 2	Yingkoudao, Heping District, Tianjin	63,011	40%
The Greenwich Phases 2A and 3B	Xian Hi-Tech Industries Development Zone, Xian	244,172	50%

2. Developments in Progress and Scheduled for Completion in 2012:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
LOHAS Park La Splendeur	Site AB of The Remaining Portion of Tseung Kwan O Town Lot No. 70	82,685	Joint Venture
Alnwick Road Project	New Kowloon Inland Lot No. 4782	4,417	100%
CROWN by the Sea	Tuen Mun Town Lot No. 334	4,026	100%
Marina Bay Financial Centre Tower 3	Marina Bay, Singapore	151,776	16.67%
La Grande Ville Phase 2	Shun Yi District, Beijing	18,293	100%
The Metropolis Phase 2A	Huangpu District, Guangzhou	62,584	30%
Yuhu Mingdi Phase 1	Luogang District, Guangzhou	43,901	40%
Zhen Ru Fu Zhong Xin Project	Putuo District, Shanghai	14,390	29.4%
Regency Park Phase 2C	Jingyue Economic Development Zone, Changchun	17,664	50%
Regency Residence Phases 1 and 2B	Nanguan District, Changchun	11,465	50%
Noble Hills Phase 3	Wangcheng County, Changsha	86,572	50%
Regency Park Phases 1, 2 and 3A	Tianning District, Changzhou	47,294	50%
Le Parc Phases 4A and 6A	Chengdu High-Tech Zone, Chengdu	231,349	50%
Regency Oasis Phases 1B and 2	Wenjiang District, Chengdu	217,399	50%
Cape Coral Phase 2	Nanan District, Chongqing	146,703	47.5%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Noble Hills Phase 2B	Douxi, Chongqing	32,858	50%
Laguna Verona Phases D1 and G1a	Hwang Gang Lake, Dongguan	239,930	49.91%
Cape Coral Phase 3A	Panyu District, Guangzhou	84,053	50%
Zengcheng Project Phase 1	Zengcheng, Guangzhou	110,425	50%
The Harbourfront Phase 1	Shibei District, Qingdao	211,599	45%
Regency Garden Phase 1	Pudong New District, Shanghai	32,495	42.5%
Le Sommet Phases 1B, 2 and 4A	Longgang District, Shenzhen	59,864	50%
Century Place Phases 1 and 2	Shennan Road, Huaqiangbei, Futian District, Shenzhen	179,606	40%
Noble Hills	Baoan District, Shenzhen	147,083	50%
The Metropolitan Tianjin Phases 1 and 2	Yingkoudao, Heping District, Tianjin	197,595	40%
Regency Cove Phase 1	Caidian District, Wuhan	89,357	50%
The Greenwich Phases 2A, 2B and 3A	Xian Hi-Tech Industries Development Zone, Xian	279,998	50%

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

Hong Kong

- (1) March 2011: A wholly owned subsidiary of the Group was awarded a Government tender for the development at Yuen Long On Ning Road, Tai Kiu Road and Yuen Long On Lok Road, Yuen Long Town Lot No. 518. With an area of approximately 12,340 sq.m., the site is planned for a commercial and residential development estimated to have a developable gross floor area of approximately 61,700 sq.m.
- (2) May 2011: A wholly owned subsidiary of the Group successfully bid for Ngau Tam Mei, Yuen Long, Lot No. 2086 in D.D. 105 at a Government auction. With an area of approximately 23,480 sq.m., the site is designated for a residential development estimated to have a developable gross floor area of approximately 9,392 sq.m.
- (3) June 2011: A wholly owned subsidiary of the Group successfully bid for Borrett Road, Hong Kong, Inland Lot No. 8949 at a Government auction. With an area of approximately 10,488 sq.m., the site is earmarked for a residential development estimated to have a developable gross floor area of approximately 40,440 sq.m.
- (4) June 2011: A wholly owned subsidiary of the Group successfully bid for Ping Kwai Road, Ping Shan, Yuen Long, Lot No. 2129 in D.D. 121 at a Government auction. With an area of approximately 6,076 sq.m., the site is planned for a residential development estimated to have a developable gross floor area of approximately 6,076 sq.m.
- (5) June 2011: A wholly owned subsidiary of the Group was awarded a Government tender for the development at Lee Kung Street, Hung Hom, Hung Hom Inland Lot No. 556. With an area of approximately 1,299 sq.m., the site is designated for a residential development estimated to have a developable gross floor area of approximately 9,740 sq.m.
- (6) August 2011: A wholly owned subsidiary of the Group was awarded a Government tender for the development at Oil Street, North Point, Inland Lot No. 8920. With an area of approximately 7,887 sq.m., the site is earmarked for a non-industrial development estimated to have a developable gross floor area of approximately 70,200 sq.m.
- (7) September 2011: A wholly owned subsidiary of the Group updated the existing 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). As at 31st December, 2011, Notes of an aggregate nominal amount of approximately U.S.\$348.5 million were issued under the Programme.
- (8) During the year under review, the Group continued to pursue opportunities for acquisition of 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

