

Report of the Chairman and the Managing Director

Shaping the Future



We have complete confidence in the Group's ability to shape the future as we have all the right ingredients in place to drive long-term sustainable growth, and to create ever increasing value for shareholders.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2006 amounted to HK\$18,075 million (2005 – HK\$13,995 million). Earnings per share were HK\$7.80 (2005 – HK\$6.04).

The Group's audited profit attributable to shareholders amounted to HK\$18,075 million, increased by **29%**.

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.74 per share in respect of 2006, to shareholders whose names appear on the Register of Members of the Company on 17th May, 2007. This together with the interim dividend of HK\$0.46 per share gives a total of HK\$2.20 per share for the year (2005 – HK\$2.00 per share). The proposed final dividend will be paid on 22nd May, 2007 following approval at the Annual General Meeting.

PROSPECTS

Solid Business Growth

2006 marked another year of solid progress for the Group. A number of significant investment and expansion initiatives delivered good results, with the Group well positioned to generate continued long-term growth and better value for shareholders.

The Group's profit before share of results of the Hutchison Whampoa Group increased by 18% for 2006. This positive performance reflects progress across the various core businesses of the Group.

Property Business: Achieve Continued Growth

The general economic environment was positive in 2006 as oil prices receded to more reasonable levels, interest rates stabilised, and the global economy maintained its growth momentum. In Hong Kong, robust economic growth was recorded for the third consecutive year with real GDP increasing by 6.8%. Domestic demand and exports continued to be the twin drivers of growth. In particular, strong private consumption and investment was seen against the backdrop of declining unemployment, rising income, and an extremely buoyant finance sector.

A slowdown in property activities was recorded in the first half of 2006 due to the anticipated rises in interest rates and in part to the lack of major new launches by developers. However, the steady pick-up of transactions in the latter part of 2006 was a clear sign of improving market sentiment. We anticipate a stable property market in 2007 with moderate upward pressure on property prices as buyer's confidence is positively impacted by stable lending rates and an optimistic outlook for Hong Kong's economy.

Our property activities are progressing well and on schedule, with all development and expansion initiatives being effectively planned and managed. Property sales in 2006 were in line with our stated target, and projects for sale in 2007 are progressing as scheduled. The Group's continuing sound results reflect not only its proven ability to respond rapidly, flexibly and creatively to market developments and customer needs, but also its commitment to quality of life and conservation by employing environmentally-friendly concepts and technologies in project planning, construction, and management.

In 2006, we achieved significant progress in landbank expansion by completing a series of quality land acquisitions. Our landbank comprises a diversified portfolio of prime sites with high development potential, providing an excellent platform to contribute significantly to property development in Hong Kong over the next five to six years. Our financial strength and market knowledge give us the capacity to further expand our landbank, and position us for growth in the future.

The Group's investment property portfolio and its recurrent earnings base continued to expand during the year with the addition of a quality commercial property and the launch of new hotels. We will continue to add value to our rental portfolio by acquiring superior investment properties when suitable opportunities arise.

The total number of hotel rooms and serviced suites of the properties directly or indirectly owned by the Group and by the Hutchison Whampoa Group, including those under construction, is approximately 18,000 of which about 12,000 hotel rooms and serviced suites are within properties located in Hong Kong, with the remainder outside of Hong Kong.

The Mainland continues to be the major focus of the Group's expansion outside Hong Kong. Despite the various measures introduced to regulate land supply and property activities, long-term growth prospects for the Mainland's property market remain positive as it is supported by solid fundamentals and strong underlying demand. We will continue to capitalise on the Mainland's growth opportunities by following a disciplined approach to investment and development.

We increased our other overseas expansion activities during the year by strengthening our presence as a leading provider of quality properties in Singapore and the United Kingdom. Following the acquisition made in early 2007 pursuant to an option in respect of the land parcel at Marina Bay, Singapore, a significant addition was made to the landbank of the Group. Apart from land acquisition, solid results were also recorded in construction, and sales and marketing. We are confident that we are on track to benefit from the high growth potential of these markets and deliver attractive returns to shareholders.

