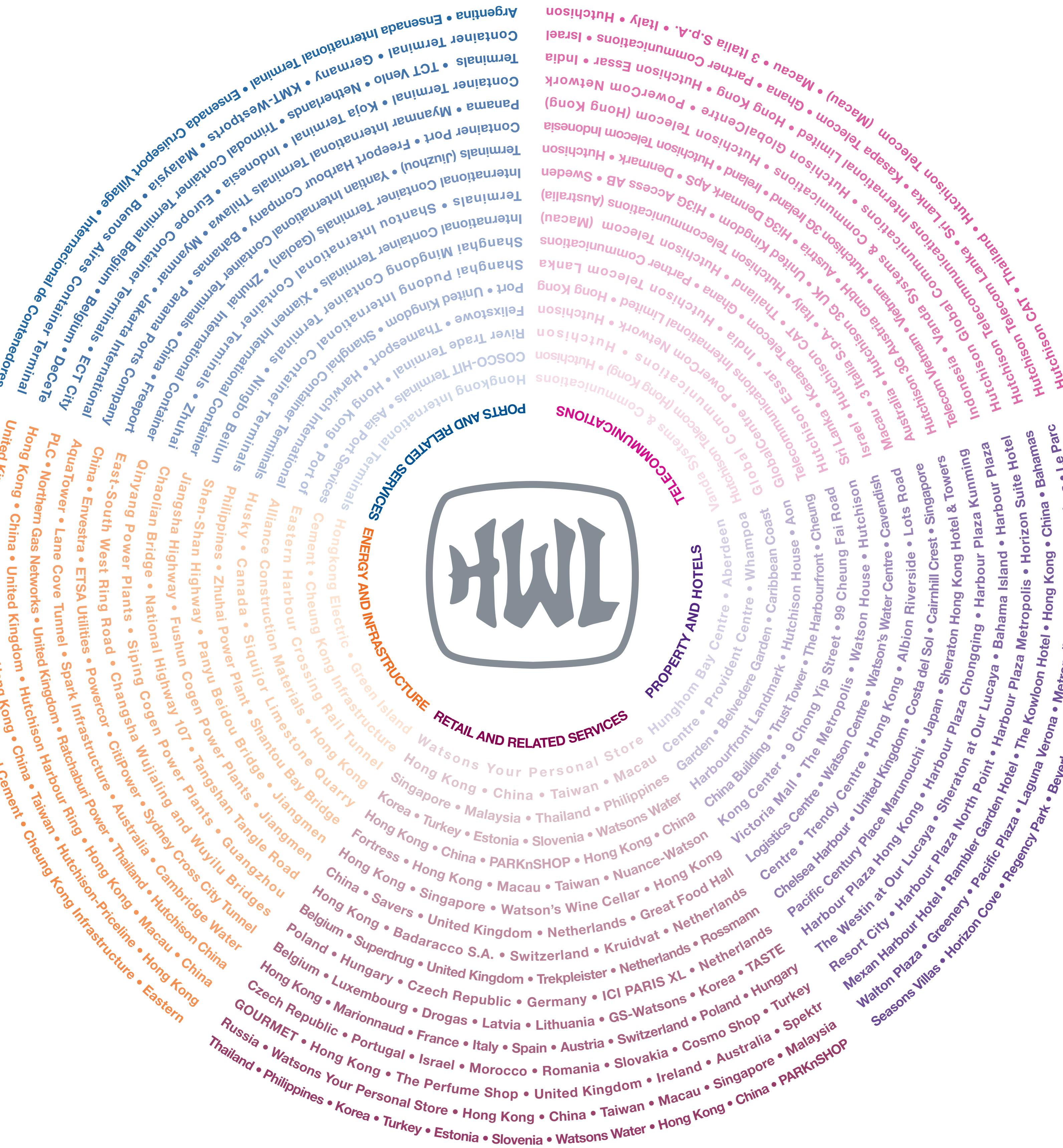
Annual Report 2005



Hutchison Whampoa Limited

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HUTCHISON WHAMPOA LIMITED

BOARD OF DIRECTORS

Chairman

LI Ka-shing, KBE, GBM, LLD, DSSc,
Grand Officer of the Order Vasco Nunez de Balboa,
Commandeur de l'Ordre de Leopold,
Commandeur de la Légion d'Honneur, JP

Deputy Chairman

LI Tzar Kuoi, Victor, BSc, MSc

Group Managing Director

FOK Kin-ning, Canning, BA, DFM, ACA (Aus)

Executive Directors

CHOW WOO Mo Fong, Susan, BSc
Deputy Group Managing Director

Frank John SIXT, MA, LLL
Group Finance Director

LAI Kai Ming, Dominic, BSc, MBA

KAM Hing Lam, BSc, MBA

Non-executive Directors

George Colin MAGNUS, OBE, BBS, MA

William SHURNIAK, LLD

Independent Non-executive Directors

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon),
Officier de la Légion d'Honneur,
Commandeur de l'Ordre de Léopold II,
Commandeur de l'Ordre des Arts et des Lettres

Holger KLUGE, BCom, MBA

William Elkin MOCATTA, FCA
(Alternate to The Hon Sir Michael David Kadoorie)

Simon MURRAY, CBE

OR Ching Fai, Raymond, JP

WONG Chung Hin, CBE, JP
(Also Alternate to Simon Murray)

AUDIT COMMITTEE

WONG Chung Hin *(Chairman)*

Holger KLUGE

William SHURNIAK

REMUNERATION COMMITTEE

LI Ka-shing *(Chairman)*

Holger KLUGE

WONG Chung Hin

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, FCS, FCIS

QUALIFIED ACCOUNTANT

Donald Jeffrey ROBERTS, BCom, CA, CPA

AUDITORS

PricewaterhouseCoopers

BANKERS

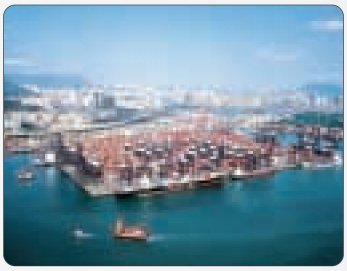
The Hongkong and Shanghai Banking
Corporation Limited

ABN AMRO Bank N.V.

Standard Chartered Bank (Hong Kong) Limited

Corporate Profile

Hutchison Whampoa Limited ("HWL") is a leading international corporation with businesses spanning the globe. We have over 200,000 employees working in operations in 54 countries. Our operations consist of five core businesses - ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications.



Ports and Related Services

We are one of the world's largest independently owned container terminal operators in terms of throughput handled, holding interests in 42 ports comprising 247 berths in 20 countries, including interests in container terminals operating in five of the seven busiest container ports in the world. Our ports handled a combined container throughput of 51.8 million twenty-foot equivalent units ("TEUs") in 2005.

Property and Hotels

We hold a rental portfolio of office, commercial, industrial and residential space of approximately 16 million square feet, principally in Hong Kong, as well as interests in a number of joint-venture developments of residential, commercial, office, hotel and recreational projects, mainly in Mainland China. We also have ownership interests in 11 hotels in Hong Kong, the Mainland and the Bahamas.

Retail

A S Watson, the Group's retail arm, is the world's largest health and beauty retailer in terms of the number of stores, and also operates luxury perfumery and cosmetic retail chains, supermarkets and consumer electrical goods retail chains, with over 7,100 stores in 36 markets worldwide.

Energy, Infrastructure, Finance & Investments and Others

Cheung Kong Infrastructure is the largest publicly listed infrastructure company in Hong Kong with operations in Hong Kong, Australia, the Mainland and the United Kingdom. Husky Energy is an integrated oil and gas company, one of the largest such companies listed in Canada. The results of the Group's treasury operations, Hutchison Whampoa (China) ("HWCL") and Hutchison Harbour Ring ("HHR") are also reported under this division. Our group treasury operation is responsible for the management and supervision of the Group's cash and other investments. HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK. HHR is a listed company in Hong Kong that engages in the design, manufacturing, marketing and sales of toys, telecommunication accessories, and consumer electronic products. HHR is also a licensing and sourcing service provider, and holds investment properties in the Mainland.