- (9) June 2011: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 158,892 sq.m. and a gross floor area of approximately 236,680 sq.m. at Changchun National Hi-Tech Industrial Development Zone, Changchun, the Mainland for residential and commercial purposes.
- (10) August 2011: An indirect 40/40/20 joint venture company of the Company, Cheung Kong Infrastructure Holdings Limited and Li Ka Shing Foundation Limited had reached agreement with Northumbrian Water Group Limited (formerly known as Northumbrian Water Group plc) (“Northumbrian Water”) on the terms of a recommended cash offer to acquire all of the entire issued share capital of Northumbrian Water at the consideration of approximately £2,411.6 million (“Acquisition”). On 14th October, 2011, the scheme of arrangement to implement the Acquisition became effective.
- (11) August 2011: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 143,034 sq.m. and a gross floor area of approximately 505,000 sq.m. at Heizuizi Wharf and the surrounding area, Xigang District, Dalian, the Mainland for residential and commercial purposes.
- (12) September 2011: A wholly owned subsidiary of the Group issued SGD500 million Guaranteed Senior Perpetual Securities (the “Existing Securities”) with distribution rate of 5.125% per annum in Singapore. In October 2011, this subsidiary had a further issue of SGD230 million Guaranteed Senior Perpetual Securities which were consolidated and formed a single series with the Existing Securities.
- (13) November 2011: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a piece of land with an area of approximately 74,858 sq.m. and a gross floor area of approximately 184,819 sq.m. at Nanzhuang Town, Chancheng District, Foshan, the Mainland for development into residential properties.
- (14) December 2011: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group successfully bid for a 50% share interest in a company incorporated on the Mainland (the “Project Company”). The business of the Project Company is to develop two pieces of land with an aggregate area of approximately 13,723 sq.m. and an aggregate gross floor area of approximately 40,540 sq.m. at Futian District, Shenzhen, the Mainland for commercial purpose.
- (15) During the year under review, the Group continued to focus on project development and the marketing of properties on the Mainland and overseas in a timely manner.

Property Sales

Turnover of property sales for the year, including share of property sales of jointly controlled entities, was HK\$38,143 million (2010 – HK\$29,297 million), an increase of HK\$8,846 million when compared with last year, and comprised mainly the sale of residential units of two property projects completed last year – Festival City Phases 1 and 2 in Hong Kong and La Grande Ville Phase 1 in Beijing, and the sale of residential units of property projects completed during the year, including Le Prime, Oceanaire, Uptown and Meridian Hill in Hong Kong, The Riverside Phase 3 in Guangzhou, Le Sommet Phase 3 in Shenzhen, Regency Oasis Phase 1A and Le Parc Phases 2B and 3 in Chengdu, The Greenwich Phases 2A and 3B in Xian, Regency Park Phases 2A, 2B and 2D and Regency Residence Phases 1, 2A(2) and 2B in Changchun, The Greenwich Phase 1C in Beijing, Noble Hills Phase 2A in Chongqing, The Metropolitan Tianjin Phase 2 in Tianjin, Noble Hills Phase 2 in Changsha and Regency Park Phase 2B in Shanghai.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$11,218 million (2010 – HK\$8,902 million), an increase of HK\$2,316 million when compared with last year. During the year, various measures were introduced by the government authorities in Hong Kong and the Mainland to cool down the property markets and demand for residential properties remained steady in an inflationary environment.

