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CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2010

HIGHLIGHTS

	2010	2009 (Restated)	Change
	HK\$ Million	HK\$ Million	
Turnover (<i>Note</i>)	32,863	24,293	+35%
Profit before property revaluation	11,443	9,054	+26%
Property revaluation (net of tax)	5,024	3,754	+34%
Profit before share of results of Hutchison Whampoa Group	16,467	12,808	+29%
Share of profit of Hutchison Whampoa Group	10,011	6,810	+47%
Profit attributable to shareholders	26,478	19,618	+35%
Earnings per share	HK\$11.43	HK\$8.47	+35%
Final dividend per share	HK\$2.45	HK\$2.20	+11.4%
Full year dividend per share	HK\$2.95	HK\$2.70	+9.3%

Note: 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\$325.9 billion (2009 – HK\$300.5 billion).

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2010 amounted to HK\$26,478 million (2009 (restated) – HK\$19,618 million). Earnings per share were HK\$11.43 (2009 (restated) - HK\$8.47).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$2.45 per share in respect of 2010 to shareholders whose names appear on the Register of Members of the Company on 20th May, 2011. This together with the interim dividend of HK\$0.50 per share gives a total of HK\$2.95 per share for the year (2009 – HK\$2.70 per share). The proposed final dividend will be paid on 25th May, 2011 following approval at the 2011 Annual General Meeting.

PROSPECTS

Solid Foundation Excellent Prospects

2010 was a year of strong growth for the Group, both in terms of business expansion and revenue generation. The good results reported for all core businesses were better than expected, and strengthened further our capability to deliver sustainable growth. For the year ended 31st December, 2010, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$16,467 million, a rise of 29% over the previous year.

2010 in Review

Hong Kong's economy continued to improve solidly in 2010. GDP growth was 6.8% in real terms primarily supported by the strong recovery of private consumption and external trade, while inflationary pressure has begun to accelerate due to rising global commodity and food prices.

The local property market registered an increase in transactions throughout most of 2010 as compared to the previous year, supported by solid demand from flat buyers. In view of the Government's various measures introduced to stabilise prices over the past few months, future market developments are expected to be affected not only by demand but also by the Government's initiatives targeted at the property sector. Nevertheless, given continuing inflation, and the solid support from market demand amid improving labour market conditions and the resultant low unemployment rate, the property market is expected to continue to be healthy, barring unforeseen adverse changes.

The Group generated strong turnover from property sales last year. We will continue to strengthen our market presence and revenue base through a steady provision of diversified, high quality properties to meet market demand. Meanwhile, we will seize suitable opportunities for quality land acquisitions to replenish our well established land bank and to support further expansion of the property portfolio.

In 2010, the Group recorded a satisfactory increase in contributions from property sales and property rental, while the contribution from hotels and serviced suites increased significantly compared to the previous year. The fair value of the Group's investment property portfolio has increased as it evolved towards maturity following the growth in the amount of rentals and enhancement in the quality of tenants.

In 2010, the Group's property business continued to perform well on the Mainland, with good progress in both project development and land bank expansion. The introduction of new tightening measures reflects the Central Government's policy to promote the healthier growth of the property market, and such measures will be fundamental in guiding the market's future developments. Continuing inflation, the current favourable employment conditions, robust economic growth and strong market demand will continue to underpin the strength of the Mainland's property market over the long run.

The Group recorded good revenue from its overseas property developments for the year under review. We will continue to pursue selective investments in overseas property markets in order to enhance its portfolio quality and diversity, and generate stable, predictable returns for shareholders.

Listed Affiliated Companies

We continued to benefit from the global opportunities arising from the strategic investments in our listed affiliated companies, particularly through the Hutchison Whampoa Group's diversified portfolio of global businesses. In 2010, businesses in markets beyond Hong Kong continued to grow and generate increased profits for the Group and its listed affiliated companies.