Telecommunications

We are one of the world's leading competitors in mobile telecommunications and one of the first 3G operators in the world, offering 3G services in Europe, Hong Kong and Australia under the brand name "**3**". We currently have over 11.9 million 3G customers in nine markets. Hutchison Telecommunications International ("HTIL"), a listed associated company, focuses on emerging mobile and fixed line telecommunications markets with high growth potential. HTIL consists of 2G and 3G operations in Hong Kong (including Macau) and Israel, fixed line operations in Hong Kong, 2G mobile operations in India, Sri Lanka, Ghana and Thailand and is also developing 2G mobile operations in Indonesia and Vietnam.

BUSINESS HIGHLIGHTS 2005

January

Ports and Related Services

Hutchison Port Holdings announces that Karachi International Container Terminal has entered into an agreement with the Karachi Port Trust for the development of its Phase III project at West Wharf of Karachi Port.

February

Telecommunications

Hutchison Telecommunications (Vietnam) S.à r.l. receives an investment licence to co-operate with Hanoi Telecommunication Joint Stock Company to build, operate and develop a mobile telecommunications network in Vietnam.

Property and Hotels

Hutchison Whampoa Properties acquires a site at a prime location in Changsha, the Mainland, for the development of a large-scale luxurious residential estate.

March

Retail

A S Watson Group announces its entry into Turkey with the acquisition of Cosmo Shop, a local health and beauty retail chain.

Ports and Related Services

Hutchison Port Holdings announces agreements with a consortium led by the Alexandria Port Authority for the construction, operation and management of two terminals at Alexandria Port and El Dekheila Port, Egypt.

April

Ports and Related Services

Hutchison Port Holdings and Savi Technology form a new joint-venture company to build and operate an active Radio Frequency Identification based information network to track and manage containerised ocean cargo more efficiently.

May

Property and Hotels

Hutchison Whampoa Properties acquires a site of over two million square metres in Guangzhou for a low-density premium residential development.

June

Retail

Watson's Personal Care Stores Sdn Bhd acquires Apex Pharmacy Sdn Bhd from Apex Healthcare Bhd, a Bursa Malaysia main board-listed company.

Energy, Infrastructure, Finance & Investments and Others

Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited complete the acquisition of Northern Gas Networks in the UK.

July

Telecommunications

3 Ireland commences offering services, with an unprecedented level of value and service to Irish consumers, as well as access to the most advanced 3G network in the country.

Hutchison Telecommunications International Limited completes the acquisition of 60% of the issued capital of PT Hutchison CP Telecommunications (formerly known as "PT Cyber Access Communications") in Indonesia.

August

Retail

A S Watson Group completes its acquisition of Merchant Retail Group, which owns the 120-store The Perfume Shop chain.

September

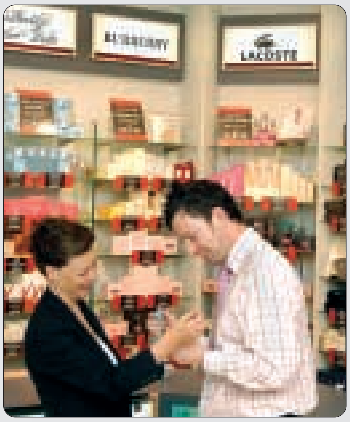
Retail

A S Watson Group becomes the world's largest health and beauty chain, in terms of the number of stores, following the completion of the full acquisition of Marionnaud Parfumeries SA in Europe.

October

Telecommunications

The Group's global 3G customer base exceeds 10 million.



November

Telecommunications

3 Italia acquires Channel 7 and becomes the first mobile media company in Europe to own a national digital television licence.

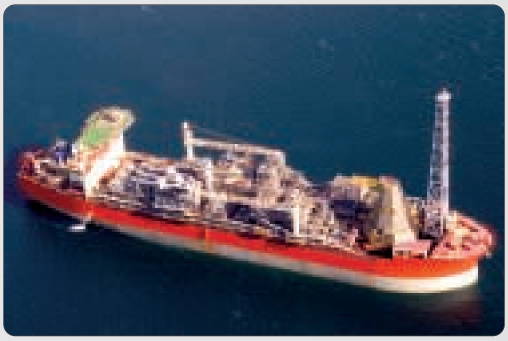
Hutchison Telecommunications International India subsidiary enters into agreements to acquire BPL Mobile Cellular, BPL Mobile Communications and Essar Spacetel, leading to a pan-India footprint when completed.

Ports and Related Services

Hutchison Port Holdings and Shenzhen Yantian Port Group sign a joint-venture contract with a total investment of over RMB10 billion to develop the Yantian Port Expansion Project.

Property and Hotels

Hutchison Whampoa Properties acquires a site on Century Avenue in Shanghai Pudong New District for commercial development.



December

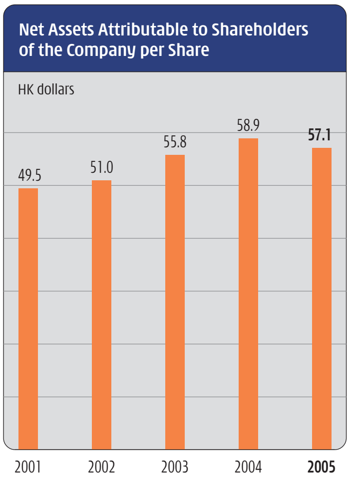
Energy, Infrastructure, Finance & Investments and Others

Husky Energy Inc delivers the first shipment of about 600,000 barrels of crude oil from the White Rose field to Irving Oil's New Brunswick refinery for processing and distribution through its regional retail network.

Ports and Related Services

Hutchison Port Holdings enters into a joint-venture agreement with Shanghai International Port (Group) Company Limited, APM Terminals, COSCO and China Shipping Group to jointly develop the Yangshan Deep-water Port Phase II Project.

FINANCIAL HIGHLIGHTS



	2005 HK$ millions	As restated[5] 2004 HK$ millions	Change
Profit and loss account highlights			
Total Revenue [1]	**241,862**	181,797	**+ 33%**
Profit attributable to shareholders of the Company	**14,343**	12,978	**+ 11%**
Balance sheet highlights			
Fixed assets, investment properties, leasehold land prepayments and telecommunications licences	**279,833**	313,441	**- 11%**
Total cash, liquid funds and other listed investments	**110,386**	140,301	**- 21%**
Bank and other interest bearing borrowings	**264,911**	282,993	**- 6%**
Net debt [2]	**154,525**	142,692	**+ 8%**
Total assets	**597,039**	647,195	**- 8%**
Shareholders' funds	**243,554**	251,171	**- 3%**
Cash flow statement highlights			
Earnings before interest and other finance costs, taxation, depreciation and amortisation ("EBITDA") [3] and before telecommunications prepaid customer acquisition costs ("CACs")	**73,292**	59,036	**+ 24%**
EBITDA after telecommunications prepaid CACs	**61,338**	50,613	**+ 21%**
Earnings before interest expense and taxation ("EBIT") [4]	**32,576**	19,060	**+ 71%**
Funds from operations before capital expenditures, telecommunications prepaid and postpaid CACs and working capital changes	**25,293**	16,400	**+ 54%**
Capital expenditures, excluding properties under development and for sale	**26,968**	34,090	**- 21%**
Additions to telecommunications postpaid CACs	**12,632**	12,804	**- 1%**
Key ratios and other information			
Net debt to net total capital ratio [2]	**38%**	34%	**+ 4%**
EBITDA before telecommunications prepaid CACs net interest coverage ratio	**6.5 times**	7.9 times	**-1.4 times**
Earnings per share for profit attributable to shareholders of the Company (HK$)	**3.36**	3.04	**+ 11%**
Dividends per share (HK$)	**1.73**	1.73	**-**

(1) Total revenue represents revenue of the Company and subsidiary companies as well as share of revenue of associated companies and jointly controlled entities.

(2) Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total bank and other interest bearing borrowings plus total equity net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

(3) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments, elimination of minority interests and others and other earnings of a cash nature but excludes changes in the fair value of investment properties. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles in Hong Kong.

(4) EBIT or LBIT represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and taxation. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(5) 2004 figures are restated to reflect the Group's effect of the adoption of new and revised Hong Kong Financial Reporting Standards accounting policies in 2005 (See note 1 to the accounts).

