

Building Quality Assets

– the pillar for future growth



Our continued pursuit of a superior portfolio of diversified assets and investments places us in a stronger position to drive exciting new growth.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2005 amounted to HK\$13,995 million (2004 (restated) – HK\$10,700 million). Earnings per share were HK\$6.04 (2004 (restated) – HK\$4.62).

The Group's audited profit attributable to shareholders amounted to HK\$13,995 million, increased by **31%**.

DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK\$1.58 per share in respect of 2005, to shareholders whose names appear on the Register of Members of the Company on 18th May, 2006. This together with the interim dividend of HK\$0.42 per share gives a total of HK\$2.00 per share for the year (2004 – HK\$1.80 per share). The proposed final dividend will be paid on 23rd May, 2006 following approval at the Annual General Meeting.

PROSPECTS

Solid Growth in 2005

2005 was another year of solid operating and financial performance for the Group. It was a year in which our growth momentum strengthened, our pace of expansion accelerated, and our asset value continued to grow. Timely opportunities were seized to realise the underlying value of the Group's quality businesses, adding significant value for shareholders.

The Group's profit before share of results of the Hutchison Whampoa Group increased by 62% for the year of 2005. This solid growth was contributed by all of the Group's core businesses as they continued to improve upon operational efficiency and deliver a steady performance.

Property Business

Hong Kong enjoyed favourable economic conditions during the year under review. Despite the growing pressure from high oil prices and rising interest rates, real GDP growth of 7.3% was recorded as solid export growth and domestic demand continued to support a steady recovery. Positive indicators such as declining unemployment and modest inflation also point to an optimistic outlook for Hong Kong's economy.

Activity in the local property market slowed down in the second half of 2005 as the impact of interest rate increases started to influence market sentiment. However, this modest correction was welcome as it is conducive to the long-term healthy growth of the market. Housing demand remains strong as buyers' confidence is bolstered by strengthening economic prospects and rising income. With interest rate rises likely to be moderate despite any further possible increases in the United States, we expect the local property market to gather momentum again as accumulated purchasing power is released.

The Group's property operations have continued to expand and solid progress was achieved in project design, management, construction and marketing. In 2005, the volume of sales secured and the price levels achieved for the Group's quality projects were better than expected despite the market consolidation in the latter part of the year. This reflects a strong market recognition of the Group's focus on quality and the success of its innovative marketing concepts.

In December 2005, the Group completed the disposal of some of its interests in seven commercial properties in Hong Kong to Prosperity Real Estate Investment Trust ("Prosperity REIT"), the first private sector REIT in Hong Kong. Units of Prosperity REIT were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16th December last year. Through this transaction, the underlying value of the Group's prime properties was realised, and the Group will benefit from a rationalised asset portfolio and improved cost efficiency. The Group will continue to examine further investment and financing opportunities with good value creation potential as part of its longstanding policy to maximise shareholders' returns.

Rental rates continue to grow as the market is underpinned by strong demand for rental space. To strengthen our solid base of recurrent earnings growth, the Group will continue to enhance its rental portfolio with high quality commercial properties and hotels, while also seeking further opportunities to rationalise its portfolio.

To strengthen our long-term growth capability through active landbank replenishment is always at the core of the Group's strategic framework. We closed 2005 with a number of land acquisitions across Hong Kong, the Mainland and overseas markets. With the addition of various premier sites in good locations for commercial and/or residential purposes, our sizeable quality landbank is sufficient for development over the next five to six years, providing a strong platform for growth in the medium and long term.

The Group's quality land portfolio across various cities in the Mainland has significantly increased in recent years, and large-scale development plans of these prime sites are underway. It is expected that these developments will further accelerate our pace of expansion and strengthen our market position in the Mainland. We have also accelerated efforts to strengthen our presence in overseas markets such as Singapore and the United Kingdom, and good progress has been made in areas of land acquisition and project development, making the Group one of the major foreign developers in these markets. We will continue to actively take advantage of opportunities which arise in the Mainland and overseas to expand in terms of geographical breadth and market depth, leveraging our sound financials, extensive experience and strong brand recognition.

Listed Affiliated Companies

In 2005, positive results were reported for all the core businesses of the Hutchison Whampoa Group encompassing ports and related services, property and hotels, retail, energy, infrastructure, finance and investments and telecommunications. We anticipate that this good performance will be sustained in 2006 as the positive momentum looks set to continue. Solid growth was achieved by the 3G business in 2005 with the customer base expanding at a brisk pace and market coverage continuing to extend. The 3 Group's capital expenditure is expected to decline significantly in 2006 and improved earnings performance will follow. As a whole, the 3 Group's target is to achieve positive EBITDA after all customer acquisition costs for 2006. Further improvement in performance is expected in 2007, with a key target being to achieve positive EBIT for the year. A primary objective of the Hutchison Whampoa Group has been to enhance shareholders' returns by establishing the real value of its quality businesses. The Hutchison Whampoa Group will continue to study the possible listing of suitable businesses at the right time and under optimal market conditions to get the best possible returns for shareholders.