The Hutchison Whampoa Group

With only a few exceptions, the Hutchison Whampoa Group's businesses in 52 countries achieved earnings growth in 2010. The Hutchison Whampoa Group has entered into a new era of development as the 3 Group generates positive profit contributions. The initial public offering of the Hutchison Port Holdings Trust in March 2011 has provided the Group with significant cash proceeds, strengthening further its strong balance sheet and cashflows. The Hutchison Whampoa Group is well positioned to benefit from a very promising future, with its businesses in different countries delivering varying degrees of growth.

CKI

In 2010, Cheung Kong Infrastructure Holdings Limited ("CKI") reported strong organic growth from existing businesses, while significant acquisitions were made to strengthen the Group's global portfolio. The performance of CKI's portfolio in terms of both the countries and industries in which it operates has been very strong. CKI looks ahead to optimistic prospects and promising growth in the years to come.

Power Assets

Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited) has made excellent progress in implementing its investment strategy of growing its earning base from outside Hong Kong. In 2010, significant expansion was undertaken together with CKI in the United Kingdom. In February 2011, the name of the company was changed to “Power Assets Holdings Limited” from “Hongkong Electric Holdings Limited” to reflect its increasingly diverse worldwide interests, and its pursuit of investment opportunities in power and utility related businesses outside Hong Kong.

CK Life Sciences

CK Life Sciences Int’l., (Holdings) Inc. (“CK Life Sciences”) achieved a strong operational performance and recorded encouraging earnings growth in 2010. With the positive outlook of key markets and industries, steady organic growth of existing operations is expected to continue. CK Life Sciences’ recent acquisition of Challenger Wine Trust, a trust and a registered managed investment scheme with vineyards and related infrastructure assets in Australia and New Zealand, is poised to significantly boost earnings of its agriculture businesses in Australia. CK Life Sciences is optimistic about its future prospects.

Looking Ahead

The world economy has continued to improve since the trough of the 2008 financial crisis. Abundant global liquidity following the extension of U.S. quantitative easing measures will boost the prospects for a faster economic recovery, but also increase the risk of inflation. This, together with the European debt problems, the Middle East political issues and the distressing situation in Japan, are expected to pose challenges to the global economy.

China sustained a strong economic growth in 2010, with real GDP growth reaching 10.3% for the year. 2011 represents the first year of China’s “12th Five Year Plan”. The overall economy is expected to continue growing steadily in a healthier manner, assisted by the Central Government’s monetary tightening measures to contain inflation, and the ongoing transformation of the economic growth model.

With various external factors exerting their influence, some degree of instability is to be anticipated, but we expect Hong Kong's economy to be stable this year, and to continue benefiting from the Mainland's rapid development and growth. The Government's measures to curb speculation in the property sector will have an effect in slowing the market development. However, given strong market demand, we have confidence in the long-term prospects of the Mainland and Hong Kong.

We also have strong confidence in the Group's performance for 2011. As stated previously, the Cheung Kong Group is uniquely placed for future growth and expansion given all its strengths and potential. We firmly believe that it has the capabilities to meet the challenges and opportunities ahead, and to expand further its investments around the world. The Cheung Kong Group will continue to perform well and drive growth in the near, medium and long term. Looking ahead, we have full confidence in the promising prospects of its overall businesses.

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, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2010:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
LOHAS Park Le Prestige	Site AB of The Remaining Portion of Tseung Kwan O Town Lot No. 70	125,540	Joint Venture
Conduit 18	Section A of Inland Lot No. 711	2,961	100%
Festival City Phases 1 and 2	Sha Tin Town Lot No. 529	200,744	Joint Venture
Central Park Towers II	Tin Shui Wai Town Lot No. 24	69,457	98.47%
Marina Bay Residences and Marina Bay Financial Centre Towers 1 and 2	Marina Bay, Singapore	243,797	16.67%
La Grande Ville Phase 1	Shun Yi District, Beijing	95,477	100%
Regency Residence Phases 1 and 2A(1)	Nangan District, Changchun	21,268	50%
Noble Hills Phases 1B2 and 1B3	Wangcheng County, Changsha	72,267	50%
Le Parc Phase 2A	Chengdu High-Tech Zone	205,161	50%
Regency Oasis Phase 1A	Wenjiang District, Chengdu	27,118	50%
Noble Hills Phases 1B1, 1B2 and 1C	Douxi, Chongqing	132,825	50%
The Riverside Phase 3	Huangsha, Guangzhou	76,967	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Regency Cove Phases 1A and 1B	Maqiao Town, Minhang District, Shanghai	21,228	42.5%
Le Sommet Phase 1A	Longgang District, Shenzhen	5,345	50%
Regency Park Phase 3	Guanlan, Baoan District, Shenzhen	60,319	50%
The Greenwich Phase 1B	Xian Hi-Tech Industries Development Zone	139,174	50%

