Chairman's Statement

All of the Group's operating established businesses reported higher earnings and healthy growth year on year.

The Group's total revenue grew 33% to HK$241,862 million, comprising revenue from the established businesses and the **3** Group. Total revenue from the established businesses grew 23% to HK$204,360 million, and recurring earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the Group's established businesses, excluding investment properties revaluation profit and profit on disposal of investments, increased 17% to HK$38,514 million. The Group also benefited from substantial increases in the current market valuations of several of its businesses. As a result, the Group executed several strategic disposals during the year realising significant cash proceeds and non-recurring profits.

The Group's 3G customer base has grown 65.5% from 31 December 2004 to 11,061,000 at 31 December 2005 and currently stands at 11,909,000. The **3** Group total revenue for 2005 more than doubled compared to 2004, to HK$37,502 million, allowing the **3** Group to achieve a major cash flow milestone, reporting positive earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") before all customer acquisition costs ("CACs") of HK$1,825 million, an improvement of HK$9,731 million over last year's comparable losses of HK$7,906 million.

Results

The Group's audited profit attributable to shareholders for the year amounted to HK$14,343 million, an 11% increase compared to last year's profit of HK$12,978 million, which has been restated for the adoption of Hong Kong Financial Reporting Standards ("HKFRS") recently issued by the Hong Kong Institute of Certified Public Accountants (see Note 1 to the accounts). Earnings per share amounted to HK$3.36 (2004 – HK$3.04), an increase of 11%. These results include a profit on revaluation of investment properties of HK$5,225 million and a profit on disposal of investments totalling HK$25,117 million, comprising:

- a profit of HK$7,400 million from the disposal of a 19.3% interest in Hutchison Telecommunications International ("HTIL");
- a profit of HK$5,500 million realised from the disposal for cash of a 20% interest in Hongkong International Terminals ("HIT") and a 10% interest in COSCO-HIT Terminals (Hong Kong) ("COSCO-HIT");
- a profit of HK$3,699 million from the partial disposal of the Australian electricity distribution businesses by Cheung Kong Infrastructure ("CKI"), partially offset by provisions of HK$2,032 million, mainly related to its infrastructure materials and certain infrastructure investments;
- a profit of HK$9,400 million that arose from the exercise by the Group of its right to re-purchase from the minority shareholders of **3** UK their 35% interest at a substantial discount;

and a dilution profit of HK$1,150 million from a 5.2% reduction in the Group's interest in HTIL as a result of HTIL issuing its shares to effect the privatisation of its subsidiary Hutchison Global Communications Holdings.

Dividends

Your Directors have today declared a final dividend of HK$1.22 per share (2004 – HK$1.22), payable on 19 May 2006 to those persons registered as shareholders on 18 May 2006. The proposed final dividend, together with the interim dividend of HK$0.51 paid on 7 October 2005, gives a total dividend of HK$1.73 per share (2004 – HK$1.73) for the year. The share register of members will be closed from 11 May 2006 to 18 May 2006, both days inclusive.

Established Businesses

Ports and Related Services

The ports and related services division recorded another year of satisfactory steady growth. Total revenue grew 11% to HK$29,917 million. The combined throughput increased 8% to 51.8 million TEUs (twenty-foot equivalent units). The major contributors to throughput growth were Yantian port, which reported growth of 21%; Europe Container Terminals ("ECT") in Rotterdam, of 12%; Xiamen International Container Terminals, of 49%; Kelang Multi Terminal in Malaysia, of 14%; and Panama ports container terminals ("PPC"), of 54%. EBIT increased 14% to HK$10,219 million. The major contributors to improved EBIT performance were Yantian with a 22% increase in EBIT, ECT with 34%, Internacional de Contenedores Asociados de Veracruz in Mexico with 31% and PPC with 53%. This division contributed 15% and 17% respectively to the total revenue and EBIT of the Group's established businesses for the year.

The Group continues to expand its existing facilities and to invest in new opportunities to meet demand for container terminal services, which continues to show healthy growth. In addition to the expansion activity reported in our interim result announcement, the Group acquired in August an 80% interest in a project to build and operate a roll-on/roll-off (ro-ro) terminal in Laem Chabang Port, Thailand with a 30-year concession period. In October, a 50/50 joint venture was formed to develop and operate Dalian Ore Terminal for a tenure of 50 years. In November, the Group announced the commencement of Yantian port Phase IIIB expansion project, 42.7% owned, which when completed in 2010, will add six berths to the existing nine berths in Yantian port. Also, in November, the Group invested in a joint venture, in which it holds a 65% interest, to operate and develop a greenfield, 10-berth container terminal in the Port of Sohar, Oman for a concession period of 40 years. In December, a conditional agreement was signed to acquire a 70% interest in Terminal Catalunya S.A., a five-berth container terminal with expansion opportunities, in the Port of Barcelona, Spain. Also in December, the Group entered into agreements with certain joint venture partners to establish a joint venture to acquire, develop, operate and manage the Phase II Container Terminal at Yangshan port in Shanghai. The Group has a 32% interest in this project. Currently this division operates in five of the seven busiest container ports in the world, with interests in a total of 42 ports comprising 247 berths in 20 countries. The ports and related services division will continue, on a selective basis, to seek attractive investment and expansion opportunities.

