Chairman's statement

The Group achieved a record high audited consolidated net profit for the year ended 31 December 1999 of HK$117,345 million. In 1998 the net profit was HK$8,706 million. The result includes HK$109,532 million (1998 – HK$566 million) which comprised of HK$118,000 million profit from the disposal of the Group's 49.01% interest in Orange plc in the United Kingdom, a gain of HK$1,392 million realised from the Initial Public Offering ("IPO") of shares of Partner Communications in Israel, partially offset by provisions of HK$2,060 million against the accumulated capitalised costs of acquiring new Hong Kong cellular subscribers and HK$7,800 million against certain investments in joint venture and other projects. Earnings per share were HK$30.28 compared to HK$2.25 in 1998.

Your Directors will recommend a final dividend of HK$1.15 at the forthcoming Annual General Meeting. This, together with the interim dividend of HK$0.48 paid on 15 October 1999 gives a total dividend of HK$1.63 per share and represents a 27% increase to the HK$1.28 paid in respect of 1998.

Record high profit of HK$117,345 million.

Final dividend per share of HK$1.15 making a total dividend of HK$1.63 per share for the year.

BONUS ISSUE

The Directors will also recommend at the Annual General Meeting that the sum of HK$96.9 million be capitalised out of the share premium account for the issue of 387,579,161 new ordinary shares of HK$0.25 each for distribution by way of a bonus issue of one new ordinary share for every ten ordinary shares held by holders of ordinary shares of the Company on the register of members on 25 May 2000. These new ordinary shares will not rank for the final dividend in respect of the year ended 31 December 1999, but will rank pari passu with the existing issued ordinary shares of the Company in all other respects.

OVERALL REVIEW

Overall the Group's profit from its core businesses was satisfactory and in line with the previous year, although the Hong Kong and Asian economies continued to be affected by recession and price deflation pressures that began in 1998. While these pressures eased in the middle of the year and the economy began to recover, the Group's Hong Kong operations reported net profit before provisions 22% below the previous year's comparable net profit. The Group's overseas operations performed exceptionally well and accounted for 97% of the Group's net profit before provisions and significantly increased the Group's portfolio of liquid assets, equity reserves and financial strength.

The Group's ports and related services division reported EBIT of HK$4,823 million, a 6% increase over the previous year. The combined throughput of its worldwide operations increased 30% over the previous year. In Hong Kong, HIT's operations at Kwai Chung experienced throughput growth of 7%, reflecting an encouraging recovery in the volume of trade in the second half of the year. The Group's Mainland container terminal operations overall reported strong growth with combined throughput up 31% over 1998. Throughput at Shanghai Container Terminal grew over 28% and the facility is reaching its capacity. Construction of the second phase at the Yantian facility was completed during the year, more than doubling its annual throughput capacity to approximately two million TEUs. Rapid take up of this capacity contributed to throughput growth of over 50%. The Group's container terminals in the United Kingdom, the Port of Felixstowe and Thamesport, reported combined throughput growth of 10% and increased earnings. The Group expanded its Asian port interests with the acquisition in April of a 51% interest in Jakarta International Container Terminal, a 1.6 million TEUs capacity facility. In November the Group established a continental European presence with the acquisition of an effective 31.5% interest in Europe Combined Terminals ("ECT") in Rotterdam, the largest port in Europe and the fifth largest port in the world. Expansion of the Group's Grand Bahama container port was completed and new capacity take up contributed to its 16% throughput growth, while development work to expand the Balboa facility in Panama is expected to be completed in the second quarter of this year.

The Group's telecommunications businesses reported EBIT totalling HK$563 million, 19% higher than the comparable 1998 earnings mainly due to increased contributions from the international division which partially offset the adverse effects of the continuing intense competition for subscribers in Hong Kong. These earnings exclude the gains realised on the disposal of Orange plc and the successful IPO of Partner Communications and the provisions against the costs of acquiring new Hong Kong cellular subscribers. The sale of the Group's 49.01% interest in Orange plc in two tranches during the year resulted in a profit of HK$118,000 million. The aggregate consideration was comprised of HK$26,400 million in cash, the equivalent of HK$21,400 million in three year Euro denominated floating rate notes issued by Mannesmann, and a 10.2%

Bonus issue of one new share for every 10 shares held by shareholders.

shareholding in Mannesmann, a company listed on the Frankfurt stock exchange. In February this year, the Board of Mannesmann recommended to its shareholders to accept a general offer for its shares by Vodafone AirTouch, a company listed on the London stock exchange. Last month, the Group accepted this offer and exchanged its Mannesmann shares for an approximate 5% holding in Vodafone AirTouch, realising further profits of approximately HK$50,000 million which will be reported in this year's interim results.