2. Developments in Progress and Scheduled for Completion in 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 Phase 2	Jingyue Economic Development Zone, Changchun	110,794	50%
Regency Residence Phases 1 and 2A(2)	Nanguan District, Changchun	22,544	50%
Noble Hills Phase 2	Wangcheng County, Changsha	72,663	50%
Regency Park Phases 1 and 2	Tianning District, Changzhou	32,968	50%
Le Parc Phases 2B and 3	Chengdu High-Tech Zone	342,017	50%
Regency Oasis Phases 1 and 2	Wenjiang District, Chengdu	168,789	50%
Noble Hills Phase 2A	Douxì, Chongqing	88,288	50%
Laguna Verona Phases D1a1 and G1a1	Hwang Gang Lake, Dongguan	50,712	49.91%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
The Riverside and Metropolitan Plaza Phases 1 and 3	Huangsha, Guangzhou	164,842	50%
Regency Cove Phase 2	Maqiao Town, Minhang District, Shanghai	24,348	42.5%
Regency Park Phase IIB	Huamu Road, Pudong New District, Shanghai	10,192	50%
Century Place Phases 1 and 2	Shennan Road, Huaqiangbei Futian District, Shenzhen	179,606	40%
Le Sommet Phase 3	Longgang District, Shenzhen	48,968	50%
Tianjin Metropolitan Phases 1 and 2	Yingkoudao, Heping District, Tianjin	159,702	40%
Regency Cove Phase 1A	Caidian District, Wuhan	59,871	50%
The Greenwich Phases 2 and 3	Xian Hi-Tech Industries Development Zone	509,781	50%

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

Hong Kong

- (1) January 2010: A wholly owned subsidiary of the Group successfully bid for the contract for the joint development of two sites located at Lai Chi Kok Road/Kweilin Street and Yee Kuk Street in Sham Shui Po in a public tender exercise. In February 2010, the Group entered into a development agreement with the Urban Renewal Authority for the joint development of the sites. With an aggregate area of approximately 3,339 sq.m., the sites are planned for a commercial and residential development estimated to have a total developable gross floor area of approximately 29,649 sq.m.
- (2) May 2010: A wholly owned subsidiary of the Group completed the lease modification with the Government in respect of the site at Nos. 106-114 Kwok Shui Road and Nos. 61-69 Yau Ma Hom Road, Kwai Chung Town Lot No. 157. With an area of approximately 4,645 sq.m., the lease allowed a residential development with a developable gross floor area of up to approximately 24,189 sq.m.
- (3) June 2010: A wholly owned subsidiary of the Group completed the lease modification with the Government in respect of the site at No. 41 Heung Yip Road, Wong Chuk Hang, Aberdeen Inland Lot No. 354. With an area of approximately 2,007 sq.m., the site is earmarked for a commercial development estimated to have a developable gross floor area of approximately 30,099 sq.m.
- (4) August 2010: A wholly owned subsidiary of the Group successfully bid for Hung Hom Bay Reclamation Area, Kowloon, Kowloon Inland Lot No. 11120 at a Government auction. With an area of approximately 7,551 sq.m., the site is planned for a residential development estimated to have a developable gross floor area of approximately 33,979 sq.m.
- (5) August 2010: A subsidiary of the Group successfully bid for Argyle Street, Kowloon, Kowloon Inland Lot No. 11125 at a Government auction. With an area of approximately 7,326 sq.m., the site is designated for a residential development estimated to have a developable gross floor area of approximately 36,630 sq.m. The Group holds an 80% interest in this development.
- (6) December 2010: A wholly owned subsidiary of the Group completed the land exchange with the Government in respect of the property at Area 85, Tseung Kwan O, Tseung Kwan O Town Lot No. 111. With an aggregate area of approximately 10,200 sq.m., the site is earmarked for a residential development estimated to have a developable gross floor area of approximately 51,000 sq.m.
- (7) 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.
- (8) During the year under review, the Group continued to acquire properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

