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CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2012

HIGHLIGHTS

	2012	2011	Change
	HK\$ Million	HK\$ Million	
Turnover ^{Note 1}	31,106	42,359	-27%
Profit before investment property revaluation	14,213	13,127	+8%
Investment property revaluation (net of tax)	4,885	4,941	-1%
Profit before share of results of Hutchison Whampoa Group	19,098	18,068	+6%
Share of results of Hutchison Whampoa Group Profit attributable to shareholders before profit on disposal of investments and others	13,955	11,566	+21%
Profit on disposal of investments and others ^{Note 2}	33,053	29,634	+12%
Profit attributable to shareholders	(901)	16,421	N/A
	32,152	46,055	-30%
Earnings per share	HK\$13.88	HK\$19.88	-30%
Final dividend per share	HK\$2.63	HK\$2.63	-
Full year dividend per share	HK\$3.16	HK\$3.16	-

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\$398,391 million (2011 (restated) – HK\$383,793 million).

Note 2: This represents the Group's share of the Hutchison Whampoa Group's profit on disposal of investments and others after tax. In 2011, the Hutchison Whampoa Group recorded profit on disposal of investments and others after tax of HK\$32,868 million, primarily due to the IPO of Hutchison Port Holdings Trust.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2012 amounted to HK\$32,152 million (2011 – HK\$46,055 million). Earnings per share were HK\$13.88 (2011 – HK\$19.88).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$2.63 per share in respect of 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business on 27th May, 2013. This together with the interim dividend of HK\$0.53 per share gives a total of HK\$3.16 per share for the year (2011 – HK\$3.16 per share). The proposed final dividend will be paid on 7th June, 2013 following approval at the 2013 Annual General Meeting.

PROSPECTS

Promising Growth on Solid Foundations

2012 in Review

Business Performance

2012 was a challenging year for global markets. While economic sentiment has moderately improved in view of the stabilising U.S. economic situation, Eurozone uncertainties have continued to persist.

Despite an uncertain global economic landscape, our core operations performed well and delivered solid results. For the year ended 31st December, 2012, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$19,098 million, an increase of 6% over the previous year. The Group's share of results of the Hutchison Whampoa Group decreased in 2012. This comparative decline against the previous year was primarily attributable to the significant one-off gain included in the 2011 annual results arising from the disposal of part of the Hutchison Whampoa Group's interests in its port businesses. Excluding this significant one-off gain in 2011, the 2012 annual results of the Group would show an increase of 12% as compared to the previous year.

In 2012, less profit contribution was recorded from the Group's property sales as a result of the timing of the completion of developments with relatively more developments completed during 2011. Contributions from property rental and hotels and serviced suites increased solidly over 2011, and the growth in contribution from the recently invested infrastructure business was in line with expectations.

Our property business performed well despite the reduced number of developments completed in Hong Kong in 2012. Strong contributions from Singapore and the Mainland have mitigated the impact of less profit contribution from property sales in Hong Kong. Various operating and marketing goals were met, and our landbank was further strengthened. Looking into 2013, the rise in building costs will continue, at a rate likely to reach double digits. This, coupled with solid end-user demand, low interest rates and a favourable employment environment, will continue to lend support to a stable property market in Hong Kong. However, overall market conditions will continue to be impacted by external economic factors and the formulation of local housing policies.

The contribution from the Group's property business on the Mainland increased favourably over 2011. Our property projects are maturing steadily, and marketing activities are proceeding as planned. The Central Government's tightening measures will continue to steer the development of the Mainland's property market. However, we remain focused on driving long-term sustainable growth on the Mainland. Our various projects will proceed as scheduled and in response to market developments.

The Group's overseas property business performed solidly in 2012. We will continue to position ourselves for suitable overseas investment opportunities to further strengthen our foundations for growth.

In addition to healthy organic growth of existing operations, the Group also benefited from the profit contribution generated from its infrastructure investments. The Group's participation in the acquisitions of Northumbrian Water Group Limited and Wales & West Utilities Limited in the United Kingdom, which were completed in October 2011 and October 2012 respectively, represented its first foray into the infrastructure sector and attractive returns are expected as a result of this diversification strategy.

We are steadfast in maintaining financial prudence and soundness. Corporate finance initiatives were taken to further strengthen the capital base of the Group. US\$500 million Floating Rate Notes under the Euro Medium Term Note Programme were issued in June 2012, and HK\$1,000 million Guaranteed Senior Perpetual Securities ("GSPS") and US\$500 million GSPS were issued in July 2012 and January 2013 respectively.