The Hong Kong cellular operations increased its subscriber base during the year by 55% to establish itself as the largest cellular operator in Hong Kong with currently over 1,410,000 subscribers and an approximate 34% market share. Early this year, the Group completed the sale of a 19% equity interest in the Hong Kong cellular operation to NTT DoCoMo, a company listed on the Tokyo stock exchange. This transaction forms a strategic alliance with one of the world's leaders in the development of innovative mobile multimedia services which will provide next generation products and services to our customers. Early this year the Group also completed the sale of a 50% interest in its fixed line telecommunications business to Global Crossing, a company quoted on the Nasdaq Stock Market. This strategic joint venture, named Hutchison Global Crossing, will provide significant technological expertise, global connectivity and a variety of web hosting, Internet applications and data centre services. The profit, realised from these two transactions of HK$2,200 million and HK$1,720 million respectively, will be reported in this year's interim results. Hutchison Global Crossing won the contract to supply the Hong Kong SAR Government with its Electronic Service Delivery ("ESD") system and upon implementation later this year it will enable the people of Hong Kong to

HK$118,000 million received from disposal of Orange plc.

Strategic initiatives in new information technology and e-commerce growing out of existing core businesses.

Pursuing investment opportunities in telecommunications projects overseas.

conduct a wide variety of online transactions with 10 government departments for 37 electronic public services. Hutchison Global Crossing's 0080 IDD service, which was formally awarded an international gateway license at the beginning of this year, generated increased call minutes and more than doubled its activated subscribers and its HutchCity branded Internet service provider business experienced strong growth in its subscriber base which currently totals over 122,000. All these businesses are continuing to focus on increasing their subscriber bases and market share by providing innovative next generation products and services.

As mentioned in our interim report, Hutchison Telecommunications Australia ("HTA") completed its successful IPO of shares on the Australian stock exchange in August. HTA has made steady progress to construct its CDMA networks in the greater Sydney and Melbourne areas, soft launching its Home Zone concept under the Orange brand in December, and is continuing to enlarge its subscriber base. HTA's GSM cellular service provider and paging businesses performed in line with the comparable period last year. The GSM network in Mumbai in India reported improved results compared to those of the previous year. In Israel, Partner Communications completed its IPO in November which resulted in a profit of HK$1,392 million and raised US$500 million for the repayment of Partner's shareholders' loans and the further development of its business. During the year the subscriber base grew rapidly and currently the company has over 390,000 subscribers. The merger of VoiceStream Wireless Corporation ("VoiceStream") and Omnipoint Corporation was completed in February this year. In 1999 VoiceStream announced a proposed merger with Aerial Communications Inc to further expand its GSM footprint in the Eastern United States. Upon completion of this merger, which is expected in April this year, the Group will increase its effective equity interest in the merged entity to approximately 23%. This entity would be the largest GSM wireless telecommunications network operator in the United States, covering a population of approximately 220 million people in 23 of the 25 largest markets and a combined subscriber base of approximately 1.73 million. The Group's international operations will continue to explore expansion opportunities in underdeveloped wireless telecommunications markets.

The property development and holdings division's EBIT amounted to HK$2,334 million, 18% below the previous year mainly due to reduced carpark and other investment property sales. Rental income from the Group's investment properties in Hong Kong rose marginally over 1998 with the adverse effects of difficult economic conditions and over capacity of office space more than offset by the completion of the Cheung Kong Center office tower which is substantially fully let. All units of the second phase of the Tierra Verde residential development at Tsing Yi were presold and the related property development profits were recorded on the completion of this project in the second half of the year. The Group's portfolio of seven hotels generally reported improved occupancy compared to 1998 as the number of international travellers has steadily increased with the recovering economies in Asia. The Group is focusing on developing its existing portfolio of development properties.

The retail, manufacturing and other services division reported EBIT of HK$1,313 million, 56% above last year. These results reflect the increased contribution from the Group's Mainland joint ventures with Procter & Gamble and the sale of the Group's ice cream businesses, partially offset by

97% of profit before provisions was generated outside of Hong Kong.

