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CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2013

HIGHLIGHTS

	2013	2012 (Restated) ^{Note 2}	Change
	HK\$ Million	HK\$ Million	
Turnover ^{Note 1}	32,314	31,106	+4%
Profit before investment property revaluation	17,915	14,213	+26%
Investment property revaluation (net of tax)	1,801	4,885	-63%
Profit before share of results of Hutchison Whampoa Group	19,716	19,098	+3%
Share of profit of Hutchison Whampoa Group	15,544	12,938	+20%
Profit attributable to shareholders	35,260	32,036	+10%
Earnings per share	HK\$15.22	HK\$13.83	+10%
Final dividend per share	HK\$2.90	HK\$2.63	+10%
Full year dividend per share	HK\$3.48	HK\$3.16	+10%

Note 1: Turnover does not include the turnover of joint ventures (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\$412,933 million (2012 (restated) – HK\$397,911 million).

Note 2: The 2012 comparative figures have been restated as a result of the current year's adoption of HKAS 19 "Employee Benefits" (Revised 2011) which has been applied retrospectively by the Hutchison Whampoa Group.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2013 amounted to HK\$35,260 million (2012 (restated) – HK\$32,036 million). Earnings per share were HK\$15.22 (2012 – HK\$13.83).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$2.90 per share in respect of 2013 to shareholders whose names appear on the Register of Members of the Company at the close of business on 22nd May, 2014. This together with the interim dividend of HK\$0.58 per share gives a total of HK\$3.48 per share for the year (2012 – HK\$3.16 per share). The proposed final dividend will be paid on 5th June, 2014 following approval at the 2014 Annual General Meeting.

PROSPECTS

Solid Platform to Capitalise on Global Opportunities

2013 in Review

Business Performance

In 2013, the U.S. economy continued to improve gradually and signs of stability emerged across major economies in the Eurozone area. Nevertheless, the operating environment remained difficult as uncertainties persist in the global marketplace.

2013 was a challenging year. While the Group's presale of property in Hong Kong did not meet projections, our established globally diversified businesses have supported the positive growth of our overall Group. For the year ended 31st December, 2013, the Group's profit before share of results of the Hutchison Whampoa Group was HK\$19,716 million, 3% higher than that reported last year.

The property sales in Hong Kong in 2013 were much lower than that recorded in the previous year. However, contributions from property sales in markets outside of Hong Kong, including the Mainland, have increased. Contributions from both property rental and hotels and serviced suites have also increased, and the growth in contribution from the infrastructure business was in line with expectations. These factors, coupled with the increased contributions from investments and finance as well as the one-off gain from the disposal of the Kingswood Ginza property in Tin Shui Wai, have contributed to the Group's positive results for 2013.

In 2013, the Group registered fewer property sales in Hong Kong as compared to last year, primarily due to the prolonged completion process of developments, with the profit contribution from more developments now expected to be accounted for in 2014. Costs associated with property development including, but not limited to, construction costs, interest and operating expenses, are expected to rise continuously over the development cycle which often spans a period of five years or more. Property trading activities in Hong Kong remained subdued in 2013. It is expected that market conditions will continue to be subject to the development of housing policies, and our strategy is to be responsive to these developments.

The Group performed favourably in markets outside of Hong Kong, particularly on the Mainland where we are benefiting from the solid advancement of our property business. During the year under review, turnover of property sales on the Mainland contributed significantly to the Group's profit from the property business as a whole. The Group will continue to develop its presence in Hong Kong, the Mainland and beyond to balance its sources of revenue.

Our focus on business diversification has resulted in investments being made in the overseas infrastructure sector to generate quality recurring profit contributions. In addition to its stake in two businesses in the United Kingdom – Northumbrian Water Group Limited, a regulated water and sewerage company, and Wales & West Utilities Limited (“Wales & West Utilities”), a regulated gas distribution network, the Group has extended its infrastructure portfolio by participating in the acquisition of AVR-Afvalverwerking B.V. (“AVR”), the largest energy-from-waste player in the Netherlands. This acquisition, which was completed in August 2013, represents an attractive diversification of our business portfolio into the waste management industry, and is a solid investment which has generated immediate recurring cash flow with secure and stable returns. The Group will continue to pursue global investments in new business sectors to strengthen further its sound business and earnings base.

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 2013, businesses in markets beyond Hong Kong continued to perform solidly and deliver satisfactory results to the Group and its listed affiliated companies.

