Chairman's Statement

The Group's audited profit attributable to shareholders for the year amounted to HK$12,088 million (2000 – HK$34,118 million). Earnings per share amounted to HK$2.84 (2000 – HK$8.00). Excluding profits on disposal of investments less provisions of HK$3,124 million (2000 – HK$25,742 million), the Group's profit increased 7% over the previous year.

In the first half of 2001 the Group recorded a profit of HK$30,000 million on the disposal of its investment in VoiceStream. During the second half of the year, the Group recognised further profits on disposal of investments totalling HK$4,393 million from the sale of approximately 695 million shares of Vodafone Group (at an average price of £1.75) and approximately 89 million shares of Deutsche Telekom (at an average price of €21.26) pursuant to forward sales contracts for delivery in 2002. Partially offsetting these investment profits, the Group has made provisions totalling HK$31,269 million for the full year, which is comprised of a HK$1,500 million provision for certain property developments and a HK$29,769 million provision for diminution in value of its portfolio of equity investments. Overall, the Group has provisions on hand to fully cover the Group's investments in Global Crossing and its subsidiary Asia Global Crossing.

The Group's provisions for diminutions in value of its portfolio of equity investments should be viewed in the context of the transactions that gave rise to these holdings. The equities were received as part of the consideration from the disposals over the last three years of certain second generation and other telecommunication assets near the height of their market valuation. Although the Group has made provisions, including those above, for the recent declines in equity market values, the Group has realised net profits of over HK$140,000 million from these transactions in 1999, 2000 and 2001.

Significant continuing investment activities in all core businesses

DIVIDEND

Your Directors will recommend a final dividend of HK$1.22 per share (2000 – HK$1.22) at the forthcoming Annual General Meeting. This, together with the interim dividend of HK$0.51 paid on 16 October 2001 gives a total dividend of HK$1.73 per share (2000 – HK$1.73).

OPERATIONS

The Group's turnover and earnings before interest expense and tax ("EBIT"), including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment in Note 3 to the consolidated profit and loss account.

The Group's core businesses performed well in 2001, despite adverse economic conditions around the world and the economic shock resulting from the terrorist attacks in September in the United States of America ("USA"). Turnover for the year totalled HK$89,038 million, an increase of 5% over 2000, mainly reflecting increased turnover in all core businesses, except property and hotels where development activity in Hong Kong was lower. Except for retail and manufacturing and Husky Energy, all of the core businesses reported EBIT ahead of last year. EBIT for the Group totalled HK$21,846 million, an increase of 12% compared to 2000. During the year, the Group has continued to build its 3G networks in Europe, Hong Kong and Australia and to pursue expansion opportunities in its other businesses overseas, particularly in the container ports, property development, retail and manufacturing and infrastructure divisions.

Ports and Related Services

The Group's ports and related services division reported growth in both turnover and EBIT, despite a slowdown in global import and export activity. Turnover increased 9% to reach HK$15,505 million primarily due to increased throughput at the Group's Yantian and Panama ports, full year throughput from the ports of Koja Terminal in Indonesia and Kelang Multi Terminal in Malaysia, which were acquired in the second half of 2000, and the additional throughput from eight port operations acquired in six countries in mid-2001. These increases more than offset throughput declines in the Hong Kong, Shanghai and the United Kingdom ("UK") ports. The combined throughput of the Group's worldwide operations increased 6% to 27 million twenty foot equivalent units ("TEUs"). This division reported EBIT of HK$5,791 million, which represents a growth of 8%.

The Group's Hong Kong and Yantian deepwater port operations, which together serve the Shenzhen and Southern China manufacturing basin, reported combined throughput growth of 5% and EBIT 2% ahead of last year. In Hong Kong, Hongkong International Terminals and COSCO-HIT, an associated company, reported a 7% decline in combined throughput and a 9% decline in EBIT compared to last year. This was more than offset by Yantian Terminal's 28% growth in throughput and 55% EBIT growth. Construction of Container Terminal 9 in Hong Kong is progressing and the first berth, which is assigned to the Group, is currently scheduled to be completed in early 2003.

