Chairman's Statement

Overall, both the Group's established businesses and the **3** Group recorded growth and improved results in 2006. The Group's total revenue grew 11% to HK$267,664 million. Total revenue and recurring earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the Group's established businesses, grew 6% and 14% respectively to HK$216,996 million and HK$43,791 million, despite a lower contribution from Hutchison Telecommunications International ("HTIL") which was deconsolidated after it became a 49% associated company in the second half of 2005. During the year, the **3** Group reported narrowing losses from the continued growth in its customer base and revenue. The **3** Group's total revenue increased by 35% to HK$50,668 million and LBIT narrowed 45% to HK$19,996 million.

Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK$6.75 per share after completion. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million and its share of the cash dividend will be HK$15,976 million.

Results

The Group's audited profit attributable to shareholders for the year amounted to HK$20,030 million, a 40% increase compared to last year's profit of HK$14,343 million. Earnings per share amounted to HK$4.70 (2005 - HK$3.36), an increase of 40%. These results include a profit on revaluation of investment properties of HK$3,802 million and a profit on disposal of investments totalling HK$23,290 million, comprising a profit of HK$24,380 million realised from the cash disposal of a 20% equity interest in the ports and related services division to PSA International Pte Ltd ("PSA"); a profit of HK$751 million from the disposal of the data centres by **3** UK; and a one-time charge of HK$1,841 million relating to the closure of listed Hutchison Telecommunications Australia's ("HTAL") CDMA network and migration of its customers to its 3G network.

Dividends

The Board recommends the payment of a final dividend of HK$1.22 per share in respect of 2006 (2005 - HK$1.22), to those persons registered as shareholders on 17 May 2007. This, together with the interim dividend of HK$0.51 per share paid on 6 October 2006, give a total dividend of HK$1.73 per share for the year (2005 – HK$1.73). The proposed final dividend will be paid on 18 May 2007 following approval at the Annual General Meeting.

Established Businesses

Ports and Related Services

The ports and related services division recorded another year of steady growth. Total revenue grew 10% to HK$33,041 million. Total throughput increased 15% to 59.3 million TEUs (twenty-foot equivalent units). Major contributors to throughput growth and their respective growth rates were:

- the Shanghai area ports, 48%;
- Yantian port, 17%;
- Westports in Klang, Malaysia, 24%;
- Kwai Tsing terminals in Hong Kong, 5%;

together with the recently acquired Terminal Catalunya ("TERCAT") in Barcelona, Spain.

The division's EBIT increased 12% to HK$11,395 million. Major contributors to EBIT growth and their respective growth rates were:

- the Shanghai area ports, 30%;
- Yantian port, 10%;
- Panama ports container terminals ("PPC"), 33%;

together with the first-time EBIT contribution of TERCAT.

The division's EBIT growth was partially offset by 5% lower EBIT from Kwai Tsing terminals. The division contributed 15% and 26% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, the division continued to expand and enhance its existing facilities by improving efficiencies, developing recently acquired terminals and selectively pursuing new investment opportunities. Construction is progressing satisfactorily to expand

"The Group's total revenue grew 11% to HK$267,664 million."

the facilities in Yantian, Gaolan in Zhuhai, Rotterdam in the Netherlands, Laem Chabang in Thailand, ports in Panama as well as in Lazaro Cardenas in Mexico. The construction of a new seven-berth terminal facility in Barcelona is also underway. In November, the Group was awarded a 30-year concession by the Manta Port Authority to build and operate a new container terminal at the Port of Manta, Ecuador. The initial phase of this four-berth terminal is scheduled to be operational in 2007. In February this year, the Group entered into agreements with Saigon Investment Construction & Commerce Company to jointly build and operate a new container terminal in Ba Ria Vung Tau Province, Vietnam for a concession period of 50 years. This three-berth terminal is expected to commence operation in 2011. Currently, this division operates in five of the seven busiest container ports in the world, with interests in a total of 45 ports comprising 257 berths in 23 countries. The division will continue to seek investment and expansion opportunities that meet its investment criteria.

Property and Hotels

The property and hotels division reported total revenue of HK$10,717 million and EBIT of HK$5,667 million, 4% and 44% better than last year respectively. This division contributed 5% and 13% respectively to the total revenue and EBIT of the Group's established businesses. Gross rental income of HK$2,807 million was 11% higher than last year, primarily due to increased rental income from investment properties in Hong Kong, reflecting higher lease renewal rates, particularly for office premises. Although development profits declined, this was mainly due to the effect of a provision made against a Hong Kong development property. Excluding the effects of this provision, development profits were in line with last year. Development profits arose primarily from the sale of residential units of Cairnhill Crest in Singapore and various projects in the Mainland including Shanghai Regency Park, The Greenwich in Beijing and Guangzhou Cape Coral. In addition, a profit before taxation of HK$1,428 million was recorded being the Group's share of a joint venture's profit before taxation from the sale of an investment property in Japan.