The Hutchison Whampoa Group

In 2013, the Hutchison Whampoa Group achieved solid earnings growth. Despite operating in some challenging markets around the world, overall its businesses in 52 countries continue to deliver solid performances. Barring unforeseen material adverse external developments, the Hutchison Whampoa Group is expected to continue to achieve growth in 2014.

CKI

In 2013, Cheung Kong Infrastructure Holdings Limited (“CKI”) achieved another record performance. This was bolstered by strong organic growth from its existing businesses as well as contributions from recent acquisitions, namely Wales & West Utilities in the United Kingdom, Enviro Waste Services Limited in New Zealand and AVR in the Netherlands. With a strong financial platform, CKI will continue to study and pursue attractive projects that will enhance shareholder value, while as always, it will remain steadfast in adhering to its prudent investment criteria.

Power Assets

Power Assets Holdings Limited (“Power Assets”) reported a sound performance in 2013, primarily boosted by the continued growth of its businesses outside of Hong Kong. Its Hong Kong operations remained stable and continued to provide steady cashflow. Power Assets unlocked the value of its Hong Kong business by listing its Hong Kong electricity operations on the Main Board of the Stock Exchange of Hong Kong in January 2014. Following this spin-off, Power Assets maintains a 49.9% stake in the Hong Kong electricity business. Power Assets is set to continue to pursue investment opportunities in energy-related projects around the world based on its strong financial position.

CK Life Sciences

CK Life Sciences Int’l, (Holdings) Inc. (“CK Life Sciences”) performed well in 2013. CK Life Sciences’ existing business operations have provided a steady revenue stream, generating necessary funding for the development of its R&D activities, while contributing profit for its shareholders. In addition to pursuing organic growth, continued efforts will be made to expand CK Life Sciences’ business by prudently seeking suitable investment opportunities that can add value to its existing portfolio.

Looking Ahead

Looking into 2014, U.S. monetary policy will continue to have an effect on the global economy, but major indicators are pointing to a more solid economic recovery. European countries are also showing signs of an upturn. While the U.S. government has begun tapering asset purchases, the global impact is expected to be less significant than previously predicted given that its pace is likely to be modest and the low interest rate environment is likely to continue.

China's real GDP growth for 2013 was 7.7%. This indicates that China is on track to achieve the stated target of doubling its GDP between 2010 and 2020, the only nation registering such a remarkable growth rate among major economies. Acceleration in economic reform, as part of the broad-based and extensive reform measures initiated by the Central Government, will be key drivers in promoting China's healthy, sustainable growth.

The Cheung Kong Group has businesses in 52 countries around the globe. Investment decisions are made based on the long-term best interests of our shareholders. In determining the scale of our businesses in the various regions or countries in which we operate, we take into consideration the prevailing economic, political and operating environment, and tune our operations accordingly. With operating and financial prudence being our guiding principle, we have maintained a low debt ratio to ensure financial stability and sustainability. Looking ahead, the Cheung Kong Group is well placed to capitalise on investment opportunities in Hong Kong and beyond on the back of its sound foundations and financial capability. We are cautiously optimistic about our overall global 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, 28th February, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 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%
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	63,288	30%
Regency Park Phase 3	Jingyue Economic Development Zone, Changchun	51,876	50%
Regency Residence Phase 2B	Nangan District, Changchun	7,402	50%
Le Parc Phases 4A, 4B and 6B	Chengdu High-Tech Zone, Chengdu	471,547	50%
Regency Oasis Phase 1B	Wenjiang District, Chengdu	99,273	50%
Cape Coral Phase 2B	Nanan District, Chongqing	77,854	47.5%
Noble Hills Phase 3	Wangcheng County, Changsha	108,766	50%
Regency Park Phase 3A	Tianning District, Changzhou	16,507	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Laguna Verona Phases D1b2, D1c and G1a	Hwang Gang Lake, Dongguan	95,638	49.91%
Cape Coral Phase 3B	Panyu District, Guangzhou	84,002	50%
Noble Hills Phases 1A and 1B	Zengcheng, Guangzhou	24,922	50%
The Harbourfront Land No. 2	Shibei District, Qingdao	60,301	45%
Regency Garden Phases 2A and 3	Pudong New District, Shanghai	86,141	42.5%
Le Sommet Phases 4B and 4C	Longgang District, Shenzhen	119,321	50%
Noble Hills	Baoan District, Shenzhen	146,588	50%
The Metropolitan Tianjin Phases 1 and 2	Yingkoudao, Heping District, Tianjin	177,987	40%