In Mainland China, the Group's associated company, Shanghai Container Terminals reported a 12% decline in throughput and a 15% decline in EBIT as a result of the diversion of throughput to a nearby terminal in Shanghai.

The Group's core businesses performed well, despite adverse economic conditions around the world

Hutchison Delta Ports' six joint venture river and coastal ports reported combined throughput 17% higher and EBIT significantly higher than 2000. The Group has continued to expand its Mainland operations with the completion of the acquisition of a 49% interest in Ningbo Beilun Container Terminal Phase II in January this year.

The Group's ports in Indonesia, Jakarta International Container Terminal and the adjacent Koja Terminal, performed well despite continuing difficult economic conditions. Combined throughput was 12% above last year and EBIT increased an impressive 92%.

In the UK, both container throughput and passenger volume declined due to the slow down in most European economies, foot and mouth disease concerns and heightened competition. The Group's terminals at the Port of Felixstowe, Thamesport and Harwich reported a combined throughput decrease of 5% and a 25% reduction in EBIT. A restructuring exercise has commenced to improve the performance of these terminals. In December, after clarification of competition issues with European Commission authorities, the Group increased its effective interest in Europe Container Terminals in Rotterdam from 31.5% to 75.5%.

In the last quarter of 2001, the Group increased its effective interest in its container terminals in Veracruz, Mexico from 32% to 82% and in Karachi, Pakistan from 32% to 82%. In February this year, the Group acquired a 100% interest in two operating terminals in Pusan and one operating terminal in Phase I of Kwangyang, South Korea. These acquisitions, combined with the eight container terminals acquired in June and the rights acquired in May to develop and operate the seven berths of Phase II of Kwangyang port, provide the Group with a base for solid earnings growth in 2002 and beyond. Currently this division has interests in 30 ports comprising 169 berths in 15 countries and will continue to pursue investment opportunities around the world.

Telecommunications

The telecommunications division reported turnover of HK$11,468 million, an increase of 14%, mainly due to continued growth in its India and Israel operations and currently the Group has a total of 4.6 million subscribers. EBIT increased 51% to HK$719 million, mainly attributable to improvements in operating results in India and Israel and a one time dividend paid by VoiceStream prior to its merger with Deutsche Telekom, partially offset by 3G telecommunication start up losses.

The Hong Kong mobile operations reported EBIT marginally below the previous year's results due to start up losses from new operations in neighbouring Macau and continued intense competition. The Group maintained its position as the largest mobile operator in Hong Kong with approximately 1.7 million subscribers and an approximate 30% market share. In September, the Group secured one of four 3G licences issued by the Hong Kong government at the minimum bid price and 3G services are targeted for launch around the end of this year. Hutchison Global Crossing ("HGC"), a 50% owned joint venture with Asia Global Crossing, owns and operates a terrestrial fibre optic network in Hong Kong. HGC reported strong customer growth for its broadband, data and voice services during the year. HGC increased its total length of duct routes in Hong Kong by 30% to over 2,000 kilometres and in September posted its milestone first month of positive earnings before interest expense, tax, depreciation and amortisation ("EBITDA"). The reported financial issues of Asia Global Crossing and its parent company, Global Crossing, are not expected to affect the joint venture's fully financed operations, which are primarily in Hong Kong, nor its financial position.