The property division will continue to focus on actively seeking development opportunities, primarily in the Mainland where it has substantial landbank interests. The Group's current share of landbank interests can be developed into 92 million square feet of mainly residential property, of which 96% is situated in the Mainland, 3% in the UK and overseas and 1% in Hong Kong.

The Group's hotel operations reported EBIT 33% better than last year primarily due to increased demand in Hong Kong.

Retail

Total revenue for the Group's retail division was HK$99,149 million, a 12% increase, mainly due to full-year contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired last year; to revenue growth from certain health and beauty operations, including Rossmann in Germany and Poland, Superdrug in the UK, Kruidvat in the Benelux countries and Watsons in the Mainland; and to PARKnSHOP sales growth in the Mainland. EBIT from this division totalled HK$2,720 million, 17% below last year, mainly due to the inclusion of normal seasonal losses of Marionnaud in the first quarter of the current year's results which were not in last year's comparable results because Marionnaud was acquired in April 2005, and also due to non-recurring restructuring charges incurred by Marionnaud and the UK and Benelux health and beauty businesses. Excluding these losses and restructuring charges, like-to-like EBIT declined 3% due to decreases in the health and beauty operations in the UK, the Benelux countries and Asia, partially offset by the improved results from PARKnSHOP, Watsons and Fortress operations in Hong Kong. The retail division contributed 45% and 6% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, the retail division continued to focus on managing its worldwide store portfolio to integrate its acquired businesses, strengthen store concepts and consolidate market position against keen competition. As its acquisition plans were largely completed in 2005, the division's expansion activity was significantly reduced in 2006 and the total number of retail outlets increased only moderately by 5% during the second half of 2006. Currently, this division operates over 7,700 retail outlets in 36 markets worldwide. The retail division will continue to focus on improving margins in its existing businesses. Expansion activity in 2007 will continue to be limited, and growth is expected to be mainly organic and focused on the Mainland market.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover, including its share of jointly controlled entities' turnover, of HK$4,799 million, 1% above last year, and profit attributable to shareholders of HK$3,670 million, 39% below last year's profit. The attributable profit for 2005 included a one-time profit of HK$3,699 million on partial disposal of the Australian electricity distribution businesses as well as provisions totalling HK$1,727 million. CKI contributed 7% and 14% respectively to the total revenue and EBIT of the Group's established businesses for the year. CKI continues to seek infrastructure investment opportunities globally that meet its investment criteria.

Husky Energy ("Husky"), an associated company listed in Canada, announced strong results, reporting total revenue of C$12,664 million and net earnings of C$2,726 million, 24% and 36% above last year respectively, mainly reflecting strong crude oil prices, increased production volumes and the full-year contribution by the White Rose oil field which commenced production in the fourth quarter of 2005. Total production increased 14% from 315,000 barrels of oil equivalent per day ("boe/day") in 2005 to 360,000 boe/day in 2006. In light of the healthy financial condition and earnings, Husky increased its quarterly dividend payment to C$0.50 per share commencing in the third quarter of 2006 and a special dividend of C$0.50 per share for 2006 was declared in February this year. Husky contributed 14% and 19% respectively to the total revenue and EBIT from the Group's established businesses for the year.

Husky's Tucker Oil Sands project in Alberta achieved first oil at the end of 2006 and production is expected to increase over the next few years as it becomes fully operational. In September, the Lloydminster Ethanol Plant in Saskatchewen, Western Canada, was officially opened and full production is expected in 2007. In November, Husky announced the successful completion of the White Rose 2006 delineation programme which contributed possible reserves of 138 million barrels of light crude oil to White Rose which had a combined proved, probable and possible reserves of 379 million barrels at the end of 2006.

> "The Group's profit attributable to shareholders for the year amounted to HK$20,030 million, a 40% increase."