2. Developments in Progress and Scheduled for Completion in 2014:

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Hemera	Site E of The Remaining Portion of Tseung Kwan O Town Lot No. 70	128,543	Joint Venture
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%
The Rise	The Remaining Portion of Kwai Chung Town Lot No. 157	23,225	100%
Mont Vert Phases I and II	The Remaining Portion of Tai Po Town Lot No. 183	87,356	100%
City Point	The Remaining Portion of Tsuen Wan Town Lot No. 403	113,064	Joint Venture
Trinity Towers	The Remaining Portion of New Kowloon Inland Lot No. 6494	29,649	Joint Venture
The Vision	West Coast Crescent, Singapore	33,600	50%
Guangzhou Guoji Wanjucheng Phases 2B and 2C-1	Huangpu District, Guangzhou	99,462	30%
Upper West Shanghai Phases 1A and 1B	Putuo District, Shanghai	116,738	29.4%
Oriental Financial Center	Lujiazui, Shanghai	80,000	50%
Hupan Mingdi Land No. 911 North Area 2, 4 and 5	Jiading District, Shanghai	61,574	50%
Regency Residence Phase 1	Nangan District, Changchun	3,000	50%
Le Parc Phases 5A and 5B	Chengdu High-Tech Zone, Chengdu	302,502	50%
Regency Oasis Phase 1B	Wenjiang District, Chengdu	15,343	50%
Noble Hills Phase 2C	Douxi, Chongqing	36,301	50%

Name	Location	Total Gross Floor Area (sq.m.)	Group's Interest
Zhaomushan Land No. G19	Liangjiang New Area, Chongqing	73,721	50%
Regency Park Phase 3B	Tianning District, Changzhou	170,787	50%
Laguna Verona Phases E1 and E2	Hwang Gang Lake, Dongguan	65,673	49.91%
Nanzhuang Town Phase 1A	Chancheng District, Foshan	21,839	50%
Noble Hills Phases 1A and 1B	Zengcheng, Guangzhou	23,303	50%
Yingtianmajie Phases 1B, 1C, 2A and 2B	Jianye District, Nanjing	72,998	50%
The Harbourfront Land No. 3, 4 and 8	Shibei District, Qingdao	137,341	45%
Regency Garden Phases 2B, 4 and 5A	Pudong New District, Shanghai	136,474	42.5%
Zhao Xiang Town Land No. 17 Phase 1	Qing Pu District, Shanghai	31,615	50%
Zhao Xiang Town Land No. 16 Phase 1A	Qing Pu District, Shanghai	35,197	50%
Century Link	Pudong New District, Shanghai	64,836	25%
Millennium Waterfront Phase 1A	Jiangnan District, Wuhan	24,621	50%
Regency Cove Phase 1	Caidian District, Wuhan	89,357	50%

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

Hong Kong

- (1) January 2013: A wholly owned subsidiary of the Group updated the existing 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). This update of the Programme has also included a wholly owned Singapore subsidiary of the Group as another issuer. As at 31st December, 2013, Notes of an aggregate nominal amount of approximately US\$849.1 million were issued and outstanding under the Programme.
- (2) January 2013: A wholly owned subsidiary of the Group issued US\$500 million Guaranteed Senior Perpetual Securities (the “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. The Securities are guaranteed by the Company. In April 2013, the Securities in a principal amount of US\$74,700,000 were repurchased and cancelled. The outstanding principal amount of the Securities immediately following settlement of such purchase and cancellation is US\$425,300,000.
- (3) 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

- (4) June 2013: A 35/35/20/10 joint venture company (“JV”) was formed by the Group, Cheung Kong Infrastructure Holdings Limited, Power Assets Holdings Limited and Li Ka Shing Foundation Limited for the acquisition of the entire issued share capital of AVR-Afvalverwerking B.V., the largest energy-from-waste player in the Netherlands, at the consideration of approximately EUR943.68 million (the “Acquisition”). A share purchase agreement for the Acquisition was entered into by the parties on 6th August, 2013.
- (5) 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 including share of property sales of joint ventures was HK\$27,589 million (2012 – HK\$26,521 million), an increase of HK\$1,068 million when compared with last year, and comprised mainly the sale of residential units of La Splendeur completed in Hong Kong last year, and the sale of residential units of property projects completed in 2013 including The Beaumont and One West Kowloon in Hong Kong, Marina Bay Suites in Singapore, La Grande Ville Phase 2 (Zones C, H and I) in Beijing, Le Parc Phases 4A, 4B and 6B in Chengdu, Laguna Verona Phases D1b2, D1c and G1a in Dongguan, The Harbourfront Land No. 2 in Qingdao, Noble Hills and Le Sommet Phases 4B and 4C in Shenzhen, Regency Garden Phases 2A and 3 in Shanghai and a few others on the Mainland.