Eight port operations were acquired in six countries

In Europe, the Group currently has over 3,000 full time employees building its 3G networks and businesses in the UK, Italy, Austria, Sweden and Denmark. In the UK and Italy, cell site acquisition and construction of the networks is proceeding on schedule to launch services in the last quarter of 2002. The Group targets to be one of the first operators to launch 3G high speed wireless multimedia services to gain first to market advantages. The Group has finalised contracts with two principal vendors for the supply of handsets to meet the target launch date of all its 3G operations. In Italy, Hutchison 3G Italia (88.2% owned) recently secured a nine and three quarter year bank and equipment vendor financing facility totalling €4.2 billion, of which €2.0 billion is on a standalone project financing basis throughout the term and the remaining €2.2 billion is guaranteed by the Group until certain performance targets are met. Network and business development in Sweden and Austria are progressing well in coordination with the UK and Italy operations. In Sweden, the Group's 60% owned joint venture with Investor AB, was granted one of four 3G licences in Denmark. Synergies between the Sweden and Denmark operations are expected to significantly enhance the overall profitability of the extended joint venture.

The Hutchison Telecommunications International group's combined operations outside Europe reported EBIT of HK$931 million, 129% ahead of last year. In Australia, listed Hutchison Telecommunications Australia ("HTA") announced an increase of 158% in the Orange Mobile CDMA network subscriber base, which currently totals 208,000, a 3% increase in revenue and a net loss after tax of A$137 million compared to a loss of A$92 million in 2000. HTA has restructured its business with a view to improving the financial and operating performance of its current CDMA business as well as rapidly building its 3G network and business, in coordination with the Group's European 3G operations, for a launch in early 2003. In India, the 2G telecommunication operations in which the Group holds interests, have all performed very well, reporting a 100% growth in EBIT compared to 2000 and an 81% increase in its combined subscriber base, which currently totals over 1.2 million. In the second half of 2001, a company in which the Group holds an interest, acquired three additional licences to operate 1800MHz services in the provinces of Karnataka (includes Bangalore city), Andhra Pradesh (includes Hyderabad city) and in the city of Chennai. With these additions, the India operations, in which the Group has an interest, cover a population of over 230 million or 23% of the country and 50% of its purchasing power. In Israel, listed Partner Communications reported its first full year of positive EBIT and another year of impressive growth with subscribers increasing 75% to over 1.4 million. Partner Communications announced a net loss attributable to shareholders of US$69 million, a 61% improvement over the loss reported in 2000. In December, it successfully bid for additional 1800MHz spectrum plus a 3G band of spectrum and is currently formulating its 3G strategy.

Property and Hotels

Although the property and hotels division's turnover declined 24% to HK$5,516 million, mainly due to decreased development activity in Hong Kong, EBIT increased 12% over the previous year to HK$1,717 million due to increased profits from overseas development activity during the year.

Currently the Group operates in 36 countries

The vast majority of this division's profits arises from the steady and recurring gross rental income from the Group's investment properties which grew 3% in 2001. The investment property portfolio consists of 15.0 million sq ft of commercial, office, industrial and residential properties, of which 12.4 million sq ft are located in Hong Kong. The portfolio continues to be substantially fully let. Development profits related primarily to the completion and sale of 808 residential units of the first phase of the Le Parc development in Shenzhen and the sale of 34 units in Belgravia Place in London, UK. During the year the Group substantially increased its landbank in the Mainland with the signing of joint venture agreements to develop an aggregate of approximately 13.1 million sq ft of mainly residential property. Overseas, various development projects in London and Singapore are progressing satisfactorily. The Group's portfolio of hotels reported results below the previous year's due to the start up losses at Our Lucaya, Grand Bahama Island, and reduced occupancy levels, particularly after the September 11 incident.

Retail and Manufacturing

The retail and manufacturing division reported turnover of HK$29,543 million, an 8% increase over last year reflecting increased PARKnSHOP sales and overseas expansion. EBIT of HK$537 million was 19% below the comparable 2000 EBIT mainly due to one time restructuring charges from the Group's Mainland joint ventures with Procter & Gamble and reduced profit margins, particularly in Taiwan.