"The Group's total revenue grew 33% to HK$241,862 million."

Property and Hotels

The property and hotels division reported total revenue of HK$10,265 million and EBIT of HK$3,939 million, 13% and 31% better than last year respectively. This division contributed 5% and 7% to the total revenue and EBIT of the Group's established businesses. Gross rental income of HK$2,528 million, mainly from properties in Hong Kong, was 6% higher than last year primarily due to increased rental income from investment properties in Hong Kong, reflecting higher lease renewal rates. Development profit came primarily from the sale of residential units of Shanghai Regency Park in the Mainland and also from the release of a provision made in previous years against a Hong Kong development project, reflecting rising residential property prices. In addition, profit was realised from the sale of certain non-core joint venture owned properties to the recently listed Prosperity REIT.

The property and hotels division will continue to focus on actively seeking development opportunities, primarily in the Mainland where it has substantial landbank interests. The Group's attributable share of landbank currently can be developed into 68 million square feet of mainly residential property, of which 94% is situated in the Mainland, 5% in the UK and overseas, and 1% in Hong Kong. The Group's hotel businesses reported EBIT 82% better than last year, reflecting the growth in the Hong Kong tourism industry and profit contribution from its joint venture interest in The Kowloon Hotel, which was acquired in February 2005.

"Profit attributable to shareholders for the year amounted to HK$14,343 million, an 11% increase."

Retail

Total revenue for the Group's retail division totalled HK$88,780 million, a 30% increase, mainly due to contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired in April and August respectively, a full-year contribution from the Rossmann retail chain in Germany, which was acquired in August 2004, and continued good sales growth in PARKnSHOP and Watsons in the Mainland, Watsons in Taiwan, and in the UK retail operations. EBIT from this division totalled HK$3,261 million, up 2%. This division contributed 44% and 6% respectively to the total revenue and EBIT of the Group's established businesses for the year.

The retail division continues to grow its retail brands and store concepts organically through store additions, by cautious expansion into new markets and also in 2005, through selective strategic acquisitions. During the year and in the first few months of this year, the retail division expanded into new markets in South Korea, Estonia and Slovenia by opening outlets under the "Watsons" brand name. In April, the Group acquired Marionnaud in France, the largest perfumery and cosmetics retailer in Europe with more than 1,200 stores in 14 countries. In August, the Group acquired Merchant Retail Group in the UK, a leading perfumery retailer with 120 stores mainly in the UK and the Republic of Ireland which operates under the brand name "The Perfume Shop". In January this year, the Group announced the acquisition of Spektr Group, an established 24-store health and beauty retail chain in St Petersburg, Russia. During the year, the total number of retail outlets increased 49% and this division currently operates over 7,100 retail outlets in 36 markets. With its acquisition strategy largely complete, this division is now focusing on the integration of its recently acquired businesses, consolidating its leading market share in its segments, margin improvement, and organic growth through new store openings, particularly in Eastern Europe and the Mainland.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure, a listed subsidiary, announced turnover of HK$4,750 million, in line with last year, and profit attributable to shareholders of HK$6,007 million, 71% above last year, including a one-time profit of HK$3,699 million on partial disposal of the Australian electricity distribution businesses to Spark Infrastructure Group, which was listed on the Australian Stock Exchange in December, less provisions at the Group's consolidation level totalling HK$2,032 million mainly for infrastructure materials and certain infrastructure investments. CKI contributed 8% and 11% respectively to the total revenue and EBIT of the Group's established businesses for the year. CKI continues to seek attractive investment opportunities to expand and diversify overseas.

Husky Energy, an associated company listed in Canada, announced impressive results, reporting total revenue of C$10,245 million and profit attributable to shareholders of C$2,003 million, 21% and 99% above last year respectively, mainly reflecting higher natural gas and crude oil prices. Husky contributed 11% and 10% respectively to the total revenue and EBIT from the Group's established businesses for the year. During the fourth quarter of 2005, Husky achieved first oil production from the White Rose project off the east coast of Canada, ahead of schedule and on budget. The Tucker Oil Sands project in Alberta is on schedule and first oil production is expected to be achieved by the end of this year. Key development approvals for the Sunrise Oil Sands project are also progressing well. It is anticipated that gross production volume will increase in 2006.