Contribution from property sales including share of results of joint ventures was HK\$10,184 million (2012 – HK\$10,004 million), an increase of HK\$180 million when compared with last year. During the year, property construction costs continued to escalate and profit contribution from property sales going forward will be adversely affected.

The development of Kennedy Park at Central, scheduled for completion in Hong Kong in the second half of 2013, was delayed and will make a contribution to group profit upon completion in 2014. In addition, property sales contribution for 2014 will be derived from the sale of the residential units of The Rise, Hemera, Mont Vert and City Point in Hong Kong, The Vision in Singapore, Upper West Shanghai Phases 1A and 1B and Regency Garden Phases 2B, 4 and 5A in Shanghai, Le Parc Phases 5A and 5B in Chengdu, Laguna Verona Phases E1 and E2 in Dongguan, The Harbourfront Land No. 3, 4 and 8 in Qingdao and several other property projects scheduled for completion.

During the year, sales of residential properties in Hong Kong slowed down due to new government regulations and measures. Although the residential units of Kennedy Park at Central and The Rise have been presold, sales of other property projects scheduled for completion in Hong Kong in 2014 are yet to be launched. Nevertheless, the residential units of The Vision in Singapore have been sold out and the sales/presales of residential units of various property projects on the Mainland are satisfactory.

Property Rental

Turnover of the Group's property rental was HK\$1,960 million (2012 – HK\$1,867 million), an increase of HK\$93 million when compared with last year, mainly due to increased rental for retail properties in Hong Kong which have benefited by the growing number of tourists from the Mainland. The increase in turnover was moderated in the second half year due to the Group's disposal of Kingswood Ginza, a retail shopping mall in Hong Kong, to Fortune Real Estate Investment Trust and a profit of HK\$2,760 million was recognised from the disposal.

Contribution from the Group's property rental was HK\$1,790 million (2012 – HK\$1,703 million), an increase of HK\$87 million when compared with last year, mainly attributable to a net increase in rental contribution from the Group's retail shopping malls notwithstanding the disposal of Kingswood Ginza and hence, a reduction in rental contribution in the second half year.

The Group's share of rental contribution from joint ventures was HK\$322 million (2012 – HK\$275 million), an increase of HK\$47 million when compared with last year, and included mainly rental income derived from commercial properties on the Mainland. In November 2013, the Group's interest in a joint venture which held The Metropolitan Plaza in Guangzhou on the Mainland for rental was disposed of at a profit of HK\$798 million.

At the year end date, the Group's investment properties comprised mainly retail shopping malls and commercial office properties in Hong Kong and recorded an increase in fair value of HK\$1,782 million (2012 – HK\$4,470 million) based on a professional valuation, and the Group shared an increase in fair value of investment properties of HK\$24 million (2012 – HK\$531 million) of joint ventures.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites was HK\$2,368 million (2012 – HK\$2,350 million), a slight increase of HK\$18 million when compared with last year as demand for hotels and serviced suites in Hong Kong were maintained and inbound tourism and business travel remained active during the year.

Contribution from the Group's hotels and serviced suites was HK\$989 million (2012 – HK\$930 million) and contribution including share of results of joint ventures was HK\$1,273 million (2012 – HK\$1,235 million), an increase of HK\$38 million when compared with last year despite the loss of contribution from Metropark Lido Hotel, Beijing which was disposed of at a profit in the second half of 2012.

In February 2013, The Apex Horizon owned by Pearl Wisdom Limited (“PWL”), a wholly owned subsidiary, was disposed of to investors in the public. Subsequently, PWL was notified by the Securities and Futures Commission that the arrangements relating to the sale and purchase of hotel room units in The Apex Horizon appeared to constitute a Collective Investment Scheme. Although this was not agreed with by PWL, arrangements for cancellation of the transactions were made.

Property and Project Management

Turnover of the Group's property and project management was HK\$397 million (2012 – HK\$368 million), of which income from property management was HK\$180 million (2012 – HK\$171 million), an increase of HK\$9 million when compared with last year, and income from project management related services was HK\$217 million (2012 – HK\$197 million), an increase of HK\$20 million when compared with last year.

Contribution from the Group's property management was HK\$114 million (2012 – HK\$109 million), an increase of HK\$5 million when compared with last year, and the Group's project management related services made a contribution of HK\$22 million (2012 – HK\$20 million) to group profit. The Group's share of contribution of joint ventures which were engaged in the management of various major property developments, including Beijing Oriental Plaza on the Mainland and Marina Bay Financial Centre in Singapore, was HK\$46 million (2012 – HK\$45 million), an increase of HK\$1 million when compared with last year.