> The Group's water and beverages manufacturing division has a presence in seven European countries

> During the year the Group substantially increased its landbank in the Mainland

Although the retail food market in Hong Kong has experienced price deflation and continues to be very competitive, PARKnSHOP in Hong Kong and the Mainland performed better than the market, reporting an 11% increase in sales and an improvement in EBIT compared to 2000. The personal care, health and beauty products retail operations reported sales 14% above and EBIT in line with the previous year reflecting reduced contributions from the Watson's retail chains in Hong Kong and Taiwan which continued to be affected by weak consumer sentiment and spending patterns, partially offset by strong growth from the Savers retail chain in the UK. Fortress reported a decline in both sales (6%) and EBIT reflecting reduced spending in the more discretionary consumer electronic goods market. The Group's water and beverages manufacturing division has operations in Hong Kong, the Mainland and expanded its water operations into Italy and France and now has a presence in seven European countries. Sales of this division increased 7%, although EBIT declined mainly due to price competition in all markets and European expansion costs.

This division is focusing on expanding its PARKnSHOP operations in Southern China, its retail non-food operations in the UK, Southeast Asia and Europe and its water operations in the UK and Europe.

Cheung Kong Infrastructure

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover and profit attributable to shareholders of HK$3,838 million and HK$3,323 million respectively for 2001, an increase of 15% and 3%.

3G businesses will provide future earnings growth and value creation

Husky Energy

Husky Energy, a listed associated company, announced profit attributable to shareholders of C$701 million in its first full year of combined operations after the merger with Renaissance Energy in August 2000. The Group's 35.1% share of Husky Energy's turnover of HK$11,801 million was 3% ahead of 2000 and its share of EBIT of HK$2,036 million was below the previous year due to the lower Canadian dollar exchange rate. Daily production averaged 272,800 barrels of oil equivalent ("boe") in 2001, a 54% increase compared to the 176,800 boe during 2000.

OUTLOOK

In 2001 the local and global economies slowed markedly, particularly in the USA in the latter part of the year. The last half of 2001 saw a steep decline in interest rates, a significant decline in oil and gas prices, increasing volatility in stock markets, and increasing fragility in credit markets, all of which affect various parts of the Group's businesses. Accordingly, 2002 is expected to be another volatile and perhaps more challenging year than 2001.

The Group's consolidated cash and marketable securities amounted to HK$145,336 million, which was approximately equal to the consolidated borrowings of HK$146,992 million. This large pool of cash and marketable securities places the Group in a strong competitive position in the current economic environment. In addition, the Group has successfully secured mainly standalone financing facilities to fund the development of its start up 3G businesses in the UK and Italy. The Group will continue to benefit from the steady cash flow from its existing stable core businesses and from the growth anticipated from its recent investments overseas, particularly in the ports and retail and manufacturing divisions. With a strong balance sheet, high levels of cash reserves and liquidity, continuing low net debt levels, and a healthy long term debt maturity profile, the Group will remain focused on building and launching its 3G networks and businesses, and will pursue a conservative investment strategy to expand all its other core businesses, while remaining committed to maintaining a strong and stable financial foundation.

Overseas operations are expected to continue to provide substantial contributions to the Group

The Group is diversified both by business segment and geographically and will continue to benefit from this diversity. Currently the Group operates in 36 countries. The Group will continue to prudently expand its existing core businesses in Mainland China and overseas while maintaining its solid home base of operations in Hong Kong. China's prospects are promising with its recent accession to the World Trade Organisation which is expected to provide significant investment opportunities. Overseas operations are expected to continue to provide substantial contributions to the Group. The start up European 3G businesses, although they are expected to incur start up losses over the near term, are viewed as investments that will provide future earnings growth and value creation.

I am confident the Group will continue to perform steadily in 2002 and that the Group's investment and expansion plans will provide future growth and value to our shareholders. I would like to thank the Board of Directors and all the Group's employees around the world for their hard work, support and dedication.

LI Ka-shing
Chairman
Hong Kong, 21 March 2002