Contribution from property sales for 2012 will mainly be derived from the sale of residential units of Festival City Phase 3, La Splendeur, Crown by the Sea and Alnwick Road Project in Hong Kong, La Grande Ville Phase 2 in Beijing, Le Parc Phase 4A in Chengdu, Century Place Phase 1 and Noble Hills in Shenzhen, Cape Coral Phase 3A in Guangzhou, The Harbourfront Phase 1 in Qingdao, Cape Coral Phase 2 in Chongqing and several other property projects scheduled for completion.

The sale/presale of residential units of Festival City Phase 3, La Splendeur and Crown by the Sea have been launched in Hong Kong and over 90% of all the units of these projects have been sold, while the sale/presale of residential units of various property projects scheduled for completion on the Mainland were progressing well.

Property Rental

Turnover of the Group's property rental for the year was HK\$1,377 million (2010 – HK\$1,264 million), an increase of HK\$113 million when compared with last year, mainly due to increase in rental rates as local business confidence, boosted by strong retail sales in Hong Kong, pushed up rentals for shops at prime locations and office spaces in major business districts. The Group's investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong, which accounted for approximately 44% and 45% respectively of the turnover of the Group's property rental for the year.

Contribution from the Group's property rental was HK\$1,274 million (2010 – HK\$1,131 million), and contribution including share of results of jointly controlled entities was HK\$1,698 million (2010 – HK\$1,817 million), a decrease of HK\$119 million when compared with last year mainly as a result of absence of rental contribution from Oriental Plaza in Beijing, previously held by jointly controlled entities, since its listing on the Hong Kong Stock Exchange in April 2011 through the setup of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) and an initial public offering (“IPO”) of units denominated in Renminbi. The Group shared a surplus of HK\$1,731 million arising from the IPO transaction on loss of control of indirect interest in the jointly controlled entities.

At the year end date, the Group accounted for an increase in fair value of investment properties of HK\$4,010 million (2010 – HK\$1,737 million) based on a professional valuation and shared an increase in fair value of investment properties of HK\$1,151 million (2010 – HK\$4,733 million) of jointly controlled entities.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites for the year was HK\$2,489 million (2010 – HK\$2,037 million), an increase of HK\$452 million when compared with last year. The increase in turnover was mainly attributable to a growing number of Mainland visitor arrivals and improving consumer confidence.

Contribution from the Group's hotels and serviced suites was HK\$916 million (2010 – HK\$617 million) and contribution including share of results of jointly controlled entities was HK\$1,188 million (2010 – HK\$852 million), an increase of HK\$336 million when compared with last year. During the year, most of the hotels and serviced suites owned by the Group and jointly controlled entities in Hong Kong and the Mainland achieved good occupancy and room rates, and satisfactory operating results were reported.

In January 2012, a 70% interest in Sheraton Shenyang Lido Hotel held by the Group on the Mainland was disposed of at a profit to Hui Xian REIT. The disposal will have no significant impact on the overall contribution from the Group's hotels and serviced suites in 2012.

While the global economy poses uncertainties ahead, local business travel and inbound tourism remain active, and the Group will continue to strive for good performance for its hotel and service suite operation.

Property and Project Management

Turnover of the Group's property and project management for the year was HK\$350 million (2010 – HK\$265 million), of which income from property management was HK\$161 million (2010 – HK\$159 million), an increase of HK\$2 million when compared with last year, and income from project related services was HK\$189 million (2010 – HK\$106 million), an increase of HK\$83 million when compared with last year.

Contribution from the Group's property management was HK\$105 million (2010 – HK\$104 million), an increase of HK\$1 million when compared with last year, while the Group's project related services made a small contribution to group profit. After the listing of Hui Xian REIT on the Hong Kong Stock Exchange, the Group continued to take part in the management of Oriental Plaza in Beijing through the manager, a jointly controlled entity, and shared the results of the manager.