At the year end date, the total floor area under the Group's property management was approximately 89 million square feet and this is expected to grow steadily following the gradual completion of the Group's property development projects in the years ahead. The Group is committed to providing high quality services to properties under our management.

Infrastructure Business

The Group invests in infrastructure businesses through various joint ventures with parties including Cheung Kong Infrastructure Holdings Limited, Power Assets Holdings Limited and Li Ka Shing Foundation Limited.

The Group's share of contribution from infrastructure businesses joint ventures was HK\$1,602 million (2012 - HK\$839 million), an increase of HK\$763 million when compared with last year, mainly attributable to a full year profit contribution from Wales & West Utilities Limited, of which the Group took a 30% interest in the second half of 2012.

During the year, the Group completed the acquisition of a 35% interest in AVR-Afvalverwerking B.V., the largest energy-from-waste player in the Netherlands, while the Group's 40% interest in Northumbrian Water Group Limited continued to provide steady contribution to group profit.

Major Associates

The Hutchison Whampoa Group, a listed associate, reported profit attributable to shareholders for the year ended 31st December, 2013 of HK\$31,112 million (2012 (restated) – HK\$25,897 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2013 of HK\$229 million (2012 – HK\$176.3 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, notes issued by the Group in the total amount of HK\$1.3 billion were redeemed upon maturity.

At the year end date, the Group's borrowings of bank loans, issued notes and other loans were HK\$29.1 billion, HK\$12.2 billion and HK\$0.6 billion respectively, and the total borrowings amounted to HK\$41.9 billion, a decrease of HK\$6.2 billion from last year end date. The maturity profile is spread over a period of eight years, with HK\$2.4 billion repayable within one year, HK\$37.5 billion within two to five years and HK\$2 billion beyond five years.

During the year, the Group issued perpetual securities in the amount of US\$500 million with an annual distribution rate of 5.375% and US\$74.7 million of these perpetual securities were subsequently purchased back and cancelled. With no fixed maturity, the remaining perpetual securities issued in the amount of US\$425.3 million are redeemable at the Group's option on or after 24th January, 2018 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 2.3% (2012 – 7.3%). Net debt is arrived at by deducting bank balances and deposits of HK\$33.2 billion from the total borrowings and net total capital is the aggregate of 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 and ensures that its exposure to fluctuations in foreign exchange rates is minimised. At times of interest rate or exchange rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards are used in the management of exposure to interest rate and foreign exchange rate fluctuations.

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 fixed rate notes issued to a floating rate basis.

At the year end date, approximately 74.7% of the Group's borrowings were in HK\$ and US\$, with the balance in EUR, GBP and SGD mainly for the purpose of financing investments and property projects in Europe, the United Kingdom and Singapore. The Group derives its revenue mainly in HK\$ and maintains its cash balance mainly in HK\$. Income in foreign currencies, including RMB, SGD, GBP and EUR, is also generated from the Group's investments and property projects outside Hong Kong and cash in these foreign currencies is kept for business requirements.

Charges on Assets

At the year end date, there was no charge on assets of the Group (2012 – Nil).

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\$600 million (2012 – HK\$612 million); and
- (2) guarantees provided for bank loans utilised by joint ventures and investee company amounted to HK\$875 million (2012 – HK\$1,281 million) and HK\$390 million (2012 – HK\$359 million) respectively.

Employees

At the year end date, the Group employed approximately 8,300 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$2,283 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

A wholly owned subsidiary of the Group issued US\$500 million Guaranteed Senior Perpetual Securities (the "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. The Securities are guaranteed by the Company. In April 2013, the Securities in a principal amount of US\$74,700,000 were repurchased and cancelled. The outstanding principal amount of the Securities immediately following settlement of such purchase and cancellation is US\$425,300,000.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2013.

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 Corporate Governance Code ("CG Code") 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, 2013. 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.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Audit Committee of the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure and Securities Dealing for compliance by the Company's employees.

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, 2013 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PricewaterhouseCoopers.