The Mainland and Overseas

- (9) October 2010: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group entered into a conditional share purchase agreement (the “SPA”) with HSBC Institutional Trust Services (Singapore) Limited (“REIT’s Trustee”), in its capacity as trustee of Suntec Real Estate Investment Trust, to dispose of one-third interest jointly and equally owned by the Group and the Hutchison Whampoa Group in Marina Bay Financial Centre Towers 1 and 2, the Marina Bay Link Mall and 695 car park lots located in Singapore’s central business district, to REIT’s Trustee at the agreed consideration of SGD1,495.8 million, inclusive of income support of SGD113.9 million provided by the aforesaid joint venture company as the vendor (subject to adjustment). In December 2010, the above disposal was completed pursuant to the SPA.
- (10) November 2010: 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 132,471 sq.m. and a gross floor area of approximately 275,140 sq.m. at G Zone of Dazhulin Section, Liangjiang New Area, Chongqing, the Mainland for residential purpose.
- (11) November 2010: Two joint venture companies indirectly owned as to 50/50 by each of the Group and the Hutchison Whampoa Group successfully bid for two pieces of land with an aggregate area of approximately 319,359 sq.m. and an aggregate gross floor area of approximately 402,913 sq.m. at Wolong Bay, Jinzhou New Area, Dalian, the Mainland for development into residential and commercial properties.
- (12) December 2010: 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 109,265 sq.m. and a gross floor area of approximately 57,140 sq.m. at Cuilihu, Wuguishan Town, Zhongshan, the Mainland for residential and commercial purposes.
- (13) December 2010: 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 74,091 sq.m. and a gross floor area of approximately 75,073 sq.m. at Zhao Xiang Town, Qing Pu District, Shanghai, the Mainland for development into residential properties.
- (14) December 2010: 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 119,502 sq.m. and a gross floor area of approximately 359,233 sq.m. at Yingtiandajie, Jianye District, Nanjing, the Mainland for residential, commercial and office purposes.
- (15) During the year under review, the Group’s property projects on the Mainland and overseas were on schedule, both in terms of sales and leasing.

Property Sales

Turnover of property sales for the year, including share of property sales of jointly controlled entities, was HK\$29,297 million (2009 – HK\$21,513 million), an increase of HK\$7,784 million when compared with last year, and comprised mainly the sale of residential units of three property projects completed in previous years – La Mer of Caribbean Coast and Celestial Heights in Hong Kong and Seasons Villas in Shanghai, and the sale of residential units of property projects completed during the year, including Le Prestige, Conduit 18, Festival City Phase 1 and Central Park Towers II in Hong Kong, Marina Bay Residences in Singapore, La Grande Ville Phase 1 (Zones A, B and D) in Beijing, The Greenwich Phase 1B in Xian, Noble Hills Phase 1B in Changsha, The Riverside Phase 3 in Guangzhou, Le Parc Phase 2A in Chengdu, Noble Hills Phases 1B and 1C in Chongqing, Regency Park Phase 3 in Shenzhen and Regency Cove Phase 1B in Shanghai.