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 88 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, 2011 of HK\$56,019 million (2010 (restated) – HK\$20,179 million). A net gain of HK\$32,868 million, comprising a gain on the IPO of Hutchison Port Holdings Trust of HK\$44,290 million and impairment charges and write off on certain port and telecommunications assets totalling HK\$11,422 million was included in the annual profit reported by the Hutchison Whampoa Group.

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2011 of HK\$125.8 million (2010 – HK\$208.6 million).

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 issued notes with five-year and ten-year terms under the Euro Medium Term Note Programme in the total amount of HK\$1.4 billion in Hong Kong and notes with five-year and seven-year terms in the total amount of SGD500 million in Singapore, and redeemed notes in the amount of HK\$1.7 billion upon maturity.

At the year end date, the Group's bonds and notes, bank loans and other loans were HK\$9.5 billion, HK\$35.9 billion and HK\$0.5 billion respectively, and the Group's total borrowings amounted to HK\$45.9 billion, an increase of HK\$8.8 billion from last year end date. The maturity profile is spread over a period of ten years, with HK\$22.9 billion repayable within one year, HK\$18.6 billion within two to five years and HK\$4.4 billion beyond five years.

During the year, the Group also issued perpetual securities with an annual distribution rate of 5.125% in the total amount of SGD730 million. With no fixed maturity, the perpetual securities are redeemable at the Group's option on or after 9th September, 2016 and are accounted for as equity in the financial statements.

The Group's net debt to net total capital ratio at the year end date was approximately 7.6%. Net debt is arrived at by deducting bank balances and deposits of HK\$19.9 billion from the Group's total borrowings and net total capital is the aggregate of the Group's total equity and net debt.

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 67.6% of the Group's borrowings were in HK\$ and US\$, with the balance in GBP and SGD mainly for the purpose of financing investments and property projects in the United Kingdom and Singapore. The Group derives its revenue mainly in HK\$ and cash is mainly held in HK\$. Income in foreign currencies, including RMB, SGD and GBP, is also generated from the Group's investments and property projects outside Hong Kong and cash in these foreign currencies is maintained for operational needs. 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 and where appropriate, swaps are arranged to convert the rates and related terms of the fixed rate bonds and notes issued to a floating rate basis.

At times of interest rate or exchange rate uncertainty or volatility and when appropriate, 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, mortgage loan receivables of a non-wholly owned subsidiary with carrying value of HK\$135 million were pledged to secure bank loans utilised on a back-to-back basis.

Contingent Liabilities

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

- (1) guarantee provided for the minimum share of revenue to be received by the partner of a joint development project amounted to HK\$624 million (2010 – HK\$636 million); and
- (2) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK\$1,617 million (2010 – HK\$1,530 million) and HK\$334 million (2010 – HK\$286 million) respectively.

Employees

At the year end date, the Group employed approximately 10,000 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$2,083 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, 2011, 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, 2011.

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, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31st December, 2011 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 and two Independent Non-executive Directors, namely, Dr. Wong Yick-ming, Rosanna (Chairman of the Remuneration Committee) and Mr. Kwok Tun-li, Stanley.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Friday, 25th May, 2012 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 Tuesday, 22nd May, 2012 to Friday, 25th May, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2012 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 Monday, 21st May, 2012.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at close of business on Thursday, 31st May, 2012, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, 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 Thursday, 31st May, 2012.

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, 2011

	2011 HK\$ Million	2010 (Restated) HK\$ Million
Group turnover	32,971	23,983
Share of property sales of jointly controlled entities	9,388	8,880
Turnover	<u>42,359</u>	<u>32,863</u>
Group turnover	32,971	23,983
Investment and other income	1,567	1,308
Operating costs		
Property and related costs	(21,160)	(15,113)
Salaries and related expenses	(1,503)	(1,254)
Interest and other finance costs	(372)	(222)
Depreciation	(400)	(398)
Other expenses	(470)	(336)
	(23,905)	(17,323)
Share of net profit of jointly controlled entities	5,211	8,188
Increase in fair value of investment properties	4,010	1,737
Operating profit	<u>19,854</u>	<u>17,893</u>
Share of net profit of associates	28,238	10,308
Profit before taxation	48,092	28,201
Taxation	(1,833)	(1,042)
Profit for the year	<u>46,259</u>	<u>27,159</u>
Profit attributable to		
Shareholders of the Company	46,055	26,836
Non-controlling interests and holders of perpetual securities	204	323
	<u>46,259</u>	<u>27,159</u>
Earnings per share	HK\$19.88	HK\$11.59