Listed Affiliated Companies: Deliver Solid Progress

Overall, both the Hutchison Whampoa Group's established businesses and the 3 Group recorded growth and improved results in 2006. During the year, the 3 Group reported narrowing losses from the continued growth in its customer base and revenue, reflecting a successful strategy of capturing higher-value contract customers. The 3 Group is continuing to improve its operating cost structure and is moving towards achieving its operating targets. Its management is continuing to target achieving positive monthly EBITDA after deducting all customer acquisition costs on a sustainable basis during the first half of 2007 and positive monthly EBIT on a sustainable basis during 2008. The Hutchison Whampoa Group will benefit from the cash dividend following the anticipated completion of the sale of the entire interest in the mobile business in India.

2006 marked the beginning of the second decade of Cheung Kong Infrastructure Holdings Limited ("CKI") as a listed company. In general terms, CKI's businesses in the key markets of Hong Kong, the Mainland, Australia and the United Kingdom have all performed well during the year. While CKI's Australian asset base was reduced as a result of the divestment of part of its Australian electricity businesses to Spark Infrastructure Group in December 2005, its overall profit generation capacity has not diminished. On the whole, CKI's investments have exceeded expectations, enabling it to deliver continued recurring profit and dividend growth to its shareholders. CKI has laid very solid foundations and has ample resources to fund future expansion.

The year 2006 saw continued challenges for the electricity business in Hong Kong of Hongkong Electric Holdings Limited ("Hongkong Electric"). However, supply reliability was not compromised and was maintained at a world class level of over 99.999%. Its international operations continued to perform well during the year and the overall results were in line with expectations. Hongkong Electric will continue to look for investment opportunities in other parts of the world in order to increase earnings and to reduce the proportion of its earnings derived from the electricity operations in Hong Kong.

2006 was a very exciting year for CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") with notable achievements on all fronts. Steady sales growth by the environmental and health businesses, and a meaningful contribution from recent acquisitions supported CK Life Sciences' strong financial performance for the year. 2006 was also notable for the expansion of the *Adrien Gagnon* (or "AG") nutraceutical brand following its international launch, firstly in Hong Kong and then in the Netherlands. CK Life Sciences will continue to pursue organic growth of its core businesses in health and environmental sustainability by leveraging its experience and expertise in the biotech sector, and will continue to explore acquisition opportunities to further enhance its growth and add value to its shareholders.

New Growth Opportunities

We see exciting growth in the future and the Group is well placed to capitalise on the opportunities which will arise in the years ahead. Our solid foundations and international scope, excellent reputation and financial strength will enable the Group to strengthen its competitive position globally, and drive sustainable growth in 2007 and beyond.

Looking into 2007, prospects for the global economy remain steady and China's rapid development will continue to drive worldwide economic growth. While the pace of growth in the United States is forecast to moderate, barring unforeseeable circumstances, significant fluctuations in interest rates seem unlikely, with reductions more likely than increases.

China is maintaining its rapid economic expansion, with GDP growth reaching 10.7% in 2006, double-digit growth for the fourth consecutive year. Strong growth accompanied by moderate inflation is expected to continue in 2007, and the overall economy is in good shape on its path to achieving stated macroeconomic targets. Various tightening measures and increased efforts to fine-tune the Mainland's economic structure and growth patterns are conducive to its healthy development and to achieving long-term sustainable growth.

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

Hong Kong's positive growth trend is predicted to continue in 2007. We remain optimistic about Hong Kong's long-term economic prospects as it is poised to benefit from the positive global economic environment and the Mainland's robust growth momentum. However, Hong Kong must be proactive to capitalise on the enormous opportunities arising from the Mainland's rapid expansion by building on its existing advantages, positioning itself for closer economic integration with the Mainland, and contributing its part to the nation's development. We have every confidence in Hong Kong's ability to move in this direction.

The Cheung Kong Group is firmly rooted in Hong Kong and with operations spanning 56 countries worldwide, and will continue to capture new opportunities arising from the Mainland's extraordinary growth. In an ever-changing and increasingly competitive environment, we need to constantly innovate, assess risks, draw on our experience and creativity, and raise our efficiency in order to meet new challenges and seize new opportunities. We have complete confidence in the Group's ability to shape the future as we have all the right ingredients in place to drive long-term sustainable growth, and to create ever increasing value for shareholders.

Acknowledgement

In this extremely competitive global environment, we are proud to have intelligent, creative, dedicated and loyal employees, the Group's most valuable asset. 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

Li Tzar Kuoi, Victor
Managing Director

Hong Kong, 22nd March, 2007