Contribution from property sales, including share of results of jointly controlled entities, was HK\$8,902 million (2009 – HK\$8,396 million), an increase of HK\$506 million when compared with last year. During the year, property sales were active and measures were introduced by the government authorities both in Hong Kong and the Mainland to regulate the red-hot property markets and to facilitate its stability and long-term development.

Contribution from property sales for 2011 will mainly be derived from the sale of residential units of Le Prime, Oceanaire, Festival City Phase 2, Meridian Hill and Uptown in Hong Kong, La Grande Ville Phase 1 (Zones E, F and G) and The Greenwich Phase 1C in Beijing, Regency Park Phase 2 in Changchun, Regency Cove Phase 2 in Shanghai, Century Place Phase 1 in Shenzhen, Le Parc Phases 2B and 3 in Chengdu, Tianjian Metropolitan Phase 2 in Tianjian and several other property projects scheduled for completion.

All units of Le Prime and Oceanaire had been presold after presales were launched in 2009 and 2010 respectively whereas sale/presale of units of Festival City Phase 2 and Meridian Hill in Hong Kong and various property projects on the Mainland are underway.

Property Rental

Turnover of the Group's property rental for the year was HK\$1,264 million (2009 – HK\$1,155 million), an increase of HK\$109 million when compared with last year, mainly attributable to a full year rental contribution in the current year from 1881 Heritage which was completed in Hong Kong in the first half of 2009. The Group's existing investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 40% and 48% respectively of the turnover of the Group's property rental for the year.

Contribution from the Group's property rental was HK\$1,131 million (2009 – HK\$1,062 million), and contribution including share of results of jointly controlled entities was HK\$1,817 million (2009 – HK\$1,739 million), an increase of HK\$78 million when compared with last year. During the year, business sentiment and consumer confidence continued to improve and the local commercial leasing market regained its strength with growing demand for quality commercial and retail spaces.

In December 2010, the Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall (the "Marina Bay Properties"), which were completed in Singapore for rental during the year and of which the Group had a 16.7% interest, were disposed of to Suntec Real Estate Investment Trust. Further to the fair value gain recognised before its completion in previous years, the disposal of the Marina Bay Properties made a contribution of HK\$2,210 million to group profit for the year.

At the year end date, the Group accounted for an increase in fair value of investment properties of HK\$1,737 million (2009 – HK\$3,857 million) based on a professional valuation and shared an increase in fair value of investment properties of HK\$4,733 million (2009 – HK\$693 million) of jointly controlled entities, largely attributable to the Group's share of an increase in fair value of the Beijing Oriental Plaza on the Mainland.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites for the year was HK\$2,037 million (2009 – HK\$1,399 million), an increase of HK\$638 million when compared with last year. The increase in turnover was mainly a result of the full operation of Harbour Grand Hong Kong and Harbour Plaza 8 Degrees in the current year, both of which commenced to operate in Hong Kong during 2009.

Contribution from the Group's hotels and serviced suites was HK\$617 million (2009 – HK\$360 million) and contribution including share of results of jointly controlled entities was HK\$852 million (2009 – HK\$517 million), an increase of HK\$335 million when compared with last year. Besides the increase in contribution from the Group's two new hotels in full operation, occupancies and room rates of other hotels and serviced suites owned by the Group and jointly controlled entities also improved during the year as strong growth of the Mainland economy, coupled with gradual recovery of the world economies, boosted the demand for hotels and serviced suites in Hong Kong and the Mainland.

The Group's portfolio of hotels and serviced suites in Hong Kong and the Mainland is well positioned to achieve better results as the Mainland economy continues to grow and the world economies recover from the global financial crisis steadily.

Property and Project Management

Turnover of property and project management for the year was HK\$265 million (2009 – HK\$226 million), of which income from property management was HK\$159 million (2009 – HK\$158 million), an increase of HK\$1 million when compared with last year, and income from project related services was HK\$106 million (2009 – HK\$68 million), an increase of HK\$38 million when compared with last year.

Contribution from property management was HK\$104 million (2009 – HK\$103 million), an increase of HK\$1 million when compared with last year, while project related services made a small contribution to group profit.