	2011 HK\$ Million	2010 HK\$ Million
Dividends		
Interim dividend paid	1,228	1,158
Final dividend proposed	6,091	5,675
	<u>7,319</u>	<u>6,833</u>
Dividends per share		
Interim dividend	HK\$0.53	HK\$0.50
Final dividend	HK\$2.63	HK\$2.45

Consolidated Statement of Financial Position
As at 31st December, 2011

	31/12/2011	31/12/2010	1/1/2010
	HK\$ Million	(Restated) HK\$ Million	(Restated) HK\$ Million
Non-current assets			
Fixed assets	11,233	10,399	10,696
Investment properties	25,180	21,170	19,433
Associates	190,937	156,369	149,723
Jointly controlled entities	45,323	39,497	32,653
Investments available for sale	8,327	9,282	7,026
Long term loan receivables	180	357	444
	<u>281,180</u>	<u>237,074</u>	<u>219,975</u>
Current assets			
Stock of properties	68,932	65,679	62,999
Debtors, deposits and prepayments	2,805	2,459	2,799
Investments held for trading	220	258	1,927
Derivative financial instruments	155	334	83
Bank balances and deposits	19,894	25,147	11,423
	<u>92,006</u>	<u>93,877</u>	<u>79,231</u>
Current liabilities			
Bank and other loans	22,897	13,127	7,210
Creditors and accruals	9,701	18,298	12,078
Loan from joint development partner	-	2,000	2,000
Derivative financial instruments	826	647	460
Provision for taxation	1,607	633	1,028
	<u>56,975</u>	<u>59,172</u>	<u>56,455</u>
Net current assets	<u>56,975</u>	<u>59,172</u>	<u>56,455</u>
Total assets less current liabilities	<u>338,155</u>	<u>296,246</u>	<u>276,430</u>
Non-current liabilities			
Bank and other loans	23,020	22,027	25,279
Deferred tax liabilities	850	761	664
	<u>23,870</u>	<u>22,788</u>	<u>25,943</u>
Net assets	<u>314,285</u>	<u>273,458</u>	<u>250,487</u>
Representing:			
Share capital	1,158	1,158	1,158
Share premium	9,331	9,331	9,331
Reserves	295,936	259,148	236,187
Shareholders' funds	<u>306,425</u>	<u>269,637</u>	<u>246,676</u>
Perpetual securities	4,648	-	-
Non-controlling interests	3,212	3,821	3,811
Total equity	<u>314,285</u>	<u>273,458</u>	<u>250,487</u>

Notes:

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

	2011	2010
	HK\$ Million	HK\$ Million
Property sales	28,755	20,417
Property rental	1,377	1,264
Hotels and serviced suites	2,489	2,037
Property and project management	350	265
Group turnover	32,971	23,983
Share of property sales of jointly controlled entities	9,388	8,880
Turnover	42,359	32,863

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 23% (2010 - 29%) of the turnover and was derived from the following locations:

	2011	2010
	HK\$ Million	HK\$ Million
The Mainland	9,827	8,545
Singapore	-	1,052
	9,827	9,597

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2011	2010	2011	2010	2011	2010
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	7,782	5,631	3,436	3,271	11,218	8,902
Property rental	1,274	1,131	424	686	1,698	1,817
Hotels and serviced suites	916	617	272	235	1,188	852
Property and project management	124	115	17	-	141	115
	10,096	7,494	4,149	4,192	14,245	11,686
Investment and finance					694	1,147
Interest and other finance costs					(372)	(222)
Water business in the United Kingdom					130	-
Increase in fair value of investment properties						
Subsidiaries					4,010	1,737
Jointly controlled entities					1,151	4,733
Profit on disposal of indirect interest in jointly controlled entity					-	2,177
Surplus on loss of control of indirect interest in jointly controlled entities					1,731	-
Others					189	180
Taxation						
Company and subsidiaries					(1,833)	(1,042)
Jointly controlled entities					(1,730)	(3,414)
Profit attributable to non-controlling interests and holders of perpetual securities					(204)	(323)
					18,011	16,659
Share of net profit of listed associates						
Hutchison Whampoa Limited						
Profit attributable to shareholders before profit on disposal of investments and others					11,566	10,082
Profit on disposal of investments and others					16,421	-
CK Life Sciences Int'l., (Holdings) Inc.					57	95
Profit attributable to shareholders of the Company					46,055	26,836