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 2012, businesses in markets beyond Hong Kong continued to perform well and generate satisfactory results to the Group and its listed affiliated companies.

The Hutchison Whampoa Group

The overall performances of the Hutchison Whampoa Group before one time items, including the gain generated from the initial public offer of units in Hutchison Port Holdings Trust in 2011, continued to be resilient during the year under review. All major operating divisions, other than its telecommunications joint venture in Australia, continued to perform well around the globe, including Europe, and reported improved recurring results. Looking into 2013, we expect the Hutchison Whampoa Group's various businesses to be challenged by the weak economic conditions and continued uncertainties in a number of markets in which they operate, but barring unforeseen material adverse circumstances, the Hutchison Whampoa Group is poised for another year of solid progress and good results.

CKI

Cheung Kong Infrastructure Holdings Limited ("CKI") has achieved another strong performance in 2012. Over the past few years, CKI has stepped up the pace of its acquisition strategy and benefited from the opportunities presented in the uncertain global economic environment. Its earnings base has been expanded and profitability enhanced. Good organic growth has also been achieved. At the same time, prudent corporate finance initiatives have been undertaken to strengthen its balance sheet. Though the economic climate going into 2013 remains uncertain, CKI is well-positioned to weather such conditions and to capitalise on any opportunities which may arise.

Power Assets

2012 has been a year of continued success for Power Assets Holdings Limited ("Power Assets"), with earnings from operations outside Hong Kong having increased significantly, again surpassing those from Hong Kong. Power Assets' long-term strategy of seeking steady earnings growth via carefully selected global investments has proven its worth. Power Assets will continue with this strategy as it continues to expand at a measured pace.

CK Life Sciences

CK Life Sciences Int'l., (Holdings) Inc ("CK Life Sciences") achieved a strong performance in 2012. Through the acquisitions of Peaty Trading Group, three vineyards and Cheetham Salt Limited in Australia, the scope of CK Life Sciences' investment portfolio has been strengthened, and the profitability of its agriculture-related business enhanced. Meanwhile, organic growth of CK Life Sciences' existing businesses is also poised to continue to contribute to its revenue stream, while its R&D initiatives continue to make good progress. We are confident about the future prospects of CK Life Sciences.

Looking Ahead

As compared to last year, global market conditions will likely turn more stable in 2013. However, many challenges and uncertainties will continue. While some improvement has been seen in the U.S. economic outlook, the global economic outlook remains fragile as the uncertainties in the Eurozone economies continue to weigh on the pace of global recovery.

China continued to experience strong economic growth. For 2012 as a whole, real GDP growth was 7.8%, moderately above the growth target of 7.5%. In 2013, China's growth momentum is expected to continue as the Central Government has reaffirmed a proactive fiscal and prudent monetary policy with particular emphasis on quality and efficient economic growth, long-term sustainability, and urbanisation. Hong Kong is expected to stay on track to achieve modest economic growth this year, leveraging the strength of its healthy economic fundamentals as well as China's sustainable development. We remain optimistic about the long-term economic prospects for the Mainland and Hong Kong.

The global geopolitical and economic landscape is ever changing and there will be many challenges ahead. The Cheung Kong Group has been presented with numerous investment opportunities and options, and continues to maintain a low debt ratio. We will continue with our strategy of "Growth with Stability". The Group will vigilantly strengthen its core business and operations with a view to undertaking steady progress in a constantly challenging market. We will be agile in seizing investment opportunities for long-term growth. We will also achieve new growth through the continued pursuit of quality investments both in Hong Kong and abroad to create further value for shareholders. The Cheung Kong Group is poised for a solid performance in 2013. We are strongly confident in the Cheung Kong Group's business 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, 26th March, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 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
Le Chateau	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%
Regency Park Phase 2C	Jingyue Economic Development Zone, Changchun	17,664	50%
Regency Park Phases 1 and 2	Tianning District, Changzhou	31,500	50%
Le Parc Phase 6A	Chengdu High-Tech Zone, Chengdu	12,854	50%
Regency Oasis Phases 1B and 2	Wenjiang District, Chengdu	227,652	50%
Cape Coral Phase 2A	Nanan District, Chongqing	68,849	47.5%
Noble Hills Phases 2A and 2B	Douxi, Chongqing	143,876	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Laguna Verona Phases D1a, D1b1 and G1a	Hwang Gang Lake, Dongguan	164,232	49.91%
Cape Coral Phase 3A	Panyu District, Guangzhou	84,053	50%
Noble Hills Phase 1A	Zengcheng, Guangzhou	62,092	50%
The Harbourfront Land No. 1	Shibei District, Qingdao	214,906	45%
Regency Garden Phase 1	Pudong New District, Shanghai	34,067	42.5%
Le Sommet Phases 1B, 2 and 4A	Longgang District, Shenzhen	59,902	50%
Century Place Phases 1 and 2	Shennan Road, Huaqiangbei, Futian District, Shenzhen	179,433	40%
The Metropolitan Tianjin Phase 2	Yingkoudao, Heping District, Tianjin	31,661	40%
The Greenwich Phases 2A, 2B and 3A	Xian Hi-Tech Industries Development Zone, Xian	282,689	50%