The Group is committed to providing high quality services to properties under our management. At the year end date, the total floor area under the Group's property management was approximately 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, 2010 of HK\$20,038 million (2009 (restated) – HK\$13,631 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2010 of HK\$208,551,000 (2009 – HK\$187,098,000).

FINANCIAL REVIEW

Liquidity and Financing

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. During the year, the Group issued notes with a ten-year term in Hong Kong under the Euro Medium Term Note Programme in the amount of HK\$1.3 billion and notes with a five-year term in Singapore in the amount of SGD225 million, and also redeemed notes in the total amount of HK\$2.8 billion upon maturity.

At the year end date, the Group's bonds and notes, bank loans and other loans (including a loan from a joint development partner) amounted to HK\$6.8 billion, HK\$25.8 billion and HK\$4.5 billion respectively, and the Group's total borrowings were HK\$37.1 billion, an increase of HK\$2.6 billion from the end of last year. The maturity profile is spread over a period of ten years, with HK\$15.1 billion repayable within one year, HK\$20 billion within two to five years and HK\$2 billion beyond five years.

The Group's gearing ratio at the year end date was approximately 4.5%, determined as the proportion of the Group's net borrowings (after deducting bank balances and deposits of HK\$25.1 billion) to shareholders' funds.

With cash and marketable securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. At the year end date, approximately 85.7% of the Group's borrowings were in HK\$ with the balance in US\$ and SGD, mainly for the purpose of financing projects outside Hong Kong. The Group derives its revenue mainly in HK\$, cash balances and marketable securities are maintained mainly in HK\$ or US\$, and the Group ensures that its exposure to fluctuations in foreign exchange rates is minimised.

The Group's borrowings are principally on a floating rate basis 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.

As 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, certain subsidiaries of the Group pledged assets with aggregate carrying value of HK\$938 million (2009 – HK\$1,014 million) to secure bank loan facilities utilised.

Contingent Liabilities

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

- (1) guarantees provided for minimum share of revenue/profit receivable by other partners of joint development projects amounted to HK\$636 million (2009 – HK\$1,398 million); and
- (2) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK\$1,530 million (2009 – HK\$1,605 million) and HK\$286 million (2009 – HK\$283 million) respectively.

Employees

At the year end date, the Group employed approximately 9,500 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$1,829 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, 2010, 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, 2010.

AUDIT COMMITTEE

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

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

The Group's annual results for the year ended 31st December, 2010 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

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

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board has proposed to make certain amendments to the Company's Articles of Association to reflect the relevant amendments made to the Companies Ordinance relating to corporate communications by the Companies (Amendment) Ordinance 2010 and for house-keeping purpose (the "Proposed Amendments").

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of special resolution at the 2011 Annual General Meeting. A circular containing, among other things, the Notice of Annual General Meeting which contains the full text of the Proposed Amendments will be despatched to the shareholders as soon as practicable.

ANNUAL GENERAL MEETING

The 2011 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 Friday, 20th May, 2011 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 Friday, 13th May, 2011 to Friday, 20th May, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the 2011 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 Thursday, 12th May, 2011.

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, 2010

	2010	2009
	HK\$ Million	(Restated) HK\$ Million
Group turnover	23,983	17,702
Share of property sales of jointly controlled entities	8,880	6,591
Turnover	<u>32,863</u>	<u>24,293</u>
Group turnover	23,983	17,702
Investment and other income	1,308	2,614
Operating costs		
Property and related costs	(15,113)	(10,314)
Salaries and related expenses	(1,254)	(1,032)
Interest and other finance costs	(222)	(233)
Depreciation	(398)	(349)
Other expenses	(336)	(323)
	(17,323)	(12,251)
Share of net profit of jointly controlled entities	8,183	2,734
Increase in fair value of investment properties	1,737	3,857
Operating profit	<u>17,888</u>	<u>14,656</u>
Share of net profit of associates	10,237	7,028
Profit before taxation	<u>28,125</u>	<u>21,684</u>
Taxation	(1,324)	(1,644)
Profit for the year	<u>26,801</u>	<u>20,040</u>
Profit attributable to		
Shareholders of the Company	26,478	19,618
Non-controlling interests	323	422
	<u>26,801</u>	<u>20,040</u>
Earnings per share	HK\$11.43	HK\$8.47