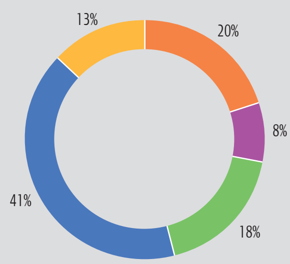
Revenue (including share of associates and JCE)	2005 HK$ millions	As restated[5] 2004 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**29,917**	26,980	+ **11%**
Property and hotels	**10,265**	9,117	+ **13%**
Retail	**88,780**	68,299	+ **30%**
Cheung Kong Infrastructure	**16,590**	14,792	+ **12%**
Husky Energy	**22,879**	17,524	+ **31%**
Finance & investments and others	**10,530**	10,937	- **4%**
Hutchison Telecommunications International	**25,399**	18,406	+ **38%**
Subtotal - established businesses	**204,360**	166,055	+ **23%**
TELECOMMUNICATIONS - 3 Group	**37,502**	15,742	+ **138%**
Total	**241,862**	181,797	+ **33%**

E B I T (including share of associates and JCE)	2005 HK$ millions	As restated[5] 2004 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**10,219**	8,956	+ **14%**
Property and hotels	**3,939**	3,003	+ **31%**
Retail	**3,261**	3,202	+ **2%**
Cheung Kong Infrastructure	**6,675**	5,921	+ **13%**
Husky Energy	**6,140**	2,793	+ **120%**
Finance & investments and others	**5,491**	8,989	- **39%**
Hutchison Telecommunications International	**2,789**	162	+ **1,622%**
	38,514	33,026	+ **17%**
Change in fair value of investment properties	**5,225**	5,302	- **1%**
Profit on disposal of investments and others	**15,717**	19,181	- **18%**
EBIT - established businesses	**59,456**	57,509	+ **3%**
TELECOMMUNICATIONS - 3 Group			
EBIT (LBIT) before depreciation, amortisation and telecommunications prepaid CACs	**1,825**	(7,906)	+ **123%**
Telecommunications prepaid CACs	**(11,444)**	(8,423)	- **36%**
LBIT before depreciation and amortisation and after telecommunications prepaid CACs	**(9,619)**	(16,329)	+ **41%**
Depreciation	**(9,086)**	(8,399)	- **8%**
Amortisation of licence fees and other rights	**(6,060)**	(6,055)	- **0%**
Amortisation of telecommunications postpaid CACs	**(11,515)**	(7,666)	- **50%**
Profit on elimination of minority interests	**9,400**	-	**n/a**
LBIT – Telecommunications – **3** Group	**(26,880)**	(38,449)	+ **30%**
Total	**32,576**	19,060	+ **71%**

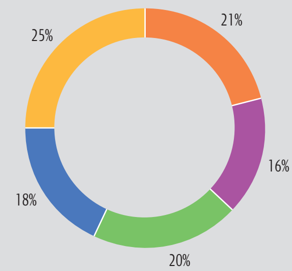
Profit attributable to shareholders of the Company	2005 HK$ millions	As restated[5] 2004 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**3,932**	4,083	- **4%**
Property and hotels	**5,776**	5,351	+ **8%**
Retail	**18**	1,307	- **99%**
Cheung Kong Infrastructure	**3,357**	2,711	+ **24%**
Husky Energy	**3,503**	1,528	+ **129%**
Finance & investments and others	**7,710**	9,243	- **17%**
Hutchison Telecommunications International	**(262)**	(2,325)	+ **89%**
	24,034	21,898	+ **10%**
Profit on disposal of investments and others	**15,466**	19,319	- **20%**
Subtotal – established businesses	**39,500**	41,217	- **4%**
TELECOMMUNICATIONS - 3 Group	**(34,557)**	(28,239)	- **22%**
Profit on elimination of minority interests	**9,400**	-	**n/a**
Subtotal - Telecommunications - **3** Group	**(25,157)**	(28,239)	+ **11%**
Total	**14,343**	12,978	+ **11%**

The above information includes the Company, its subsidiary companies and its proportionate share of associated companies' and jointly controlled entities' ("JCE") respective items.

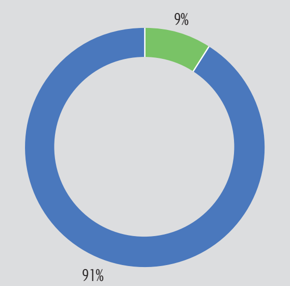
Total Revenue by Geographical Area 2005



EBIT - Established Businesses by Geographical Area 2005



LBIT - Telecommunications - 3 Group by Geographical Area 2005



Hong Kong
Mainland China
Asia and Australia
Europe
Americas and others

Chairman's Statement

All of the Group's operating established businesses reported higher earnings and healthy growth year on year.

The Group's total revenue grew 33% to HK$241,862 million, comprising revenue from the established businesses and the **3** Group. Total revenue from the established businesses grew 23% to HK$204,360 million, and recurring earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the Group's established businesses, excluding investment properties revaluation profit and profit on disposal of investments, increased 17% to HK$38,514 million. The Group also benefited from substantial increases in the current market valuations of several of its businesses. As a result, the Group executed several strategic disposals during the year realising significant cash proceeds and non-recurring profits.

The Group's 3G customer base has grown 65.5% from 31 December 2004 to 11,061,000 at 31 December 2005 and currently stands at 11,909,000. The **3** Group total revenue for 2005 more than doubled compared to 2004, to HK$37,502 million, allowing the **3** Group to achieve a major cash flow milestone, reporting positive earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") before all customer acquisition costs ("CACs") of HK$1,825 million, an improvement of HK$9,731 million over last year's comparable losses of HK$7,906 million.

Results

The Group's audited profit attributable to shareholders for the year amounted to HK$14,343 million, an 11% increase compared to last year's profit of HK$12,978 million, which has been restated for the adoption of Hong Kong Financial Reporting Standards ("HKFRS") recently issued by the Hong Kong Institute of Certified Public Accountants (see Note 1 to the accounts). Earnings per share amounted to HK$3.36 (2004 – HK$3.04), an increase of 11%. These results include a profit on revaluation of investment properties of HK$5,225 million and a profit on disposal of investments totalling HK$25,117 million, comprising:

- a profit of HK$7,400 million from the disposal of a 19.3% interest in Hutchison Telecommunications International ("HTIL");
- a profit of HK$5,500 million realised from the disposal for cash of a 20% interest in Hongkong International Terminals ("HIT") and a 10% interest in COSCO-HIT Terminals (Hong Kong) ("COSCO-HIT");
- a profit of HK$3,699 million from the partial disposal of the Australian electricity distribution businesses by Cheung Kong Infrastructure ("CKI"), partially offset by provisions of HK$2,032 million, mainly related to its infrastructure materials and certain infrastructure investments;
- a profit of HK$9,400 million that arose from the exercise by the Group of its right to re-purchase from the minority shareholders of **3** UK their 35% interest at a substantial discount;

and a dilution profit of HK$1,150 million from a 5.2% reduction in the Group's interest in HTIL as a result of HTIL issuing its shares to effect the privatisation of its subsidiary Hutchison Global Communications Holdings.

Dividends

Your Directors have today declared a final dividend of HK$1.22 per share (2004 – HK$1.22), payable on 19 May 2006 to those persons registered as shareholders on 18 May 2006. The proposed final dividend, together with the interim dividend of HK$0.51 paid on 7 October 2005, gives a total dividend of HK$1.73 per share (2004 – HK$1.73) for the year. The share register of members will be closed from 11 May 2006 to 18 May 2006, both days inclusive.

Established Businesses

Ports and Related Services

The ports and related services division recorded another year of satisfactory steady growth. Total revenue grew 11% to HK$29,917 million. The combined throughput increased 8% to 51.8 million TEUs (twenty-foot equivalent units). The major contributors to throughput growth were Yantian port, which reported growth of 21%; Europe Container Terminals ("ECT") in Rotterdam, of 12%; Xiamen International Container Terminals, of 49%; Kelang Multi Terminal in Malaysia, of 14%; and Panama ports container terminals ("PPC"), of 54%. EBIT increased 14% to HK$10,219 million. The major contributors to improved EBIT performance were Yantian with a 22% increase in EBIT, ECT with 34%, Internacional de Contenedores Asociados de Veracruz in Mexico with 31% and PPC with 53%. This division contributed 15% and 17% respectively to the total revenue and EBIT of the Group's established businesses for the year.