2. Developments in Progress and Scheduled for Completion in 2013:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
The Beaumont	Tseung Kwan O Town Lot No. 90	97,400	Joint Venture
One West Kowloon	New Kowloon Inland Lot No. 6354	23,996	100%
Kennedy Park at Central	Section A, The Remaining Portion of Section B, Subsection 1 of Section N and Subsection 1 of Section O of Inland Lot No. 1381	8,106	100%
Fung Yuen Project	Tai Po Town Lot No. 183	87,356	100%
Marina Bay Suites	Marina Bay, Singapore	43,607	16.67%
La Grande Ville Phase 2	Shun Yi District, Beijing	45,726	100%
Yuhu Mingdi Phase 1	Luogang District, Guangzhou	43,901	40%
Guangzhou Guoji Wanjucheng Phase 2A	Huangpu District, Guangzhou	62,584	30%
Regency Park Phase 3	Jingyue Economic Development Zone, Changchun	51,953	50%
Regency Residence Phases 1 and 2B	Nangan District, Changchun	10,402	50%
Le Parc Phases 4A, 4B and 6B	Chengdu High-Tech Zone, Chengdu	474,369	50%
Regency Oasis Phase 1B	Wenjiang District, Chengdu	113,308	50%
Cape Coral Phase 2B	Nanan District, Chongqing	77,854	47.5%
Zhaomushan Project Land No. G19	Liangjiang New Area, Chongqing	73,511	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Noble Hills Phase 3	Wangcheng County, Changsha	108,766	50%
Regency Park Phase 3A	Tianning District, Changzhou	16,604	50%
Laguna Verona Phases D1b2, D1c and G1a	Hwang Gang Lake, Dongguan	95,627	49.91%
Cape Coral Phase 3B	Panyu District, Guangzhou	84,002	50%
Noble Hills Phases 1A and 1B	Zengcheng, Guangzhou	48,333	50%
The Harbourfront Land No. 2 and 8	Shibei District, Qingdao	83,295	45%
Regency Garden Phase 3	Pudong New District, Shanghai	24,988	42.5%
Le Sommet Phases 4B and 4C	Longgang District, Shenzhen	119,495	50%
Noble Hills	Baoan District, Shenzhen	146,950	50%
The Metropolitan Tianjin Phases 1 and 2	Yingkoudao, Heping District, Tianjin	165,934	40%
Regency Cove Phase 1	Caidian District, Wuhan	89,357	50%