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.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

In order to bring the Articles of Association (“Articles”) in line with the new Companies Ordinance (Chapter 622 Laws of Hong Kong) (“NCO”), which will come into effect on 3rd March, 2014, as well as to modernise and update the Articles, certain amendments are proposed to be made to the Articles. In view of the substantial number of amendments, the Board proposes that the Company takes this opportunity to adopt a new set of Articles, consolidating all the previous and proposed amendments, to replace the existing Articles with effect from the date of passing the relevant special resolution at the 2014 Annual General Meeting. A summary of the major changes brought about by the adoption of the new Articles are set out below:

The Board proposes to make the following changes to the Articles:

- (a) To migrate the mandatory clauses from the Memorandum of Association (such as the name of the Company and the limited liability of the members) to the Articles and the Articles will become the single constitutional document of the Company due to the abolition of the Memorandum of Association under the NCO;
- (b) To remove all the references in the Articles to authorised capital, par or nominal value of shares, unissued shares, capital redemption reserve fund and share premium account which will become obsolete due to the mandatory no par value regime under the NCO;
- (c) To provide a statement of the reasons for refusal of registration of a transfer of shares as appropriate;
- (d) To revise the threshold for demanding a poll;
- (e) To amend the minimum notice period for convening a general meeting;
- (f) To amend the provisions in respect of appointment of proxy, demand for poll and effect of poll result;
- (g) To allow the Company to hold general meetings in more than one location;
- (h) To amend the provisions for declaration of interests by a director;
- (i) To amend the provisions for approval of director’s service contract;
- (j) To amend the provisions for execution of documents under seal; and
- (k) To provide for disclosure of permitted indemnity provisions provided by the Company to its directors;

and all other amendments as may be required by the NCO or incidental or conducive thereto.

Certain amendments to the Articles are proposed for administrative efficiency and housekeeping purposes.

The adoption of the new Articles is subject to the approval of the shareholders of the Company by way of special resolution at the 2014 Annual General Meeting. A circular containing, among other things, the Notice of Annual General Meeting and a summary of the principal provisions of the proposed adoption will be despatched to the shareholders as soon as practicable.

ANNUAL GENERAL MEETING

The 2014 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, 16th May, 2014 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, 13th May, 2014 to Friday, 16th May, 2014, 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 2014 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, 12th May, 2014.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 22nd May, 2014, 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, 22nd May, 2014.

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, 2013

	2013 HK\$ Million	2012 (Restated) HK\$ Million
Group turnover	17,013	19,199
Share of property sales of joint ventures	15,301	11,907
Turnover	<u>32,314</u>	<u>31,106</u>
Group turnover	17,013	19,199
Investment and other income	4,467	2,180
Operating costs		
Property and related costs	(7,983)	(9,810)
Salaries and related expenses	(1,609)	(1,607)
Interest and other finance costs	(356)	(496)
Depreciation	(325)	(340)
Other expenses	(473)	(496)
	<u>(10,746)</u>	<u>(12,749)</u>
Share of net profit of joint ventures	5,771	5,997
Increase in fair value of investment properties	1,782	4,470
Profit on disposal of investment properties	2,760	-
Surplus on loss of control of interest in subsidiaries	-	1,077
Profit on disposal of joint ventures	798	450
Operating profit	<u>21,845</u>	<u>20,624</u>
Share of net profit of associates	<u>15,649</u>	<u>13,018</u>
Profit before taxation	37,494	33,642
Taxation	(1,522)	(1,234)
Profit for the year	<u>35,972</u>	<u>32,408</u>
Profit attributable to		
Shareholders of the Company	35,260	32,036
Non-controlling interests and holders of perpetual securities	712	372
	<u>35,972</u>	<u>32,408</u>
Earnings per share	HK\$15.22	HK\$13.83

	2013 HK\$ Million	2012 HK\$ Million
Dividends		
Interim dividend paid	1,343	1,228
Final dividend proposed	6,717	6,091
	<u>8,060</u>	<u>7,319</u>
Dividends per share		
Interim dividend	HK\$0.58	HK\$0.53
Final dividend	HK\$2.90	HK\$2.63

**Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2013**

	2013	2012
	HK\$ Million	(Restated) HK\$ Million
Profit for the year	35,972	32,408
Other comprehensive income - reclassifiable to profit or loss		
Translation of financial statements of operations outside Hong Kong		
Exchange gain	154	326
Exchange gain reclassified to profit or loss upon disposal	-	(372)
Investments available for sale		
Gain in fair value	428	2,870
Gain in fair value reclassified to profit or loss upon disposal	(1,127)	(479)
Impairment charged to income statement	614	50
Hedging instruments designated and qualify as net investment hedges - loss in fair value	(338)	(60)
Share of other comprehensive loss of associates	(2,486)	-
Share of other comprehensive income of joint ventures	1,188	1,103
Other comprehensive income - not reclassifiable to profit or loss		
Share of other comprehensive income of associates	537	-
Share of other comprehensive income/(loss) of joint ventures	47	(40)
Other comprehensive income	(983)	3,398
Total comprehensive income for the year	34,989	35,806
Total comprehensive income attributable to		
Shareholders of the Company	34,271	35,433
Non-controlling interests and holders of perpetual securities	718	373
	34,989	35,806