The Group continues to expand its existing facilities and to invest in new opportunities to meet demand for container terminal services, which continues to show healthy growth. In addition to the expansion activity reported in our interim result announcement, the Group acquired in August an 80% interest in a project to build and operate a roll-on/roll-off (ro-ro) terminal in Laem Chabang Port, Thailand with a 30-year concession period. In October, a 50/50 joint venture was formed to develop and operate Dalian Ore Terminal for a tenure of 50 years. In November, the Group announced the commencement of Yantian port Phase IIIB expansion project, 42.7% owned, which when completed in 2010, will add six berths to the existing nine berths in Yantian port. Also, in November, the Group invested in a joint venture, in which it holds a 65% interest, to operate and develop a greenfield, 10-berth container terminal in the Port of Sohar, Oman for a concession period of 40 years. In December, a conditional agreement was signed to acquire a 70% interest in Terminal Catalunya S.A., a five-berth container terminal with expansion opportunities, in the Port of Barcelona, Spain. Also in December, the Group entered into agreements with certain joint venture partners to establish a joint venture to acquire, develop, operate and manage the Phase II Container Terminal at Yangshan port in Shanghai. The Group has a 32% interest in this project. Currently this division operates in five of the seven busiest container ports in the world, with interests in a total of 42 ports comprising 247 berths in 20 countries. The ports and related services division will continue, on a selective basis, to seek attractive investment and expansion opportunities.

"The Group's total revenue grew 33% to HK$241,862 million."

Property and Hotels

The property and hotels division reported total revenue of HK$10,265 million and EBIT of HK$3,939 million, 13% and 31% better than last year respectively. This division contributed 5% and 7% to the total revenue and EBIT of the Group's established businesses. Gross rental income of HK$2,528 million, mainly from properties in Hong Kong, was 6% higher than last year primarily due to increased rental income from investment properties in Hong Kong, reflecting higher lease renewal rates. Development profit came primarily from the sale of residential units of Shanghai Regency Park in the Mainland and also from the release of a provision made in previous years against a Hong Kong development project, reflecting rising residential property prices. In addition, profit was realised from the sale of certain non-core joint venture owned properties to the recently listed Prosperity REIT.

The property and hotels division will continue to focus on actively seeking development opportunities, primarily in the Mainland where it has substantial landbank interests. The Group's attributable share of landbank currently can be developed into 68 million square feet of mainly residential property, of which 94% is situated in the Mainland, 5% in the UK and overseas, and 1% in Hong Kong. The Group's hotel businesses reported EBIT 82% better than last year, reflecting the growth in the Hong Kong tourism industry and profit contribution from its joint venture interest in The Kowloon Hotel, which was acquired in February 2005.

"Profit attributable to shareholders for the year amounted to HK$14,343 million, an 11% increase."

Retail

Total revenue for the Group's retail division totalled HK$88,780 million, a 30% increase, mainly due to contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired in April and August respectively, a full-year contribution from the Rossmann retail chain in Germany, which was acquired in August 2004, and continued good sales growth in PARKnSHOP and Watsons in the Mainland, Watsons in Taiwan, and in the UK retail operations. EBIT from this division totalled HK$3,261 million, up 2%. This division contributed 44% and 6% respectively to the total revenue and EBIT of the Group's established businesses for the year.

The retail division continues to grow its retail brands and store concepts organically through store additions, by cautious expansion into new markets and also in 2005, through selective strategic acquisitions. During the year and in the first few months of this year, the retail division expanded into new markets in South Korea, Estonia and Slovenia by opening outlets under the "Watsons" brand name. In April, the Group acquired Marionnaud in France, the largest perfumery and cosmetics retailer in Europe with more than 1,200 stores in 14 countries. In August, the Group acquired Merchant Retail Group in the UK, a leading perfumery retailer with 120 stores mainly in the UK and the Republic of Ireland which operates under the brand name "The Perfume Shop". In January this year, the Group announced the acquisition of Spektr Group, an established 24-store health and beauty retail chain in St Petersburg, Russia. During the year, the total number of retail outlets increased 49% and this division currently operates over 7,100 retail outlets in 36 markets. With its acquisition strategy largely complete, this division is now focusing on the integration of its recently acquired businesses, consolidating its leading market share in its segments, margin improvement, and organic growth through new store openings, particularly in Eastern Europe and the Mainland.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure, a listed subsidiary, announced turnover of HK$4,750 million, in line with last year, and profit attributable to shareholders of HK$6,007 million, 71% above last year, including a one-time profit of HK$3,699 million on partial disposal of the Australian electricity distribution businesses to Spark Infrastructure Group, which was listed on the Australian Stock Exchange in December, less provisions at the Group's consolidation level totalling HK$2,032 million mainly for infrastructure materials and certain infrastructure investments. CKI contributed 8% and 11% respectively to the total revenue and EBIT of the Group's established businesses for the year. CKI continues to seek attractive investment opportunities to expand and diversify overseas.

Husky Energy, an associated company listed in Canada, announced impressive results, reporting total revenue of C$10,245 million and profit attributable to shareholders of C$2,003 million, 21% and 99% above last year respectively, mainly reflecting higher natural gas and crude oil prices. Husky contributed 11% and 10% respectively to the total revenue and EBIT from the Group's established businesses for the year. During the fourth quarter of 2005, Husky achieved first oil production from the White Rose project off the east coast of Canada, ahead of schedule and on budget. The Tucker Oil Sands project in Alberta is on schedule and first oil production is expected to be achieved by the end of this year. Key development approvals for the Sunrise Oil Sands project are also progressing well. It is anticipated that gross production volume will increase in 2006.

The Group's EBIT from its finance and investments operations, which mainly represents interest income earned on the Group's substantial holdings of cash and liquid investments, amounted to HK$5,491 million, a decrease of 39%, mainly due to lower realised foreign exchange gains on deposits and profits on disposal of certain fixed-income securities. These operations contributed 9% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments at 31 December 2005 totalled HK$110,386 million, consolidated debt was HK$264,911 million, and the consolidated debt net of cash and liquid investments was HK$154,525 million.

Hutchison Telecommunications International

Hutchison Telecommunications International, a listed associated company, announced turnover from continued operations of HK$24,356 million, a 64% increase over last year and a loss attributable to shareholders of HK$768 million, compared to a loss attributable to shareholders of HK$30 million in 2004, which included a one-time gain of HK$1,300 million on disposal of a 26% interest in its then listed subsidiary Hutchison Global Communications Holdings. Excluding the effect of this one-time gain, the comparable loss attributable to shareholders of HTIL improved by 42%, mainly due to the strong growth in its mobile operations in India and reduced losses incurred by its operations in Thailand, partially offset by a loss on disposal of the Paraguay business. At 31 December 2005, HTIL had a consolidated mobile customer base of 16.9 million, representing a 39% increase over the beginning of the year. The Group's share of HTIL's turnover and EBIT amounted to 12% and 5% of the Group's total revenue and EBIT of its established businesses respectively.

HTIL is continuing to grow its customer base and expand its operation, particularly in the rapidly growing Indian market. It is also streamlining and integrating its fixed-line and mobile operations in Hong Kong to realise synergies and building networks in Vietnam and Indonesia.

In December, the Group disposed of a 19.3% interest in HTIL to a strategic partner, Orascom Telecom, for a consideration of HK$10,100 million, which gave rise to a profit on disposal of HK$7,400 million. HTIL and Orascom Telecom agreed to cooperate on their respective procurement processes to exploit synergies and to identify and pursue other opportunities. Following the sale, the Group holds a 49.8% interest in HTIL, and as a result, HTIL is treated as an associated company of the Group.

Telecommunications – 3 Group

As the recently reported operating performance of incumbent cellular operators in Europe makes abundantly clear, competition has been fierce throughout 2005 in all of the **3** Group's markets. Unlike most of its competitors, however, the **3** Group is continuing to achieve both improved operating and improved financial performance despite the increasingly competitive environment.