The Group's EBIT from its finance and investments operations mainly represents returns earned on the Group's substantial holdings of cash and liquid investments together with the Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. EBIT for these operations amounted to HK$6,920 million, an increase of 26%, mainly due to profits on disposal of certain equity investments and a dilution gain of HK$307 million realised on the initial public offering of Hutchison China MediTech on the Alternative Investment Market of the London Stock Exchange. Finance and investments operations contributed 16% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments increased by 18% from 2005 to total HK$130,402 million as at 31 December 2006, consolidated debt was HK$283,040 million, and the consolidated debt net of cash and liquid investments was HK$152,638 million.

Hutchison Telecommunications International

Hutchison Telecommunications International, a listed associated company, announced full-year 2006 turnover of HK$33,378 million, a 37% increase over last year and full-year 2006 profit attributable to shareholders of HK$201 million, compared to a loss attributable to shareholders of HK$768 million in 2005. The improvement was mainly due to the improved EBIT contributions from the mobile operations in India, Partner Communications in Israel and in Hong Kong, partially offset by start-up losses in the Vietnam and Indonesia businesses. At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase over the beginning of the year, mainly reflecting strong customer growth in the India market. The Group's share of HTIL's turnover and EBIT amounted to 8% and 6% of the total revenue and EBIT of the Group's established businesses respectively.

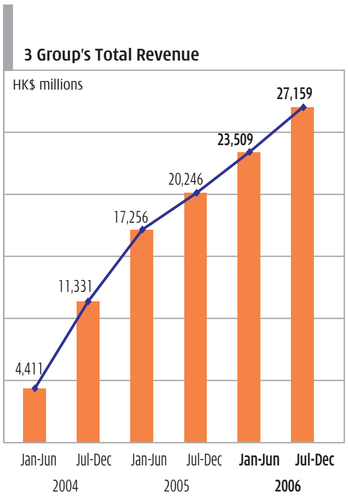
Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK$6.75 per share after completion. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million and its share of the cash dividend will be HK$15,976 million.

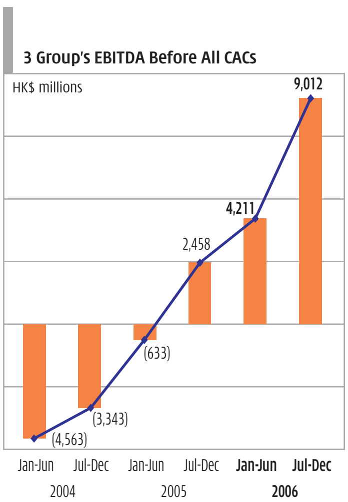
Telecommunications – 3 Group

During the year, the **3** Group continued to improve its operating and financial results. The Group's registered 3G customer base increased 30% during the year and currently stands at over 14.7 million customers. Total revenue of the **3** Group grew 35% to HK$50,668 million in 2006, reflecting a successful strategy of capturing higher-value contract customers, which accounted for 45% of the total customers at the end of 2006, compared to 40% at the end of last year. LBIT for the year improved to HK$19,996 million, a 45% reduction compared to last year.

"Earnings per share amounted to HK$4.70, an increase of 40%."

The charts below show the continued growth trend of the **3** Group's revenue and earnings before interest expense and finance costs, taxation, depreciation and amortisation and before deducting all customer acquisition costs ("EBITDA before all CACs").





Average revenue per active user on a trailing 12-month average active customer basis ("ARPU") was €45.63 for 2006, an 8% increase compared to 2005. The proportion of active customers of the **3** Group's registered customer base was approximately 79% at the end of 2006. As competition for new customers remained strong in all of our markets throughout the year, the **3** Group has increased its usage of promotional discounts on contract tariff plans. It is expected that the level of these discounts, which averaged below 4% of ARPU in 2006, will tactically increase this year, as required by specific market needs.

Another encouraging trend is the proportion of revenue derived from the higher-margin non-voice services, which continued to grow in 2006, increasing 5 percentage-points to 30% of ARPU. The average non-voice component of ARPU rose from €10.47 last year to €13.70. Despite the increasingly competitive market, this trend is expected to be maintained during 2007 as the benefits of strategic alliances entered into during 2006 become increasingly apparent. In partnering with global giants of the Internet including Skype, Sling Media, Yahoo!, Google, eBay, Microsoft and Orb amongst others, the launch of the X-Series portfolio of services by the **3** Group during the year represents a significant step towards mobile-fixed broadband convergence. With a flat-access fee, users can enjoy unlimited access to the most popular Internet applications via handsets anywhere and anytime. In addition, customers can also watch programmes of their choice from their home television and access their home personal computers remotely via their handsets. Our networks are being fully upgraded to enable High Speed Downlink Packet Access ("HSDPA") and competitively priced high-speed handsets, data cards and other wireless broadband access devices are becoming available and are offered on this service in our markets.