Consolidated Statement of Financial Position
As at 31st December, 2013

	31/12/2013	31/12/2012	1/1/2012
	HK\$ Million	(Restated) HK\$ Million	(Restated) HK\$ Million
Non-current assets			
Fixed assets	9,977	10,145	11,233
Investment properties	28,777	29,656	25,180
Associates	196,812	187,348	178,606
Joint ventures	65,659	63,303	56,929
Investments available for sale	9,334	11,642	8,327
Long term loan receivables	1,073	286	180
	<u>311,632</u>	<u>302,380</u>	<u>280,455</u>
Current assets			
Stock of properties	79,784	80,088	68,932
Debtors, deposits and prepayments	2,313	2,418	2,805
Investments held for trading	1,360	236	220
Derivative financial instruments	551	436	155
Bank balances and deposits	33,197	21,167	19,894
	<u>117,205</u>	<u>104,345</u>	<u>92,006</u>
Current liabilities			
Bank and other loans	2,438	5,098	22,897
Creditors and accruals	11,699	13,290	9,701
Derivative financial instruments	167	1,140	826
Provision for taxation	1,162	661	1,607
	<u>101,739</u>	<u>84,156</u>	<u>56,975</u>
Net current assets	<u>101,739</u>	<u>84,156</u>	<u>56,975</u>
Total assets less current liabilities	<u>413,371</u>	<u>386,536</u>	<u>337,430</u>
Non-current liabilities			
Bank and other loans	39,452	43,001	23,020
Deferred tax liabilities	986	820	850
Derivative financial instruments	112	63	-
	<u>40,550</u>	<u>43,884</u>	<u>23,870</u>
Net assets	<u>372,821</u>	<u>342,652</u>	<u>313,560</u>
Representing:			
Share capital	1,158	1,158	1,158
Share premium	9,331	9,331	9,331
Reserves	350,192	323,354	295,211
Shareholders' funds	<u>360,681</u>	<u>333,843</u>	<u>305,700</u>
Perpetual securities	9,048	5,652	4,648
Non-controlling interests	3,092	3,157	3,212
Total equity	<u>372,821</u>	<u>342,652</u>	<u>313,560</u>

Notes:

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

	2013 HK\$ Million	2012 HK\$ Million
Property sales	12,288	14,614
Property rental	1,960	1,867
Hotels and serviced suites	2,368	2,350
Property and project management	397	368
	<u>17,013</u>	<u>19,199</u>
Group turnover	17,013	19,199
Share of property sales of joint ventures	15,301	11,907
	<u>32,314</u>	<u>31,106</u>

Turnover of joint ventures (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 joint ventures) accounted for approximately 54% (2012 - 38%) of the turnover and was derived from the following locations:

	2013 HK\$ Million	2012 HK\$ Million
The Mainland	16,454	11,919
Singapore	980	-
	<u>17,434</u>	<u>11,919</u>

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

	Company and subsidiaries		Joint ventures		Total	
	2013	2012	2013	2012	2013	2012 (Restated)
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	4,710	5,305	5,474	4,699	10,184	10,004
Property rental	1,790	1,703	322	275	2,112	1,978
Hotels and serviced suites	989	930	284	305	1,273	1,235
Property and project management	136	129	46	45	182	174
	<u>7,625</u>	<u>8,067</u>	<u>6,126</u>	<u>5,324</u>	<u>13,751</u>	<u>13,391</u>
Infrastructure business	-	-	1,602	839	1,602	839
	<u>7,625</u>	<u>8,067</u>	<u>7,728</u>	<u>6,163</u>	<u>15,353</u>	<u>14,230</u>
Investment and finance					3,741	1,159
Interest and other finance costs					(356)	(496)
Increase in fair value of investment properties						
Subsidiaries					1,782	4,470
Joint ventures					24	531
Profit on disposal of investment properties					2,760	-
Surplus on loss of control of interest in subsidiaries					-	1,077
Surplus on loss of control of indirect interest in joint ventures					-	1,326
Profit on disposal of joint ventures					798	450
Others					428	90
Taxation						
Company and subsidiaries					(1,522)	(1,234)
Joint ventures					(2,684)	(2,213)
Profit attributable to non-controlling interests and holders of perpetual securities					(712)	(372)
					<u>19,612</u>	<u>19,018</u>
Share of net profit of listed associates						
Hutchison Whampoa Limited					15,544	12,938
CK Life Sciences Int'l., (Holdings) Inc.					104	80
Profit attributable to shareholders of the Company					<u>35,260</u>	<u>32,036</u>