> "The Group's 3G customer base currently stands at 11,909,000."

The Group's 3G customer base increased 65.5% from 31 December 2004 to 11,061,000 at 31 December 2005 and currently stands at 11,909,000 customers. Measured by customer numbers, **3** Group's market share of the total mobile telecommunications market is now over 5% in the UK and over 8% in Italy. However, total revenue of the **3** Group for 2005 increased by 138% compared to 2004, to HK$37,502 million, indicating that on average across its markets, the **3** Group is succeeding in capturing a significantly higher market share when measured by customer value rather than by customer numbers. This positive result has been achieved both by an increased focus during the year on the lower-risk, higher-value contract customer segment in all markets and by above market average non-voice revenue. Postpaid customers as a percentage of total customers increased 24% to 56% in the UK and 90% to 19% in Italy. On a trailing 12-month average basis, non-voice service revenues as a percentage of total revenue increased from 22% to 23% in the UK and from 26% to 30% in Italy. Average revenue per user on a trailing 12-month average active customer basis ("ARPU") for the **3** Group as a whole declined modestly from €43.11 at the time of our interim announcement to €42.20. The decline relates to the ARPU in the first six months of 2005 included in this trailing 12-month average calculation. However, both ARPU and non-voice service revenues as a percentage of ARPU have strengthened in the second half of this year, and are well above cellular market averages.

Key Business Indicators

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

	Registered 3G Customers at 22 March 2006 ('000)	12-month Average Revenue per User ("ARPU") (1) in 2005			Mix of Postpaid/Prepaid Customers (ratio) at 31 December 2005
		Total	Non-voice		
		Local Currency/HK$	ARPU %	ARPU	
Australia (2)	854	A$78.00/463	24%	A$19.00/110	85/15
Austria	340	€53.92/520	14%	€7.60/73	68/32
Italy	6,005	€34.87/335	30%	€10.31/99	19/81
Sweden & Denmark	502	SEK382.90/398	16%	SEK59.73/62	78/22
UK & Ireland	3,569	£34.51/486	23%	£8.00/113	56/44
3 Group Total/Average	11,270	€42.20/406	25%	€10.47/101	40/60
Hong Kong (3)	521				
Israel (4)	118				
Total	11,909				

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers in the period, 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.

Note 2: Active customers as announced by this listed subsidiary updated from its results announcement date of 7 March for net customer additions to 22 March.

Note 3: Registered customers as announced by listed HTIL updated from its results announcement date of 9 March for net customer additions to 22 March.

Note 4: Registered customers as announced on 9 March by listed HTIL.

The improved key results reported for the **3** Group are:

	2005 HK$ millions	As restated(5) 2004 HK$ millions	% Improvement
EBITDA/(LBITDA) before all CACs	1,825	(7,906)	123%
Reported LBITDA after prepaid CACs	(9,619)	(16,329)	41%
Loss before interest expense and finance costs and taxation	(26,880)	(38,449)	30%
Net loss attributable to shareholders	(25,157)	(28,239)	11%

Note 5: See Note 1 to the accounts.

The **3** Group continued to improve its operating cost structure over the year and was able as a result to achieve the cash flow milestone of reporting positive EBITDA before all CACs for the full year of HK$1,825 million, a 123% improvement over last year's comparable LBITDA of HK$7,906 million. **3** Italia and **3** UK have also achieved a second important milestone, reporting positive EBITDA after deducting all CACs on a monthly basis. **3** Italia first achieved this target in August and **3** UK in December 2005 after including the cash benefits of its outsourcing agreements. Encouragingly, this means that the revenues from these operations now cover both operating costs and the costs of continuing to grow their customer and revenue bases. As a whole, the **3** Group's target is to achieve positive EBITDA after all CACs for the full year in 2006.

For the full year, the average cost of acquiring a customer for the year increased nominally to €293 from the level of €274 reported in our interim announcement. This was partially due to manufacturers' delays in delivering lower cost handsets in the second half, as well as the higher mix during the second half of the year of contract versus prepaid customer additions in all of our European markets. The improvement in ARPU in the second half implies that our customer acquisition spending in the second half succeeded in acquiring higher-value customers on average than in the first half. The **3** Group's current and contracted handset costs are significantly lower than 2005 averages. Consequently, I am confident that the cost of acquiring customers relative to the value of the customers acquired by the 3G businesses will decrease through 2006.

Finally, with the network construction phase nearing completion for most **3** Group operations, capital expenditure, which was approximately HK$14,051 million in 2005 compared to HK$21,428 million in 2004, will decline significantly in 2006.

As the **3** Group moves to becoming a net cash flow contributor to the Group, improved earnings performance will follow. The **3** Group's operating losses will have significantly less impact on consolidated Group earnings in 2006 than in 2005, and the target is to achieve positive EBIT in 2007.

As announced in February this year, poor equity market sentiment toward incumbent cellular operations in Europe necessitated postponement of the proposed initial public offering ("IPO") of **3** Italia. The private placement underwriting which we announced at the same time provides a more positive indication of expected market valuation for this business. Accordingly, we will revisit **3** Italia's IPO plan when market conditions are appropriate.

It should be noted that the **3** Group LBIT of HK$26,880 million includes a one-time profit of HK$9,400 million on elimination of minority interests in **3** UK relating to the re-purchase of a 35% interest in **3** UK from NTT DoCoMo and KPN Mobile at a deep discount. It should also be noted that in line with the current interpretation of International Accounting Standards, deferred tax assets have not been recorded for **3** Italia and the other **3** Group businesses, except for in **3** UK where, among other things, taxation losses can be carried forward indefinitely.

Outlook

The world economy generally reported solid growth in 2005, despite rising US dollar interest rates and a high and volatile energy price environment. Looking ahead, in 2006 oil prices are anticipated to remain at prevailing levels, and although US dollar interest rates might continue to rise, any increase should be moderate. Hong Kong continues to benefit from the robust economic growth and enormous opportunity in the Mainland. With these encouraging economic trends, I am confident that our Group's businesses will continue to perform well in 2006.

Mr George Magnus retired as an Executive Director of the Company during the year. Mr Magnus will continue to serve the Board as a Non-Executive Director of the Company and also of listed subsidiary Cheung Kong Infrastructure and listed associate Hongkong Electric Holdings. On behalf of all Board members, I wish to take this opportunity to express our deepest gratitude to Mr Magnus for his over 25 years of dedicated service and his many substantial contributions to the Group.

I would like to thank the Board of Directors and all employees around the world in all of our businesses for their professionalism, enterprise, hard work, commitment and dedication.

Li Ka-shing
Chairman

Hong Kong, 23 March 2006

Operations Review

Consolidated Operating Results

The Group's activities are focused on five core business divisions – ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications.

The Group reported total revenue, including the Group's share of associated companies' and jointly controlled entities' revenue of HK$241,862 million, a 33% increase over 2004. EBIT for the year from the established businesses, excluding investment properties revaluation profit and profit on disposal of investments, was HK$38,514 million, a 17% increase over 2004. LBIT for the year for the **3** Group, excluding the profit on elimination of minority interests, was HK$36,280 million, a 6% improvement over last year. The Group's consolidated total EBIT for the year was HK$32,576 million, 71% above last year.

The profit attributable to shareholders for the year was HK$14,343 million, which is 11% ahead of last year's amount of HK$12,978 million. This profit comprises HK$39,500 million (2004 – HK$41,217 million) from the Group's established businesses, including a profit on disposal of investments of HK$15,717 million (2004 – HK$19,181 million), a 4% decrease over last year due to lower exceptional profit, and HK$25,157 million of losses (2004 – HK$28,239 million) from the **3** Group, an 11% improvement compared to 2004.