Despite the intense competition, average monthly customer churn reduced from the 3.2% reported for the first half of 2006 to average 2.6% in the second half and averaged 2.9% for the full year. Management is focused on continued churn reduction through changes in marketing and sales strategies, increasing customer satisfaction with the quality of our networks, continuing development and roll-out of groundbreaking services, as well as offering a full range of leading edge handsets and devices.

The **3** Group's weighted average customer acquisition cost, on a 12-month trailing basis, continued to trend downwards from €293 in 2005 and €262 at 30 June to €250 for 2006. This cost reduction is favourable given the increased focus during 2006 on higher-value contract markets where the customer acquisition costs are typically higher than on prepaid markets.

Key Business Indicators

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

	Customer Base					
	Registered Customers at 21 March 2007 ('000)			Registered Customer Growth (%) from 31 December 2005 to 31 December 2006		
	Prepaid	**Postpaid**	**Total**	**Prepaid**	**Postpaid**	**Total**
Italy	5,365	1,825	**7,190**	18%	65%	**27%**
UK & Ireland	1,583	2,333	**3,916**	4%	22%	**14%**
Australia[1]	151	1,170	**1,321**	59%	96%	**90%**
Sweden & Denmark	94	628	**722**	-19%	64%	**46%**
Austria	120	306	**426**	16%	44%	**35%**
3 Group Total	7,313	6,262	**13,575**	15%	47%	**28%**
Hong Kong[2]	15	804	**819**	500%	61%	**63%**
Israel[1]	–	326	**326**	–	167%	**167%**
Total	7,328	7,392	**14,720**	15%	51%	**30%**

	Customer Revenue Base					
	Revenue for the 12 months ended 31 December 2006 ('000)			Revenue Growth (%) compared to the 12 months ended 31 December 2005		
	Prepaid	**Postpaid**	**Total**	**Prepaid**	**Postpaid**	**Total**
Italy	€1,144,071	€927,765	**€2,071,836**	16%	61%	**33%**
UK & Ireland	£147,123	£1,372,496	**£1,519,619**	-23%	50%	**37%**
Australia	A$65,198	A$783,718	**A$848,916**	87%	75%	**76%**
Sweden & Denmark	SEK55,668	SEK2,577,177	**SEK2,632,845**	1%	41%	**40%**
Austria	€6,842	€165,077	**€171,919**	-9%	32%	**30%**
3 Group Total	€1,412,163	€3,857,230	**€5,269,393**	9%	53%	**38%**

	12-month Trailing Average Revenue per Active User ("ARPU")[3] to 31 December 2006					
	Total				Non-voice	
	Prepaid	**Postpaid**	**Blended Total**	**% Variance compared to 31 December 2005**	**ARPU**	**ARPU %**
			Local Currency/HK$		**Local Currency/HK$**	
Italy	€25.38	€58.41	**€33.99/332**	-3%	€11.84/116	**35%**
UK & Ireland	£18.07	£56.05	**£46.57/670**	35%	£13.44/193	**29%**
Australia	A$44.24	A$74.16	**A$70.50/413**	-10%	A$17.22/101	**24%**
Sweden & Denmark	SEK61.71	SEK460.24	**SEK404.33/430**	6%	SEK83.95/89	**21%**
Austria	€17.98	€55.47	**€51.22/501**	-5%	€9.43/92	**18%**
3 Group Average	€25.23	€64.77	**€45.63/447**	8%	€13.70/134	**30%**

Note 1: Active customers as at 31 December 2006 announced by listed subsidiary HTAL and listed associate Partner Communications updated for net additions to 21 March.

Note 2: Customers as announced by listed associate HTIL as at 20 March.

Note 3: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers during the year, 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.

Highlights for the **3** Group are as follows:

Italy

3 Italia has continued to improve its market share and increased its registered customers by 27% in 2006 to total 7.08 million at 31 December 2006 and currently stands at 7.19 million. This total includes over 400,000 customers using the Digital Video Broadcast-Handheld ("DVB-H") Mobile Television services that was launched during the year. Revenues, in local currency, increased 33% and EBITDA before all CACs increased 151%. In addition, **3** Italia achieved a major financial milestone and reported its first year of positive EBITDA after all CACs in 2006. Active customers as a proportion of the total customer base averaged 76% at the end of 2006. ARPU declined marginally from €34.87 to €33.99. The usage of higher margin non-voice services increased from 30% to 35% as a proportion of ARPU, averaging €11.84 compared to €10.31 last year. The monthly churn rate improved to 2.2% compared to last year's 2.5%. The network upgrade to roll out HSDPA has progressed well and currently approximately 57% of our network has been upgraded, providing coverage in most major cities in Italy.