	2010	2009
	HK\$ Million	HK\$ Million
Dividends		
Interim dividend paid	1,158	1,158
Final dividend proposed	5,675	5,096
	<u>6,833</u>	<u>6,254</u>
Dividends per share		
Interim dividend	HK\$0.50	HK\$0.50
Final dividend	HK\$2.45	HK\$2.20

Consolidated Statement of Financial Position
As at 31st December, 2010

	31/12/2010	31/12/2009	1/1/2009
	HK\$ Million	(Restated) HK\$ Million	(Restated) HK\$ Million
Non-current assets			
Fixed assets	10,399	10,696	11,624
Investment properties	21,170	19,433	15,670
Associates	154,117	147,542	144,738
Jointly controlled entities	39,431	32,591	29,391
Investments available for sale	9,282	7,026	4,678
Long term loan receivables	357	444	1,093
	<u>234,756</u>	<u>217,732</u>	<u>207,194</u>
Current assets			
Stock of properties	65,679	62,999	64,273
Debtors, deposits and prepayments	2,459	2,799	3,904
Investments held for trading	258	1,927	858
Derivative financial instruments	334	83	22
Bank balances and deposits	25,147	11,423	7,173
	<u>93,877</u>	<u>79,231</u>	<u>76,230</u>
Current liabilities			
Bank and other loans	13,127	7,210	8,991
Creditors and accruals	18,298	12,078	6,940
Loan from joint development partner	2,000	2,000	2,000
Derivative financial instruments	647	460	872
Provision for taxation	633	1,028	768
	<u>59,172</u>	<u>56,455</u>	<u>56,659</u>
Net current assets	<u>59,172</u>	<u>56,455</u>	<u>56,659</u>
Total assets less current liabilities	<u>293,928</u>	<u>274,187</u>	<u>263,853</u>
Non-current liabilities			
Bank and other loans	22,027	25,279	31,258
Loan from joint development partner	-	-	2,000
Deferred tax liabilities	2,390	2,011	1,359
	<u>24,417</u>	<u>27,290</u>	<u>34,617</u>
Net assets	<u>269,511</u>	<u>246,897</u>	<u>229,236</u>
Representing:			
Share capital	1,158	1,158	1,158
Share premium	9,331	9,331	9,331
Reserves	255,207	232,603	214,405
Shareholders' funds	<u>265,696</u>	<u>243,092</u>	<u>224,894</u>
Non-controlling interests	3,815	3,805	4,342
Total equity	<u>269,511</u>	<u>246,897</u>	<u>229,236</u>

Notes:

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

	2010 HK\$ Million	2009 HK\$ Million
Property sales	20,417	14,922
Property rental	1,264	1,155
Hotels and serviced suites	2,037	1,399
Property and project management	265	226
Group turnover	<u>23,983</u>	<u>17,702</u>
Share of property sales of jointly controlled entities	8,880	6,591
Turnover	<u><u>32,863</u></u>	<u><u>24,293</u></u>

Turnover of jointly controlled entities (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

During the year, turnover of the Group's operating activities outside Hong Kong (including property sales of jointly controlled entities) accounted for approximately 29% (2009 - 27%) of the turnover and was derived from the following locations:

	2010 HK\$ Million	2009 HK\$ Million
The Mainland	8,545	6,676
Singapore	1,052	2
	<u><u>9,597</u></u>	<u><u>6,678</u></u>

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2010	2009	2010	2009	2010	2009 (Restated)
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	5,631	5,501	3,271	2,895	8,902	8,396
Property rental	1,131	1,062	686	677	1,817	1,739
Hotels and serviced suites	617	360	235	157	852	517
Property and project management	115	109	-	-	115	109
	<u><u>7,494</u></u>	<u><u>7,032</u></u>	<u><u>4,192</u></u>	<u><u>3,729</u></u>	<u><u>11,686</u></u>	<u><u>10,761</u></u>
Investment and finance					1,147	1,411
Interest and other finance costs					(222)	(233)
Increase in fair value of investment properties						
Subsidiaries					1,737	3,857
Jointly controlled entities					4,733	693
Profit on disposal of indirect interest in jointly controlled entity					2,210	-
Others					180	218
Taxation						
Company and subsidiaries					(1,324)	(1,644)
Jointly controlled entities					(3,452)	(1,918)
Profit attributable to non-controlling interests					<u><u>(323)</u></u>	<u><u>(422)</u></u>
					<u><u>16,372</u></u>	<u><u>12,723</u></u>
Share of net profit of listed associates						
Hutchison Whampoa Limited					10,011	6,810
CK Life Sciences Int'l., (Holdings) Inc.					95	85
Profit attributable to shareholders of the Company					<u><u>26,478</u></u>	<u><u>19,618</u></u>

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

	2010 HK\$ Million	2009 HK\$ Million
Interest and other finance costs	357	496
Less: Amount capitalised	(135)	(263)
	<u>222</u>	<u>233</u>
Costs of properties sold	13,515	8,901
Impairment of investments available for sale	112	665
Gain on disposal of investments available for sale	(242)	(121)
Gain on investments held for trading	(84)	(455)
Gain on disposal of investment properties	-	(350)
Profit on disposal of associates	-	(952)
	<u><u>222</u></u>	<u><u>233</u></u>

(3) Hong Kong profits tax has been provided for at the rate of 16.5% (2009 - 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.

	2010 HK\$ Million	2009 HK\$ Million
Current tax		
Hong Kong profits tax	904	961
Tax outside Hong Kong	41	31
Deferred tax	379	652
	<u>1,324</u>	<u>1,644</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 (2009 - 2,316,164,338 shares) in issue during the year.

(5) The Group's trade debtors mainly comprise receivables for sale of properties and rental. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sale of properties are normally completed when the sale prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals are payable in advance by tenants.

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

	2010 HK\$ Million	2009 HK\$ Million
Current to one month	817	491
Two to three months	22	27
Over three months	8	8
	<u>847</u>	<u>526</u>

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

	2010 HK\$ Million	2009 HK\$ Million
Current to one month	500	365
Two to three months	32	40
Over three months	25	39
	<u>557</u>	<u>444</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 the HKFRSs which are effective for accounting periods beginning on 1st January, 2010, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

During the year, the Group's listed associate, Hutchison Whampoa Limited, adopted certain revised HKFRSs prospectively and also adopted its listed associate's new accounting policy with retrospective effect, which had impacts on its opening balance of shareholders' funds and current year's profit attributable to shareholders. The Group's share of the impact has the following effects on the financial statements:

	Year ended 31st December	
	2010	2009
	HK\$ Million	HK\$ Million
<i>Decrease in share of net profit of associates</i>	<u>(465)</u>	<u>(268)</u>
<i>Decrease in profit attributable to shareholders of the Company</i>	<u>(465)</u>	<u>(268)</u>
<i>Decrease in earnings per share</i>	<u>HK\$(0.20)</u>	<u>HK\$(0.12)</u>
	31/12/2010	31/12/2009
	HK\$ Million	HK\$ Million
<i>Decrease in associates</i>	<u>(972)</u>	<u>(507)</u>
<i>Decrease in net assets</i>	<u>(972)</u>	<u>(507)</u>
<i>Decrease in retained profits</i>	<u>(972)</u>	<u>(507)</u>
<i>Decrease in total equity</i>	<u>(972)</u>	<u>(507)</u>
		1/1/2009
		HK\$ Million
		<u>(239)</u>
		<u>(239)</u>
		<u>(239)</u>
		<u>(239)</u>

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