Financial Performance Summary

	2005 HK$ millions	As restated [1] 2004 HK$ millions		Change
Total revenue [2]				
Ports and related services	**29,917**	26,980	+	**11%**
Property and hotels	**10,265**	9,117	+	**13%**
Retail	**88,780**	68,299	+	**30%**
Cheung Kong Infrastructure	**16,590**	14,792	+	**12%**
Husky Energy	**22,879**	17,524	+	**31%**
Finance & Investments and others	**10,530**	10,937	-	**4%**
Hutchison Telecommunications International	**25,399**	18,406	+	**38%**
3 Group	**37,502**	15,742	+	**138%**
Total	**241,862**	181,797	+	**33%**
EBIT [2]				
Established businesses				
Ports and related services	**10,219**	8,956	+	**14%**
Property and hotels	**3,939**	3,003	+	**31%**
Retail	**3,261**	3,202	+	**2%**
Cheung Kong Infrastructure	**6,675**	5,921	+	**13%**
Husky Energy	**6,140**	2,793	+	**120%**
Finance & Investments and others	**5,491**	8,989	-	**39%**
Hutchison Telecommunications International	**2,789**	162	+	**1,622%**
EBIT before the following	**38,514**	33,026	+	**17%**
Change in fair value of investment properties	**5,225**	5,302	-	**1%**
Profit on disposal of investments and others	**15,717**	19,181	-	**18%**
EBIT of established businesses	**59,456**	57,509	+	**3%**
3 Group				
EBITDA/(LBITDA) before all CACs	**1,825**	(7,906)	+	**123% improvement**
Prepaid CACs	**(11,444)**	(8,423)	-	**36%**
Reported LBITDA	**(9,619)**	(16,329)	+	**41%**
Depreciation and amortisation	**(26,661)**	(22,120)	-	**21%**
Profit on elimination of minority interests	**9,400**	-		**-**
LBIT of 3 Group	**(26,880)**	(38,449)	+	**30%**
TOTAL EBIT	**32,576**	19,060	+	**71%**
Interest expense and other finance costs	**(18,156)**	(13,547)	-	**34%**
Profit before taxation	**14,420**	5,513	+	**162%**
Taxation				
Current taxation	**(4,119)**	(3,776)	-	**9%**
Deferred taxation	**3,253**	4,398	-	**26%**
Profit after taxation	**13,554**	6,135	+	**121%**
Minority interests	**789**	6,843	-	**88%**
Profit attributable to shareholders	**14,343**	12,978	+	**11%**

(1) See Note 1 to the accounts

(2) The above information includes the Company, its subsidiary companies and its proportionate share of associated companies' and jointly controlled entities' respective items (see Note 7 to the accounts)


HANJIN
MSC

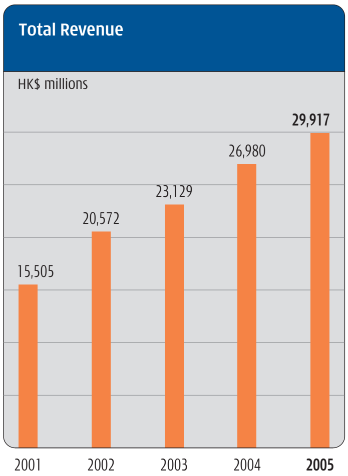
1. South Korea
2. Hong Kong
3. Indonesia
4. Mainland China
5. Thailand
6. Malaysia
7. Myanmar
8. Pakistan
9. Oman
10. Saudi Arabia
11. Tanzania
12. Egypt
13. Poland
14. Germany
15. The Netherlands
16. Belgium
17. United Kingdom
18. Argentina
19. Bahamas
20. Panama
21. Mexico

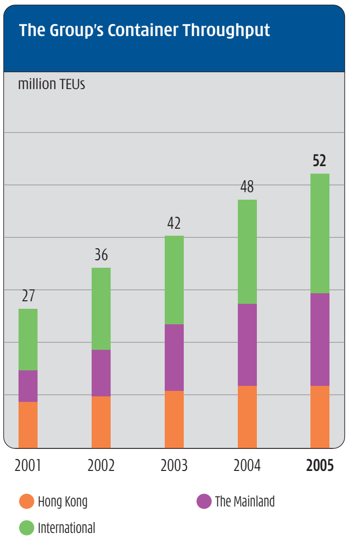
Ports and Related Services

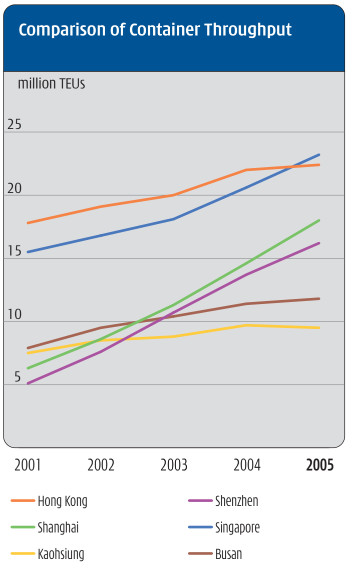
The Group is one of the world's largest independently owned operators of container terminals with interests in a total of 42 ports comprising 247 berths in 20 countries.

Ports and Related Services

Total revenue for the ports and related services division totalled HK$29,917 million, a growth of 11%, reflecting an 8% increase in annual throughput to reach 51.8 million twenty-foot equivalent units ("TEUs"). The throughput increase arose mainly from the growth at the existing ports of Yantian ("YICT"), Europe Container Terminals ("ECT"), Xiamen International Container Terminals ("XICT"), Kelang Multi Terminal ("KMT") as well as Panama ports container terminals ("PPC"). EBIT from this division increased 14% to HK$10,219 million, mainly due to the increased throughput. This division continues to provide a steady income stream to the Group, contributing 15% of the Group's total revenue and 17% of the Group's EBIT from its established businesses for the year.







Hong Kong and Yantian

The Group's Hong Kong and Yantian deep-water port operations serve the Shenzhen and Southern China manufacturing basin. Combined throughput in these two operations increased 12%, and EBIT was 8% better than last year, reflecting strong export growth in the region.

In Hong Kong, Hongkong International Terminals ("HIT") operates Terminals 4, 6, 7 and 9 at Kwai Tsing, while COSCO-HIT Terminals ("COSCO-HIT"), a joint-venture company, operates Terminal 8 East. Combined throughput at HIT and COSCO-HIT increased 5% but EBIT was 5% below last year, mainly due to tariff pressure. Despite competitive pressure, the Group's Hong Kong port operations continue to perform well and in November, HIT passed a milestone of handling its 90 millionth container. During the year, the Group disposed of a 20% interest in HIT and a 10% interest in COSCO-HIT to a strategic partner, the Port Authority of Singapore, and realised a profit of HK$5,500 million.

YICT recorded another year of growth with throughput increasing 21% and EBIT 22% ahead of last year. During the year, the Group obtained approval for Yantian port Phase IIIB expansion project, a joint-venture investment in which the Group has an effective interest of 42.7%. This expansion comprises six deep-water container berths with a total quay length of 3,297 metres, adjacent to the Group's existing nine berths of the Phase I, II and IIIA facilities. The first berth is expected to commence operation in the second half of 2006 and the entire project is expected to be completed by 2010 to meet increasing demand.

Other operations in Hong Kong include the midstream and river trade businesses. Throughput of Asia Port Services decreased 17% due to heavy competition from all Kwai Tsing terminal operators and EBIT reduced by 23%. River Trade Terminal, a 43% owned joint venture that principally serves the water-borne trade between the Pearl River Delta region and Hong Kong, continued to be affected by competition and reported increased losses.

"Annual throughput grew 8% to reach 51.8 million TEUs."

Hongkong International Terminals' quay side operation at Container Terminal 9 in Tsing Yi.

Name	Location	Group's Interest	2005 Throughput
			(thousand TEUs)
Hongkong International Terminals/COSCO-HIT Terminals	Kwai Tsing	66.5% / 33.25%	7,810
Yantian International Container Terminals/ Yantian International Container Terminals (Phase III)	Yantian, PRC	48% / 42.7%	7,581
River Trade Terminal	Tuen Mun	43%	2,122
Asia Port Services	Hong Kong	100%	1,701

The ECT Delta Terminal with ocean-going vessels, feeders, inland barges, trains and trucks all coming together.

Name	Location	Group's Interest	2005 Throughput
			(thousand TEUs)
Europe Container Terminals	Netherlands	98%	5,615
Hutchison Ports (UK) – Felixstowe, Thamesport and Harwich	UK	100%	3,409

"ECT in Rotterdam reported throughput 12% and EBIT 34% above last year."

Europe

The European port operations include ECT in the Netherlands, the UK ports and the Group's recently acquired interests in Gydnia in Poland.