"3G customer base increased 30% during the year and currently stands at over 14.7 million."

UK & Ireland

3 UK continued to improve the quality of its overall customer base. In Ireland, the 3G business is at a relatively early stage of development and the registered customer base and revenues continue to grow. The combined customer base grew by 14% in 2006 to total over 3.9 million customers at 31 December 2006 and currently is at approximately the same level. The strategy to target higher-value customers resulted in a 22% growth in the contract customer base, a 50% growth in revenues from these customers and an increase in the active customers as a proportion of the total customer base to 75% at 31 December 2006. **3** UK limited its activity in the prepaid sector of the market, resulting in the decline in revenues, which now represents only 10% of its revenue base. The combined revenue of **3** UK and **3** Ireland, in British pounds, was 37% above last year and EBITDA before all CACs increased 817%. Combined ARPU increased by over 35% to £46.57, mainly due to the increased proportion of contract customers and to the increased usage of non-voice services, which rose from 23% of ARPU to 29%, or £13.44 versus £8.00 in 2005. Combined churn, which for prudence also considers the potential disconnection of inactive prepaid customers currently on the registered customer base, improved from 6.0% in the first half to 3.8% in the second half, with continuing efforts to further reduce churn. The HSDPA network upgrade in the UK will be phased to commence in major cities in the latter half of this year. During the year, the Group refinanced certain non-Sterling borrowings with Sterling notes and bank loans to create a natural currency exchange hedge against the **3** UK assets denominated in Sterling. As a result, a foreign exchange gain of HK$1,731 million was realised and recorded in **3** UK's results.

Other 3 Group Operations

In each of the other 3G operations, the operating and financial performance continues to progress:

- In Australia, the active 3G customer base of listed Hutchison Telecommunications Australia, including the successful migration of 2G customers on closure of its CDMA network, grew 90% in 2006 and currently stands at 1.3 million. Revenue from the 3G operations, in local currency, increased 76% compared to last year. ARPU declined 10% to A$70.50 and the proportion of non-voice remained in line with 2005 at 24% reflecting the rapid growth of the customer base through 2G customer migration. In addition, HTAL's 3G operations achieved a major cash flow milestone of positive EBITDA after all CACs on a sustainable monthly basis commencing in July 2006. It is expected that positive EBITDA after all CACs will be maintained in 2007.

- In Sweden & Denmark, the registered customer base grew 46% during 2006. Combined revenues, in Swedish Kronas, grew 40%. In addition, the operation in Sweden achieved its first year positive EBITDA before all CACs, offset by start-up losses in Denmark. Combined ARPU increased 6% to SEK404.33 (HK$430) and the proportion of non-voice ARPU increased from 16% in 2005 to 21%. The HSDPA network upgrade has been completed in Denmark and over 30% of our network in Sweden has also been upgraded.

- In Austria, the registered customer base grew 35% during 2006. Revenues, in local currency, grew 30% and LBITDA before all CACs reduced 82% to an almost breakeven position. Although ARPU declined 5% to €51.22, the proportion of non-voice revenue increased from 14% in 2005 to 18%. The HSDPA upgrade has been completed on the existing network. **3** Austria is continuing to roll out its network to cover the rural areas.

In light of the **3** Group's operating and financial performance in 2006, management is continuing to target achieving positive monthly EBITDA after all CACs on a sustainable basis during the first half of 2007 and positive monthly EBIT on a sustainable basis during 2008.

Outlook

The global economy continued to grow in 2006 as US dollar interest rates and energy prices stablised. Hong Kong continued to benefit from the strong economic growth in the Mainland. In 2007, the Group will continue to seek new opportunities in the Mainland as well as overseas. Looking ahead, the major economies around the world continue to be healthy and rapid development in the Mainland and in Asia is supporting positive worldwide trends. With our diversified portfolio of business worldwide, and our sound financial position, I am confident that our Group's businesses will continue to perform well in 2007.

I would like to thank the Board of Directors and the Group's most valuable asset - our employees all around the world - for their continuing professionalism, creativity, hard work and loyal dedication.

Li Ka-shing
Chairman

Hong Kong, 22 March 2007

"In 2007, the Group will continue to seek new opportunities in the Mainland as well as overseas."