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

Hong Kong

- (1) May 2012: A wholly owned subsidiary of the Group successfully bid in a public tender exercise for the joint development of the site at Peel Street / Gage Street / Graham Street, Central, Inland Lot No. 9038 and entered into a development agreement with the Urban Renewal Authority. With an aggregate area of approximately 1,690 sq.m., the site is planned for a residential and commercial development estimated to have a total developable gross floor area of approximately 17,790 sq.m.
- (2) June 2012: A wholly owned subsidiary of the Group has established a US\$2,000,000,000 Euro Medium Term Note Programme (the “Programme”) as guaranteed by the Company 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 Programme provides that the Notes may be listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or such other stock exchanges as may be agreed with the relevant dealer(s). On 15th June, 2012, the Group issued US\$500,000,000 Floating Rate Notes due 2015 under the Programme, which have been listed on the Stock Exchange since 18th June, 2012. As at 31st December, 2012, Notes of an aggregate nominal amount of approximately US\$849.3 million were issued and outstanding under the Programme. In January 2013, the Programme has been updated to include a wholly owned Singapore subsidiary of the Group as another issuer.
- (3) July 2012: A wholly owned subsidiary of the Group issued HK\$1,000 million Guaranteed Senior Perpetual Securities (“GSPS”) at an issue price of 100% of the principal amount with distribution rate of 5.25% per annum for the first five years and thereafter at the rate of 6.25% per annum, which have been listed on the Stock Exchange since 10th July, 2012. The GSPS is guaranteed by the Company.
- (4) August 2012: A wholly owned subsidiary of the Group successfully won in a public tender exercise for the joint development with Tsuen Wan West Property Development Limited (“TWWP”), with MTR Corporation Limited acting as TWWP’s agent, in respect of the development at West Rail Tsuen Wan West Station TW5 Bayside, Tsuen Wan Town Lot No. 401. With an area of approximately 42,870 sq.m., the site is earmarked for a residential and commercial development estimated to have a developable gross floor area of approximately 207,650 sq.m.
- (5) November 2012: A wholly owned subsidiary of the Group was awarded a Government tender for the development at Choi Sha Street, Lok Wo Sha, Ma On Shan, Sha Tin, New Territories, Sha Tin Town Lot No. 574. With an area of approximately 14,400 sq.m., the site is designated for a residential development estimated to have a developable gross floor area of approximately 52,227 sq.m.
- (6) January 2013: A wholly owned subsidiary of the Group issued US\$500 million Guaranteed Senior Perpetual Securities at an issue price of 100% of the principal amount with distribution rate of 5.375% per annum, which have been listed on the Stock Exchange since 25th January, 2013. Such securities are guaranteed by the Company.
- (7) 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

- (8) May 2012: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group signed a land use right transfer contract to acquire a piece of land with an area of approximately 144,480 sq.m. and a gross floor area of approximately 138,870 sq.m. at Zhao Xiang Town, Qing Pu District, Shanghai, the Mainland for development into residential properties.
- (9) July 2012: Two indirect 30/30/30/10 joint venture companies of the Company, Cheung Kong Infrastructure Holdings Limited, Power Assets Holdings Limited and Li Ka Shing Foundation Limited entered into an arrangement to acquire the issued share capital and the loan notes of MGN Gas Networks (UK) Limited (now known as Wales & West Gas Networks (Holdings) Limited) at the consideration of approximately £645 million. The acquisition was completed on 10th October, 2012.
- (10) 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\$26,521 million (2011 – HK\$38,143 million), a decrease of HK\$11,622 million when compared with last year, and comprised mainly the sale of residential units of two property projects completed last year – Festival City Phase 3 in Hong Kong and The Greenwich Phase 1C in Beijing, and the sale of residential units of property projects completed during the year, including Crown by the Sea, Le Chateau and La Splendeur in Hong Kong, Century Place Phase 1 and Le Sommet Phases 1B, 2 and 4A in Shenzhen, Cape Coral Phase 3A in Guangzhou, The Harbourfront Land No. 1 in Qingdao, The Greenwich Phases 2A, 2B and 3A in Xian, Regency Garden Phase 1 in Shanghai, Regency Park Phase 2 in Changzhou, The Metropolitan Tianjin Phase 2 in Tianjin, Cape Coral Phase 2A and Noble Hills Phase 2B in Chongqing, Laguna Verona Phases D1a, D1b1 and G1a in Dongguan and a few others on the Mainland.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$10,004 million (2011 – HK\$11,218 million), a decrease of HK\$1,214 million when compared with last year. During the year, residential property prices in Hong Kong maintained their rising trend on the back of solid demand from end users and tougher measures were introduced by the Hong Kong government to curb the residential property market; whereas sale of residential properties on the Mainland showed signs of recovery in a number of cities in the second half year.

Contribution from property sales for 2013 will mainly be derived from the sale of residential units of The Beaumont, One West Kowloon and Kennedy Park at Central in Hong Kong, Marina Bay Suites in Singapore, La Grande Ville Phase 2 in Beijing, Le Parc Phases 4A, 4B and 6B in Chengdu, Cape Coral Phase 3B in Guangzhou, The Harbourfront Land No. 2 and 8 in Qingdao, Laguna Verona Phases D1b2, D1c and G1a in Dongguan and several other property projects scheduled for completion.

The presales of residential units of The Beaumont, One West Kowloon and Kennedy Park at Central have been launched in Hong Kong and over 95% of all the units of these projects have been presold. The sale/presale of residential units of Marina Bay Suites in Singapore and various property projects on the Mainland are also progressing well.