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

	2011	2010
	HK\$ Million	HK\$ Million
Interest and other finance costs	587	357
Less: Amount capitalised	(215)	(135)
	<u>372</u>	<u>222</u>
Costs of properties sold	19,498	13,515
Impairment of investments available for sale	522	112
Gain on disposal of investments available for sale	(233)	(242)
(Gain)/loss on investments held for trading	20	(84)
	<u><u>20</u></u>	<u><u>(84)</u></u>

(3) Hong Kong profits tax has been provided for at the rate of 16.5% (2010 - 16.5%) on the estimated assessable profits for the year. Tax outside Hong Kong 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.

	2011	2010
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong profits tax	1,541	904
Tax outside Hong Kong	203	41
Deferred tax	89	97
	<u>1,833</u>	<u>1,042</u>
	<u><u>1,833</u></u>	<u><u>1,042</u></u>

(4) The calculation of earnings per share is based on profit attributable to shareholders of the Company and on 2,316,164,338 shares (2010 - 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 and deposits are payable in advance by tenants.

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

	2011	2010
	HK\$ Million	HK\$ Million
Current to one month	434	817
Two to three months	70	22
Over three months	21	8
	<u>525</u>	<u>847</u>
	<u><u>525</u></u>	<u><u>847</u></u>

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

	2011	2010
	HK\$ Million	HK\$ Million
Current to one month	2,162	500
Two to three months	44	32
Over three months	19	25
	<u>2,225</u>	<u>557</u>
	<u><u>2,225</u></u>	<u><u>557</u></u>

- (6) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those HKFRSs which are effective for accounting periods beginning on 1st January, 2011, the adoption has no significant impact on the Group's results and financial position. The Group and its listed associate, Hutchison Whampoa Limited ("Hutchison"), have also adopted HKAS 12 (Amendments) "Deferred Tax: Recovery of Underlying Assets", which will be effective for accounting periods beginning on 1st January, 2012, in the preparation of the financial statements.

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through use. Following the adoption of HKAS 12 (Amendments), deferred tax is provided on the basis that the carrying amounts of the investment properties will be recovered through sale except that the basis of recovery through use will continue to apply to those investment properties which are depreciable and are held with an objective to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. This change in accounting policy has been applied retrospectively.

The impact of the said change in accounting policy, including the Group's share of its impact on Hutchison, have effects on the Group's financial statements as follows:

	Year ended 31st December		
	2011	2010	
	HK\$ Million	HK\$ Million	
Increase in share of net profit of jointly controlled entities	52	5	
Increase in share of net profit of associates	34	71	
Decrease in taxation	652	282	
Increase in profit attributable to non-controlling interests	(2)	-	
Increase in profit attributable to shareholders of the Company	<u>736</u>	<u>358</u>	
Increase in earnings per share	<u>HK\$0.32</u>	<u>HK\$0.16</u>	
	31/12/2011	31/12/2010	1/1/2010
	HK\$ Million	HK\$ Million	HK\$ Million
Increase in associates	2,286	2,252	2,181
Increase in jointly controlled entities	118	66	62
Decrease in deferred tax liabilities	2,281	1,629	1,347
Increase in net assets	<u>4,685</u>	<u>3,947</u>	<u>3,590</u>
Increase in retained profits	4,677	3,941	3,583
Increase in exchange reserve	-	-	1
Increase in non-controlling interests	8	6	6
Increase in total equity	<u>4,685</u>	<u>3,947</u>	<u>3,590</u>

For the other 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.