ECT in Rotterdam reported throughput 12% above last year, mainly from increased Asian trade. EBIT was 34% above last year, reflecting increased throughput and successful cost rationalisation.

The Group's UK port operations, consisting of Felixstowe, Thamesport and Harwich, reported a throughput increase of 3% compared to last year, but EBIT declined by 6%, mainly due to higher operating costs. The expansion of Trinity Terminal at the Port of Felixstowe was completed in 2005 and further expansion is planned at Felixstowe South and Bathside Bay to increase the capacity of these ports.

In January 2005, the Group acquired an 83.53% interest in Gydnia Container Terminal S.A. in Poland, to develop the terminal into a modern container handling facility with three berths. In December, a conditional agreement was signed with Grupo Mestre of Spain to acquire a 70% interest in Terminal Catalunya S.A., a five-berth container terminal with expansion opportunities in the Port of Barcelona, Spain.

Asia, Middle East and Africa

These operations comprise container terminals in Busan and Gwangyang in South Korea, Port Klang in Malaysia, Jakarta in Indonesia, Dammam in Saudi Arabia, Karachi in Pakistan, Laem Chabang in Thailand, Dar es Salaam in Tanzania and the Group's recently acquired interests in two terminals in Egypt and a roll-on/roll-off (ro-ro) terminal in Thailand.

In South Korea, the Group's Hutchison Korea Terminals, which operates two terminals in Busan and one in Gwangyang, as well as Korea International Terminal, reported a combined throughput increase of 11% and an EBIT increase of 93%, mainly due to the appreciation of the Korean Won against the US dollar in 2005, which resulted in higher Hong Kong dollar denominated results.

In Malaysia, KMT reported throughput growth of 14% and EBIT increased 20% compared to last year.

In Indonesia, Jakarta International Container Terminal and the adjacent Koja Container Terminal continued to operate in a challenging environment, reporting combined throughput 4% above last year, but an EBIT decrease of 20% due to tariff pressure and higher power and fuel costs.

In Saudi Arabia, International Ports Services reported throughput growth of 21% and EBIT increased 29% compared to last year, mainly due to the strong regional economy.

In Pakistan, Karachi International Container Terminal reported throughput growth of 18% and EBIT increased 8% compared to last year.

Tanzania International Container Terminal Services reported throughput growth of 13% and EBIT increased 48%, mainly due to increased business diverted from other nearby ports, which were subject to some operating disruptions.

In March, the Group acquired a 38% interest in two terminals in Egypt, at Alexandria port and El Dekheila port. The terminals will be converted to container terminals with a depth alongside of 12 metres and total quay length of 380 metres and 560 metres respectively. In August, the Group acquired an 80% interest in a project to build and operate a ro-ro terminal in Thailand, adjacent to the Group's Laem Chabang Terminal, for a concession period of 30 years. In November, the Group invested in a joint venture, in which it holds a 65% interest, to operate and develop a greenfield, 10-berth container terminal in the Port of Sohar, Oman for a concession period of 40 years. The port is scheduled to be operational in the second quarter of 2006, with depth alongside of 16 metres and quay length of 520 metres in the first phase. The second phase of additional quay length of 970 metres is expected to be completed by 2007.

Hutchison Busan Container Terminal in Busan Port, South Korea's largest port.

Name	Location	Group's Interest	2005 Throughput
			(thousand TEUs)
Hutchison Korea Terminals (two terminals in Busan and one terminal in Gwangyang)	South Korea	100%	2,934
Kelang Multi Terminal	Malaysia	31.5%	2,727
Jakarta International Container Terminal and Koja Container Terminal	Indonesia	51% / 47.9%	2,289
International Ports Services	Saudi Arabia	51%	898
Karachi International Container Terminal	Pakistan	100%	474
Thai Laem Chabang Terminal	Thailand	88%	397
Tanzania International Container Terminal Services	Tanzania	70%	294
Korea International Terminals	South Korea	88.9%	258

An aerial view of the container yard at Shanghai Container Terminals.

"Combined throughput in Shanghai grew 3% compared to last year."

The Mainland

In Shanghai, the combined throughput grew 3% compared to last year, mainly attributable to the increase in throughput of Shanghai Pudong International Container Terminals, which operates Phase I of Waigaoqiao Container Terminals. EBIT was in line with last year. Shanghai Mingdong Container Terminals, which operates four deep-water container berths with a quay length of approximately 1,100 metres and two feeder berths at Waigaoqiao Phase V in Shanghai Pudong, started operation in late 2005.

In Ningbo, the Group's 49% owned Ningbo Beilun International Container Terminals contributed an increase in throughput by 6% and an increase of EBIT by 21%.

Hutchison Delta Ports' six joint-venture river and coastal ports in Jiuzhou, Nanhai, Gaolan, Jiangmen, Xiamen and Shantou reported another year of improved performance. Container throughput and general cargo handling increased 26% and 25% respectively and the combined EBIT increased 44% compared to last year.

In March, the Group obtained approval to invest in the Phase II expansion of Zhuhai International Container Terminal in Gaolan, to construct two container berths with total quay length of 824 metres. In October, a 50/50 joint venture was formed to operate and develop an ore terminal in Dalian for a tenure of 50 years. This is the Group's first dedicated non-containerised terminal operation in the Mainland. In December, the Group entered into a joint venture agreement to acquire, develop, operate and manage the Phase II Container Terminal at Yangshan port in Shanghai, which comprises four deep-water berths with a depth alongside exceeding 15 metres and a quay length of 1,400 metres.

Name	Group's Interest	2005 Throughput (thousand TEUs)
Shanghai Container Terminals/Shanghai Mingdong Container Terminals (Waigaoqiao Phase V)	37% / 50%	3,711
Shanghai Pudong International Container Terminals (Waigaoqiao Phase I)	30%	2,472
Ningbo Beilun International Container Terminals	49%	1,771
Xiamen International Container Terminals	49%	1,106
Pearl River Delta Ports in Southern China – Jiuzhou, Nanhai, Gaolan and Jiangmen	50%	799
Shantou International Container Terminals	70%	103

The Americas and The Caribbean

These operations comprise Freeport in the Bahamas, Balboa and Cristobal in Panama, the ports in Veracruz, Ensenada and Lazaro Cardenas in Mexico and Buenos Aires in Argentina.

Freeport Container Port on Grand Bahama Island, reported throughput 6% above last year and an EBIT that more than doubled, mainly due to economies of scale on increased throughput.

In Panama, the Group operates the ports of Balboa and Cristobal located near both ends of the Panama Canal. The combined throughput increased 54% and EBIT was 53% above last year. Further capacity expansion at Balboa and Cristobal are continuing to meet additional demand.

Internacional de Contenedores Asociados de Veracruz, on the eastern coast of Mexico, reported throughput growth of 10% and EBIT growth of 31%, mainly due to higher storage income in 2005.

Name	Location	Group's Interest	2005 Throughput
			(thousand TEUs)
Freeport Container Port	Bahamas	60%	1,115
Panama ports container terminals	Panama	90%	913
Internacional de Contenedores Asociados de Veracruz	Mexico	100%	678
Buenos Aires Container Terminal Services	Argentina	100%	355
Lazaro Cardenas Terminal Portuaria de Contenedores	Mexico	100%	137
Ensenada International Terminal	Mexico	100%	76

Throughput in Freeport in the Bahamas experiences strong growth.

OPERATIONS REVIEW

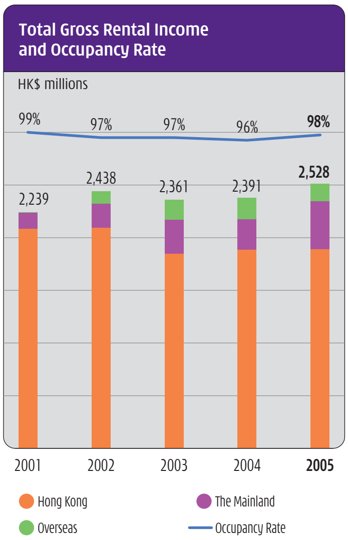
1. Japan
2. Hong Kong
3. Mainland China
4. Singapore
5. United Kingdom
6. Bahamas

Property and Hotels

The Group's property activities comprise an investment portfolio of approximately 16 million square feet (2004 – 16.4 million square feet) of office, commercial, industrial and residential premises that provide steady, recurrent rental income. This division also includes interests in joint ventures for the development of high quality, primarily residential projects, mainly in the Mainland and selectively overseas. In addition, the Group has ownership interests in a portfolio of 11 premium quality hotels.