Property Rental

Turnover of the Group's property rental for the year was HK\$1,867 million (2011 – HK\$1,377 million), an increase of HK\$490 million when compared with last year, mainly due to increasing rental rates for retail properties in Hong Kong as demand for retail properties continued to be driven by growing tourist and domestic spending. The Group's investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong, which accounted for approximately 56% and 35% respectively of the turnover of the Group's property rental for the year.

Contribution from the Group's property rental was HK\$1,703 million (2011 – HK\$1,274 million), an increase of HK\$429 million when compared with last year, mainly attributable to an increase in contribution from the Group's retail shopping malls in Hong Kong. Property rental contribution from jointly controlled entities was HK\$275 million (2011 – HK\$424 million), a decrease of HK\$149 million when compared with last year due to the fact that Oriental Plaza in Beijing no longer provides rental contribution after its listing on the Hong Kong Stock Exchange in April 2011. Overall contribution from property rental, including share of results of jointly controlled entities, amounted to HK\$1,978 million (2011 – HK\$1,698 million), an increase of HK\$280 million when compared with last year.

In December 2012, Marina Bay Financial Centre Tower 3, an investment property completed in Singapore and of which the Group's 16.7% interest was held through jointly controlled entities, was divested and the Group shared a surplus of HK\$1,326 million arising from 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\$4,470 million (2011 – HK\$4,010 million) based on a professional valuation and shared an increase in fair value of investment properties of HK\$531 million (2011 – HK\$1,151 million) of jointly controlled entities.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites for the year was HK\$2,350 million (2011 – HK\$2,489 million), a decrease of HK\$139 million when compared with last year. The decrease in turnover was mainly due to the Group's disposal of a 70% interest in Sheraton Shenyang Lido Hotel on the Mainland in January 2012. The disposal contributed a surplus of HK\$1,077 million to group profit for the year.

Contribution from the Group's hotels and serviced suites was HK\$930 million (2011 – HK\$916 million) and contribution including share of results of jointly controlled entities was HK\$1,235 million (2011 – HK\$1,188 million), an overall increase of HK\$47 million when compared with last year, notwithstanding a decrease in contribution from Sheraton Shenyang Lido Hotel, now owned by a jointly controlled entity, as a result of the Group's reduced interest in the hotel. During the year, local business travel and inbound tourism continued to be active and operating results reported by most of the hotels and serviced suites owned by the Group and jointly controlled entities in Hong Kong and on the Mainland were satisfactory.

During the second half year, the Group's interest in a jointly controlled entity which owned the Metropark Lido Hotel, Beijing on the Mainland was disposed of at a profit of HK\$450 million. In February 2013, The Apex Horizon owned and operated by the Group in Hong Kong was also disposed of to investors in the public. These transactions will have no significant impact on the overall contribution from the Group's hotel and serviced suite operation in 2013.

Although global economic recovery is slowly underway with uncertainties ahead, the Group will strive for satisfactory results for its hotel and serviced suite operation.

Property and Project Management

Turnover of the Group's property and project management for the year was HK\$368 million (2011 – HK\$350 million), of which income from property management was HK\$171 million (2011 – HK\$161 million), an increase of HK\$10 million when compared with last year, and income from project related services was HK\$197 million (2011 – HK\$189 million), an increase of HK\$8 million when compared with last year.

Contribution from the Group's property management was HK\$109 million (2011 – HK\$105 million), an increase of HK\$4 million when compared with last year, while the Group's project related services made a small contribution to group profit. The Group also shared the profits of jointly controlled entities amounting to HK\$45 million (2011 – HK\$17 million), which were engaged in the management of major property projects, including Beijing Oriental Plaza on the Mainland and Marina Bay Financial Centre in Singapore.

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 87 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, 2012 of HK\$26,128 million (2011 – HK\$56,019 million, including a net gain of HK\$32,868 million on disposal of investments and others, mainly from the IPO of Hutchison Port Holdings Trust).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2012 of HK\$176.3 million (2011 – HK\$125.8 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 as appropriate. During the year, the Group issued notes with a three-year term under the Euro Medium Term Note Programme in the amount of US\$500 million in Hong Kong.