Cheung Kong Infrastructure Holdings Limited ("CKI") reported continued growth momentum for the year under review, and an overall good performance was achieved in 2005. A sizeable gain from the listing of Spark Infrastructure Group significantly boosted CKI's profits and strengthened its balance sheet. Building on its strong position in the infrastructure industry and formidable financial resources, CKI looks forward to continued growth by further expanding its market presence and making more quality acquisitions. Hongkong Electric Holdings Limited ("Hongkong Electric") reported a solid performance in 2005 primarily driven by the continued success of its overseas diversification strategy. Hongkong Electric will continue to build on its strong financial position and expertise to explore new business opportunities which offer stable returns with manageable risks.

New Tech Ventures

In 2005, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") continued to strengthen its R&D platform following a prudent and disciplined approach to development. Business scale and reach was further extended through overseas acquisitions, strengthening CK Life Sciences' position and quickly establishing a momentum of sales and profit growth. This will continue in 2006 following another milestone achievement – the acquisition in January of an 80% stake in Vitaquest International Holdings LLC, a nutraceutical company based in the United States. This acquisition will further strengthen CK Life Sciences' core business and accelerate its global development. CK Life Sciences has every confidence in the potential of its businesses to deliver sustainable growth in performance, particularly in the area of health-related and nutraceutical businesses.

Other new tech businesses of the Group are progressing well as expected. The major pillars for growth – sound financial resources and professional expertise – are firmly in place, and our value-added projects are poised to generate returns when their capacity for value creation and profitability comes to fruition.

Promising Growth Ahead

Looking ahead to 2006, China's robust growth and Hong Kong's steady economic recovery are expected to continue. As a visionary and responsive conglomerate, the Cheung Kong Group is at the forefront of the strengthening economy to seize new growth opportunities, while staying alert to possible challenges from increasing global competition. Our continued pursuit of a superior portfolio of diversified assets and investments places us in a stronger position to drive exciting new growth.

Changes in oil prices and interest rates will continue to be the major uncertainties facing Hong Kong in the coming year. However, the effect of any negative impact could be offset by solid domestic demand boosted by increasing consumer and business confidence. With oil prices likely to stabilise at the prevailing levels, and interest rate rises likely to be moderate despite any further possible increases in the United States, it is expected that the local economy led by export trade and domestic demand will continue to gather strength in 2006.

The Mainland's ability to simultaneously achieve rapid economic growth and low inflation was demonstrated last year. Real GDP growth of more than 9% was recorded, and all major sectors have continued to improve in line with the stated targets of the macroeconomic control programme. The 11th Five Year Plan has set out the growth roadmap for the Mainland's economic development over the next five years. This blueprint will help further transform the landscape of the Mainland's economy, steering it towards a more healthy development, and a more promising future.

Report of the Chairman and the Managing Director *(continued)*

Hong Kong is well positioned to continue to benefit from China's robust economic growth and rapid development. Hong Kong should continue to concentrate on strengthening its economic integration with the Mainland in order to capture the attractive opportunities ahead. Its ability to achieve sustainable economic growth will be dependent on its strategic positioning in the integration and its ability to create new growth platforms.

The Cheung Kong Group remains cautiously optimistic on global economic prospects in 2006, and is prepared to take advantage of opportunities as they arise to drive future growth. With our strong global presence, well-established reputation, sound financials, talented management team, as well as the all-encompassing outlook and commitment to excellence, we are confident in our ability to meet all the challenges ahead and achieve further success. The Cheung Kong Group has complete confidence in the growth prospects of its diversified businesses spanning 54 countries around the globe.

Acknowledgement

During the year, Mr. George Magnus retired as Deputy Chairman and an Executive Director of the Company. He has been an instrumental force in supporting the tremendous growth of the Group over the last 26 years. We would like to take this opportunity to express our gratitude for his dedication and contribution, and look forward to the benefit of Mr. Magnus' expertise and experience as a Non-executive Director of the Company.

The Group has made remarkable strides in global expansion. We take this opportunity to extend our thanks to 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

Li Tzar Kuoi, Victor
Managing Director

Hong Kong, 23rd March, 2006