Geographic spread of investments now reaches 24 countries, all performing well.

the effects of price competition and generally weak consumer demand throughout Asia. PARKnSHOP Hong Kong has met the challenge of new competition aggressively, increasing both sales and market share through competitive pricing and new customer services, although earnings were reduced compared to last year. PARKnSHOP in the Mainland had another difficult year and reported losses. A restructuring exercise has been implemented under new management to close all loss making stores, reduce costs, and return the business to a profitable position. A full provision for all losses and costs of this exercise and certain other retail businesses totalling HK$706 million was made during the year. The Fortress consumer electronics store chain in Hong Kong increased sales in 1999 although earnings continued to be affected by weak consumer spending. Watson's The Chemist in Hong Kong and the South East Asia region reported sales and earnings growth in 1999 and continued to expand its network of retail outlets. Watson's The Chemist in Taiwan continued with another successful year of expanded retail outlets and increased earnings.

After disposing of its ice cream businesses in 1999, the manufacturing division has focused on its water and beverage businesses in Hong Kong and the Mainland which were adversely affected by the slow economies and price competition from imported products. The home and office water operations expanded overseas in 1999 with acquisitions in the United Kingdom and continental Europe and further opportunities are being pursued.

The energy, infrastructure, finance and investment division reported EBIT of HK$7,432 million, a decrease of 3% compared to the previous year's amount. Cheung Kong Infrastructure announced a profit attributable to shareholders of HK$3,141 million for the year ended 31 December 1999, an increase of 10%. In 1999 CKI focused on completing its investment programme in its existing infrastructure projects in the Mainland as well as making new investments in Hong Kong and Australia. Hongkong Electric (Holdings) performed well in 1999 with a 6% increase in profit attributable to the shareholders over 1998. Husky Oil in Canada contributed EBIT 23% above the previous year reflecting the increase in oil prices during the second half of the year. Development of the Terra Nova oil field offshore the east coast of Canada is continuing on schedule for commencement of production early next year. Exploration and delineation activities in the promising White Rose oil field in the same area are continuing with encouraging results.

During the year the Group continued to build on its existing e-commerce operations. The Group's strategy is to focus and coordinate the e-commerce operations and initiatives of each of its core businesses under an innovative management team to benefit from the opportunities in each business. Alliances are being formed with strategic partners to invest in e-commerce enablement, business to consumer ("B2C") and business to business ("B2B") enterprises. The current B2B initiatives will benefit from the Group's extensive business network, resources and telecommunications networks in Hong Kong and further investments are planned in Hong Kong and overseas to capture the tremendous potential of B2B commerce in Asia.

TOM.COM, a joint venture multilingual mega Internet portal, successfully launched its services in January this year with a vision to target both PRC and global audiences to "bring China to the World and the World to China". In March this year TOM.COM was the first Internet company to list on Hong Kong's newly established Growth Enterprise Market and raised HK$876 million to fund its development. The Group currently holds a 31.2% interest in TOM.COM.

OUTLOOK

In 1999 the economies of Asia were still recovering from a recession and the Group's results from Hong Kong and Asia were adversely affected by reduced consumer and capital spending and increased competition in all its core businesses. The Group's overseas operations performed very well in 1999 and the telecommunication businesses in particular contributed record profits and value creation. Although the Asian economies have not fully recovered, there are encouraging signs of a return to GDP growth and 2000 is anticipated to be a year of paced economic recovery.

During the year the Group enhanced its already strong financial position with the receipt of cash and marketable loan notes received as partial consideration from the restructuring of its telecommunications investments in Europe. The Group has a large pool of liquid assets and a solid long term debt capital structure, which combined with strong recurring cash flows from its geographically diverse, professionally managed operations, and good reputation provides a solid base for the Group to expand its core businesses as opportunities arise. The Group will continue its strategy of making investments overseas in telecommunications projects to further enhance shareholders' value.

The Group is a diversified, multinational conglomerate based in Hong Kong with operations in its core businesses of ports, properties, telecommunications, retail and manufacturing, energy and infrastructure in 24 countries. As we enter this new millennium, potential opportunities for development and expansion have increased, particularly in the coordination and integration of information technology, e-commerce, telecommunications and Internet applications. With the advent of this New Economy in Hong Kong and the PRC entering the World Trade Organisation, the Group will continue to be adaptable and innovative in order to take advantage of the opportunities ahead. While the Group will continue to develop its existing core businesses, opportunities to capitalise on the benefits of new information technology and the growth of B2B and B2C e-commerce will also be a major focus. The Group continues to be committed to a strategy of controlled expansion while maintaining stability. While Hong Kong will remain the Group's principal base of operations, it will continue to expand overseas and in the Mainland. It is expected that overseas operations will continue to make substantial contributions to the Group. I am very confident and optimistic about the Group's future development and performance.

I wish to thank the Board of Directors and all the Group's employees for their hard work throughout the year and for their continuing support and dedication.

LI Ka-shing
Chairman

Hong Kong, 23 March 2000