At the year end date, the Group's bonds and notes, bank loans and other loans were HK\$13.6 billion, HK\$33.9 billion and HK\$0.6 billion respectively, and the Group's total borrowings amounted to HK\$48.1 billion, an increase of HK\$2.2 billion from last year end date. The maturity profile is spread over a period of nine years, with HK\$5.1 billion repayable within one year, HK\$38.5 billion within two to five years and HK\$4.5 billion beyond five years.

During the year, the Group also issued perpetual securities in the amount of HK\$1 billion with an annual distribution rate of 5.25% for the first five years and thereafter at the rate of 6.25%. With no fixed maturity, the perpetual securities are redeemable at the Group's option on or after 9th July, 2017 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 7.3% (2011 – 7.6%). Net debt is arrived at by deducting bank balances and deposits of HK\$21.2 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 78.8% 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 requirements. 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 as 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, there was no charge on assets of the Group (2011 – HK\$135 million).

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\$612 million (2011 – HK\$624 million); and
- (2) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK\$1,281 million (2011 – HK\$1,617 million) and HK\$359 million (2011 – HK\$334 million) respectively.

Employees

At the year end date, the Group employed approximately 8,900 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$2,226 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, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, 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 during the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code ("CG Code") during the period from 1st April, 2012 to 31st December, 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Managing Director. In respect of code provision A.6.7 of the CG Code, a Non-executive Director did not attend the annual general meeting of the Company held on 25th May, 2012 due to an overseas commitment.

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 have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

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, 2012 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, 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 2013 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 Tuesday, 21st May, 2013 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 Wednesday, 15th May, 2013 to Tuesday, 21st May, 2013, 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 2013 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 Tuesday, 14th May, 2013.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 27th May, 2013, 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 Monday, 27th May, 2013.

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, Mr. George Colin MAGNUS and Mr. LEE Yeh Kwong, Charles 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, 2012

	2012 HK\$ Million	2011 HK\$ Million
Group turnover	19,199	32,971
Share of property sales of jointly controlled entities	11,907	9,388
Turnover	<u>31,106</u>	<u>42,359</u>
Group turnover	19,199	32,971
Investment and other income	2,180	1,567
Operating costs		
Property and related costs	(9,810)	(21,160)
Salaries and related expenses	(1,607)	(1,503)
Interest and other finance costs	(496)	(372)
Depreciation	(340)	(400)
Other expenses	(496)	(470)
	<u>(12,749)</u>	<u>(23,905)</u>
Share of net profit of jointly controlled entities	5,452	5,211
Increase in fair value of investment properties	4,470	4,010
Surplus on loss of control of interest in subsidiaries	1,077	-
Profit on disposal of a jointly controlled entity	450	-
Operating profit	<u>20,079</u>	<u>19,854</u>
Share of net profit of associates	<u>13,679</u>	<u>28,238</u>
Profit before taxation	33,758	48,092
Taxation	(1,234)	(1,833)
Profit for the year	<u>32,524</u>	<u>46,259</u>
Profit attributable to		
Shareholders of the Company	32,152	46,055
Non-controlling interests and holders of perpetual securities	372	204
	<u>32,524</u>	<u>46,259</u>
Earnings per share	HK\$13.88	HK\$19.88

	2012 HK\$ Million	2011 HK\$ Million
Dividends		
Interim dividend paid	1,228	1,228
Final dividend proposed	6,091	6,091
	<u>7,319</u>	<u>7,319</u>
Dividends per share		
Interim dividend	HK\$0.53	HK\$0.53
Final dividend	HK\$2.63	HK\$2.63

**Consolidated Statement of Financial Position
As at 31st December, 2012**

	31/12/2012	31/12/2011
	HK\$ Million	HK\$ Million
Non-current assets		
Fixed assets	10,145	11,233
Investment properties	29,656	25,180
Associates	202,787	190,937
Jointly controlled entities	48,705	45,323
Investments available for sale	11,642	8,327
Long term loan receivables	286	180
	<u>303,221</u>	<u>281,180</u>
Current assets		
Stock of properties	80,088	68,932
Debtors, deposits and prepayments	2,418	2,805
Investments held for trading	236	220
Derivative financial instruments	436	155
Bank balances and deposits	21,167	19,894
	<u>104,345</u>	<u>92,006</u>
Current liabilities		
Bank and other loans	5,098	22,897
Creditors and accruals	13,290	9,701
Derivative financial instruments	1,140	826
Provision for taxation	661	1,607
	<u>84,156</u>	<u>56,975</u>
Net current assets	<u>84,156</u>	<u>56,975</u>
Total assets less current liabilities	<u>387,377</u>	<u>338,155</u>
Non-current liabilities		
Bank and other loans	43,001	23,020
Deferred tax liabilities	820	850
Derivative financial instruments	63	-
	<u>43,884</u>	<u>23,870</u>
Net assets	<u>343,493</u>	<u>314,285</u>
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	324,195	295,936
Shareholders' funds	<u>334,684</u>	<u>306,425</u>
Perpetual securities	5,652	4,648
Non-controlling interests	3,157	3,212
Total equity	<u>343,493</u>	<u>314,285</u>