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

	2013 HK\$ Million	2012 HK\$ Million
Interest and other finance costs	828	925
Less: Amount capitalised	<u>(472)</u>	<u>(429)</u>
	356	496
Costs of properties sold	6,894	8,426
Impairment of investments available for sale	614	50
Gain on disposal of investments available for sale	(1,127)	(479)
Gain on investments held for trading	<u>(855)</u>	<u>(26)</u>

(3) Hong Kong profits tax has been provided for at the rate of 16.5% (2012 - 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.

	2013 HK\$ Million	2012 HK\$ Million
Current tax		
Hong Kong profits tax	1,026	1,095
Tax outside Hong Kong	330	122
Deferred tax	166	17
	<u>1,522</u>	<u>1,234</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 (2012 - 2,316,164,338 shares) in issue during the year.

(5) The Group's trade debtors mainly comprise receivables for sales of properties and rental. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales 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 was as follows:

	2013 HK\$ Million	2012 HK\$ Million
Current to one month	1,513	1,221
Two to three months	66	72
Over three months	21	15
	<u>1,600</u>	<u>1,308</u>

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

	2013 HK\$ Million	2012 HK\$ Million
Current to one month	1,171	2,584
Two to three months	32	53
Over three months	29	40
	<u>1,232</u>	<u>2,677</u>

(6) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The adoption of these HKFRSs which are effective for the Group's annual accounting periods beginning on 1st January, 2013 has no material impact on the Group's results and financial position, however, the following changes are made to the financial statements as required:

- presentation of the consolidated statement of comprehensive income has been modified to meet the requirements of Hong Kong Accounting Standard ("HKAS") 1 (Amendments) "Presentation of Items of Other Comprehensive Income" and comparative figures have been restated accordingly;
- appropriate disclosures have been made in the financial statements as required by HKFRS 12 "Disclosure of Interests in Other Entities" and HKFRS 13 "Fair Value Measurement"; and

- for investments previously accounted for as jointly controlled entities and certain associates which have the characteristics of a joint arrangement, and of which the Group shares joint control and has rights to their net assets, they have been reclassified and accounted for as joint ventures in accordance with HKFRS 11 "Joint Arrangements" and such change in classification and accounting has the following effects on the financial statements:

	Year ended 31st December		
	2013	2012	
	HK\$ Million	HK\$ Million	
Decrease in share of net profit of jointly controlled entities	(4,049)	(5,452)	
Decrease in share of net profit of associates	(1,722)	(545)	
Increase in share of net profit of joint ventures	5,771	5,997	
Profit for the year	-	-	
Decrease in share of other comprehensive income of jointly controlled entities	(853)	(954)	
Decrease in share of other comprehensive income of associates	(382)	(109)	
Increase in share of other comprehensive income of joint ventures	1,235	1,063	
Total comprehensive income for the year	-	-	
	31/12/2013	31/12/2012	1/1/2012
	HK\$ Million	HK\$ Million	HK\$ Million
Decrease in jointly controlled entities	(49,524)	(48,705)	(45,323)
Decrease in associates	(16,135)	(14,598)	(11,606)
Increase in joint ventures	65,659	63,303	56,929
Net assets	-	-	-

However, the adoption of HKAS 19 (2011) "Employee Benefits" which is effective for annual accounting periods beginning on 1st January, 2013 by Hutchison Whampoa Limited, listed associate, has material impact on its accounting policy and retrospective application is required. The Group's share of the impact of its adoption of HKAS 19 (2011) has the following effect on the financial statements:

	Year ended 31st December		
	2013	2012	
	HK\$ Million	HK\$ Million	
Decrease in share of net profit of associates	(149)	(116)	
Decrease in profit attributable to shareholders of the Company	(149)	(116)	
Increase in share of other comprehensive income of associates	152	-	
Increase/(decrease) in total comprehensive income attributable to shareholders of the Company	3	(116)	
Decrease in earnings per share (based on profit attributable to shareholders)	HK\$0.06	HK\$0.05	
	31/12/2013	31/12/2012	1/1/2012
	HK\$ Million	HK\$ Million	HK\$ Million
Decrease in associates	(838)	(841)	(725)
Decrease in net assets	(838)	(841)	(725)
Decrease in retained profits	(838)	(841)	(725)
Decrease in total equity	(838)	(841)	(725)

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

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