The Group's EBIT from its finance and investments operations, which mainly represents interest income earned on the Group's substantial holdings of cash and liquid investments, amounted to HK$5,491 million, a decrease of 39%, mainly due to lower realised foreign exchange gains on deposits and profits on disposal of certain fixed-income securities. These operations contributed 9% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments at 31 December 2005 totalled HK$110,386 million, consolidated debt was HK$264,911 million, and the consolidated debt net of cash and liquid investments was HK$154,525 million.

Hutchison Telecommunications International

Hutchison Telecommunications International, a listed associated company, announced turnover from continued operations of HK$24,356 million, a 64% increase over last year and a loss attributable to shareholders of HK$768 million, compared to a loss attributable to shareholders of HK$30 million in 2004, which included a one-time gain of HK$1,300 million on disposal of a 26% interest in its then listed subsidiary Hutchison Global Communications Holdings. Excluding the effect of this one-time gain, the comparable loss attributable to shareholders of HTIL improved by 42%, mainly due to the strong growth in its mobile operations in India and reduced losses incurred by its operations in Thailand, partially offset by a loss on disposal of the Paraguay business. At 31 December 2005, HTIL had a consolidated mobile customer base of 16.9 million, representing a 39% increase over the beginning of the year. The Group's share of HTIL's turnover and EBIT amounted to 12% and 5% of the Group's total revenue and EBIT of its established businesses respectively.

HTIL is continuing to grow its customer base and expand its operation, particularly in the rapidly growing Indian market. It is also streamlining and integrating its fixed-line and mobile operations in Hong Kong to realise synergies and building networks in Vietnam and Indonesia.

In December, the Group disposed of a 19.3% interest in HTIL to a strategic partner, Orascom Telecom, for a consideration of HK$10,100 million, which gave rise to a profit on disposal of HK$7,400 million. HTIL and Orascom Telecom agreed to cooperate on their respective procurement processes to exploit synergies and to identify and pursue other opportunities. Following the sale, the Group holds a 49.8% interest in HTIL, and as a result, HTIL is treated as an associated company of the Group.

Telecommunications – 3 Group

As the recently reported operating performance of incumbent cellular operators in Europe makes abundantly clear, competition has been fierce throughout 2005 in all of the **3** Group's markets. Unlike most of its competitors, however, the **3** Group is continuing to achieve both improved operating and improved financial performance despite the increasingly competitive environment.

> "The Group's 3G customer base currently stands at 11,909,000."

The Group's 3G customer base increased 65.5% from 31 December 2004 to 11,061,000 at 31 December 2005 and currently stands at 11,909,000 customers. Measured by customer numbers, **3** Group's market share of the total mobile telecommunications market is now over 5% in the UK and over 8% in Italy. However, total revenue of the **3** Group for 2005 increased by 138% compared to 2004, to HK$37,502 million, indicating that on average across its markets, the **3** Group is succeeding in capturing a significantly higher market share when measured by customer value rather than by customer numbers. This positive result has been achieved both by an increased focus during the year on the lower-risk, higher-value contract customer segment in all markets and by above market average non-voice revenue. Postpaid customers as a percentage of total customers increased 24% to 56% in the UK and 90% to 19% in Italy. On a trailing 12-month average basis, non-voice service revenues as a percentage of total revenue increased from 22% to 23% in the UK and from 26% to 30% in Italy. Average revenue per user on a trailing 12-month average active customer basis ("ARPU") for the **3** Group as a whole declined modestly from €43.11 at the time of our interim announcement to €42.20. The decline relates to the ARPU in the first six months of 2005 included in this trailing 12-month average calculation. However, both ARPU and non-voice service revenues as a percentage of ARPU have strengthened in the second half of this year, and are well above cellular market averages.

Key Business Indicators

Current key business indicators for the **3** Group and HTIL's 3G businesses are:

	Registered 3G Customers at 22 March 2006 ('000)	12-month Average Revenue per User ("ARPU")[(1)] in 2005			Mix of Postpaid/Prepaid Customers (ratio) at 31 December 2005
		Total	Non-voice		
		Local Currency/HK$	ARPU %	ARPU	
Australia [(2)]	854	A$78.00/463	24%	A$19.00/110	85/15
Austria	340	€53.92/520	14%	€7.60/73	68/32
Italy	6,005	€34.87/335	30%	€10.31/99	19/81
Sweden & Denmark	502	SEK382.90/398	16%	SEK59.73/62	78/22
UK & Ireland	3,569	£34.51/486	23%	£8.00/113	56/44
3 Group Total/Average	11,270	€42.20/406	25%	€10.47/101	40/60
Hong Kong [(3)]	521				
Israel [(4)]	118				
Total	11,909				

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers in the period, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding three months.