Notes:

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

	2012 HK\$ Million	2011 HK\$ Million
Property sales	14,614	28,755
Property rental	1,867	1,377
Hotels and serviced suites	2,350	2,489
Property and project management	368	350
Group turnover	19,199	32,971
Share of property sales of jointly controlled entities	11,907	9,388
Turnover	31,106	42,359

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 38% (2011 - 23%) of the turnover and was derived from the following location:

	2012 HK\$ Million	2011 HK\$ Million
The Mainland	11,919	9,827

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2012 HK\$ Million	2011 HK\$ Million	2012 HK\$ Million	2011 HK\$ Million	2012 HK\$ Million	2011 HK\$ Million
Property sales	5,305	7,782	4,699	3,436	10,004	11,218
Property rental	1,703	1,274	275	424	1,978	1,698
Hotels and serviced suites	930	916	305	272	1,235	1,188
Property and project management	129	124	45	17	174	141
	8,067	10,096	5,324	4,149	13,391	14,245
Infrastructure business					1,036	130
Investment and finance					1,159	694
Interest and other finance costs					(496)	(372)
Increase in fair value of investment properties						
Subsidiaries					4,470	4,010
Jointly controlled entities					531	1,151
Surplus on loss of control of interest in subsidiaries					1,077	-
Surplus on loss of control of indirect interest in jointly controlled entities					1,326	1,731
Profit on disposal of a jointly controlled entity					450	-
Others					62	189
Taxation						
Company and subsidiaries					(1,234)	(1,833)
Jointly controlled entities					(2,382)	(1,730)
Profit attributable to non-controlling interests and holders of perpetual securities					(372)	(204)
					19,018	18,011
Share of net profit of listed associates						
Hutchison Whampoa Limited						
Profit attributable to shareholders before profit on disposal of investments and others					13,955	11,566
Profit on disposal of investments and others					(901)	16,421
CK Life Sciences Int'l., (Holdings) Inc.					80	57
Profit attributable to shareholders of the Company					32,152	46,055

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

	2012 HK\$ Million	2011 HK\$ Million
Interest and other finance costs	925	587
Less: Amount capitalised	<u>(429)</u>	<u>(215)</u>
	496	372
Costs of properties sold	8,426	19,498
Impairment of investments available for sale	50	522
Gain on disposal of investments available for sale	(479)	(233)
(Gain)/loss on investments held for trading	<u>(26)</u>	<u>20</u>

(3) Hong Kong profits tax has been provided for at the rate of 16.5% (2011 - 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.

	2012 HK\$ Million	2011 HK\$ Million
Current tax		
Hong Kong profits tax	1,095	1,541
Tax outside Hong Kong	122	203
Deferred tax	17	89
	<u>1,234</u>	<u>1,833</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 (2011 - 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.

At the year end date, ageing analysis of the Group's trade debtors is as follows:

	2012 HK\$ Million	2011 HK\$ Million
Current to one month	1,221	434
Two to three months	72	70
Over three months	15	21
	<u>1,308</u>	<u>525</u>

At the year end date, ageing analysis of the Group's trade creditors is as follows:

	2012 HK\$ Million	2011 HK\$ Million
Current to one month	2,584	2,162
Two to three months	53	44
Over three months	40	19
	<u>2,677</u>	<u>2,225</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 HKFRS 7 (Amendments) "Disclosures – Transfer of Financial Assets" which is effective for the Group's annual accounting periods beginning on 1st January, 2012, the adoption has no significant impact on the Group's results and financial position; for HKFRS 10 "Consolidated Financial Statements" which will be effective for the Group's annual accounting periods beginning on 1st January, 2013, the Group has assessed and concluded that its adoption, when effective, would not affect the Group's current accounting treatment of its subsidiaries, jointly controlled entities and associates; and 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.