Note 2: Active customers as announced by this listed subsidiary updated from its results announcement date of 7 March for net customer additions to 22 March.

Note 3: Registered customers as announced by listed HTIL updated from its results announcement date of 9 March for net customer additions to 22 March.

Note 4: Registered customers as announced on 9 March by listed HTIL.

The improved key results reported for the **3** Group are:

	2005 HK$ millions	As restated[(5)] 2004 HK$ millions	% Improvement
EBITDA/(LBITDA) before all CACs	1,825	(7,906)	123%
Reported LBITDA after prepaid CACs	(9,619)	(16,329)	41%
Loss before interest expense and finance costs and taxation	(26,880)	(38,449)	30%
Net loss attributable to shareholders	(25,157)	(28,239)	11%

Note 5: See Note 1 to the accounts.

The **3** Group continued to improve its operating cost structure over the year and was able as a result to achieve the cash flow milestone of reporting positive EBITDA before all CACs for the full year of HK$1,825 million, a 123% improvement over last year's comparable LBITDA of HK$7,906 million. **3** Italia and **3** UK have also achieved a second important milestone, reporting positive EBITDA after deducting all CACs on a monthly basis. **3** Italia first achieved this target in August and **3** UK in December 2005 after including the cash benefits of its outsourcing agreements. Encouragingly, this means that the revenues from these operations now cover both operating costs and the costs of continuing to grow their customer and revenue bases. As a whole, the **3** Group's target is to achieve positive EBITDA after all CACs for the full year in 2006.

For the full year, the average cost of acquiring a customer for the year increased nominally to €293 from the level of €274 reported in our interim announcement. This was partially due to manufacturers' delays in delivering lower cost handsets in the second half, as well as the higher mix during the second half of the year of contract versus prepaid customer additions in all of our European markets. The improvement in ARPU in the second half implies that our customer acquisition spending in the second half succeeded in acquiring higher-value customers on average than in the first half. The **3** Group's current and contracted handset costs are significantly lower than 2005 averages. Consequently, I am confident that the cost of acquiring customers relative to the value of the customers acquired by the 3G businesses will decrease through 2006.

Finally, with the network construction phase nearing completion for most **3** Group operations, capital expenditure, which was approximately HK$14,051 million in 2005 compared to HK$21,428 million in 2004, will decline significantly in 2006.

As the **3** Group moves to becoming a net cash flow contributor to the Group, improved earnings performance will follow. The **3** Group's operating losses will have significantly less impact on consolidated Group earnings in 2006 than in 2005, and the target is to achieve positive EBIT in 2007.

As announced in February this year, poor equity market sentiment toward incumbent cellular operations in Europe necessitated postponement of the proposed initial public offering ("IPO") of **3** Italia. The private placement underwriting which we announced at the same time provides a more positive indication of expected market valuation for this business. Accordingly, we will revisit **3** Italia's IPO plan when market conditions are appropriate.

It should be noted that the **3** Group LBIT of HK$26,880 million includes a one-time profit of HK$9,400 million on elimination of minority interests in **3** UK relating to the re-purchase of a 35% interest in **3** UK from NTT DoCoMo and KPN Mobile at a deep discount. It should also be noted that in line with the current interpretation of International Accounting Standards, deferred tax assets have not been recorded for **3** Italia and the other **3** Group businesses, except for in **3** UK where, among other things, taxation losses can be carried forward indefinitely.

Outlook

The world economy generally reported solid growth in 2005, despite rising US dollar interest rates and a high and volatile energy price environment. Looking ahead, in 2006 oil prices are anticipated to remain at prevailing levels, and although US dollar interest rates might continue to rise, any increase should be moderate. Hong Kong continues to benefit from the robust economic growth and enormous opportunity in the Mainland. With these encouraging economic trends, I am confident that our Group's businesses will continue to perform well in 2006.

Mr George Magnus retired as an Executive Director of the Company during the year. Mr Magnus will continue to serve the Board as a Non-Executive Director of the Company and also of listed subsidiary Cheung Kong Infrastructure and listed associate Hongkong Electric Holdings. On behalf of all Board members, I wish to take this opportunity to express our deepest gratitude to Mr Magnus for his over 25 years of dedicated service and his many substantial contributions to the Group.

I would like to thank the Board of Directors and all employees around the world in all of our businesses for their professionalism, enterprise, hard work, commitment and dedication.

Li Ka-shing
Chairman

Hong Kong, 23 March 2006