Property and Hotels

Total revenue of the property and hotels division for 2005 totalled HK$10,265 million, an increase of 13%, mainly due to higher sales from development projects, increased revenue from the hotel businesses and increased rental income. EBIT of HK$3,939 million was 31% better than 2004, reflecting increased rental income, the profit from sale of non-core investment properties, a release of a provision made in previous years against a Hong Kong development project, and improved results from the hotel operations reflecting the growth in the Hong Kong tourism industry. This division contributed 5% and 7% to the Group's total revenue and EBIT from its established businesses respectively. In addition to the EBIT above, the Group recorded a gain on change in fair value of investment properties of HK$5,225 million.



The property at Tsing Yi, Hong Kong, houses the headquarters of Hutchison Telecommunications International.

Rental Properties

Hong Kong

The Group's portfolio of rental properties in Hong Kong, comprising approximately 12.8 million square feet (2004 – 12.7 million square feet) of office (26%), commercial (24%), industrial (49%) and residential (1%) properties, continues to provide a strong recurrent earnings base. Gross rental income of HK$1,899 million, including the Group's share of associated companies' rental income, was 6% above last year, reflecting higher lease renewal rates, particularly for office premises. All of the Group's premises remain substantially fully let. Gross rental income is expected to report healthy growth in the near term as office premise leases are renewed.

Major rental properties in Hong Kong

Name	Property Type	Total Gross Floor Area for Rent (thousand sq ft)	Group's Interest	% Leased
Cheung Kong Center	Office	1,263	100%	99%
Hutchison House	Office	504	100%	96%
Harbourfront Office Towers I and II	Office	863	100%	95%
Aon China Building	Office	259	100%	99%
Whampoa Garden	Commercial	1,714	100%	98%
Aberdeen Centre	Commercial	345	100%	99%
Hutchison Logistics Centre (formerly "Hongkong International Distribution Centre")	Industrial	4,705	88%	99%

The Mainland and Overseas

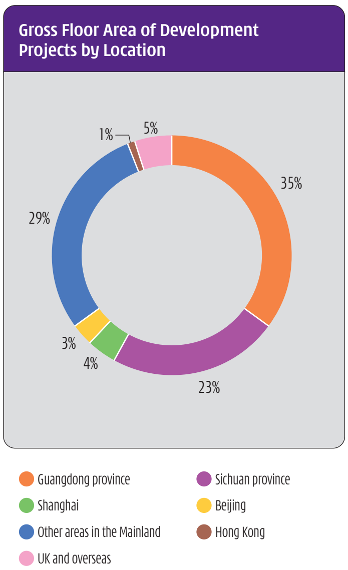
The Group's various joint ventures in the Mainland and overseas hold a portfolio of investment properties totalling 10.1 million square feet, of which the Group's share is 3.2 million square feet (2004 – 3.7 million square feet). The Group's share of gross rental income of HK$629 million was 6% above last year, mainly due to higher rentals from the Mainland properties.

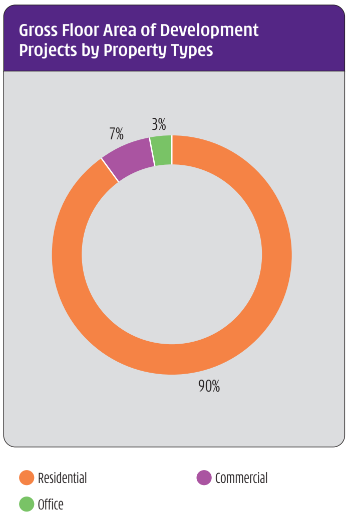
"EBIT of HK$3,939 million was 31% better than 2004."

Major rental properties in the Mainland and Overseas

Name	Location	Property Type	Total Gross Floor Area for Rent (thousand sq ft)	Group's Interest	% Leased
The Mainland					
Oriental Plaza	Beijing	Office, serviced apartments & commercial	5,218	18%	95%
Westgate Mall & Tower	Shanghai	Office & commercial	1,099	30%	100%
Metropolitan Plaza	Chongqing	Office & commercial	1,512	50%	97%
Seasons Villas	Shanghai	Residential	1,142	50%	92%
Japan					
Pacific Century Place Marunouchi	Tokyo	Office & hotel	786	38%	100%

The Greenwich Beijing provides a new living concept – Boutique Residence, emphasising designer details, individuality, and offering a full range of facilities and services.





> "The Group's current joint-venture share of landbank being developed totals approximately 68 million square feet."

Property Sales and Properties under Development

During the year, profits were recorded primarily from the sale of four non-core joint-venture office investment properties in Hong Kong to the recently listed Prosperity REIT, sale of units in residential and commercial development projects in the Mainland, and also the release of a provision, made in previous years against a property development in Hong Kong, as a result of the recovery in the residential property market in Hong Kong in 2005.

In 2005 and in the first few months of this year, the Group increased its landbank in the Mainland by entering into joint ventures to develop mainly residential properties with a total developed gross floor area of approximately 54 million square feet, of which the Group's share is 26 million square feet. Including these recent additions, the Group's current joint-venture share of landbank being developed totals approximately 68 million square feet, of which 94% is in the Mainland, 5% is in the UK and overseas, and 1% is in Hong Kong. These projects are scheduled for completion in phases from 2006 to 2018 and are expected to provide satisfactory returns and steady development profits to the Group.

Banyan Oasis, Phase III of Laguna Verona in Dongguan, is prominently located next to a prestigious golf course and embraced by Hwang Gwang Lake, enjoying scenic lake views and endless greenery.

Major Hong Kong properties under development

Name	Location	Property Type	Total Gross Floor Area (thousand sq ft)	Group's Interest	Completion Date
Caribbean Coast – Phase IV	Tung Chung	Residential	773	40% to 50%	2008
Hung Shui Kiu	Yuen Long	Residential	537	50%	2008

Hong Kong

In 2005, Carmel Cove, Phase III of the Caribbean Coast residential development in Tung Chung, was completed and the majority of the units was sold during the year. This development is expected to be completed in phases to 2008. During the year, the Group acquired a 50% interest in landbank in Hung Shui Kiu, to be developed into a 537,000-square-foot residential property by 2008.

The Mainland

In the Mainland, Phase III of Shanghai Regency Park, an upscale residential property, was completed during the year and 47 villas were sold. Phase I of Guangzhou International Toys and Gifts Center, a commercial complex, was completed during the year and 50% of the gross floor area was sold. Phase C of the residential development in Dongguan Laguna Verona was completed during the year and 155 apartments were sold. This project is scheduled for completion in phases to 2011.

In Zhuhai, Phase IIIB of Horizon Cove was completed and 646 units in the development were sold during the year. The other projects under development are progressing well.

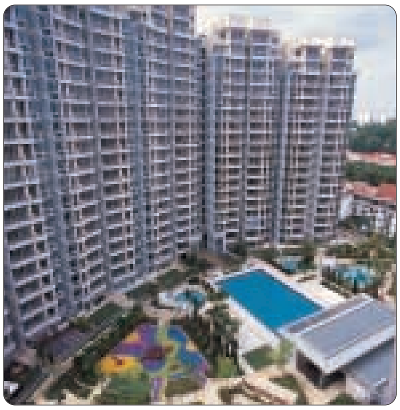
Major properties in the Mainland under development

Name	Location	Property Type	Total Gross Floor Area (thousand sq ft)	Group's Interest	Completion Date
Horizon Cove	Zhuhai	Residential	1,072	50%	2006
Huangsha Underground Railway Station Development	Guangzhou	Residential & commercial	3,689	50%	2007
International Toys and Gifts Center	Guangzhou	Commercial	1,844	30%	2007
The Greenwich	Beijing	Residential & commercial	3,951	50%	2007
Regency Park	Shanghai	Residential & commercial	1,169	50%	2007
Maqiao	Shanghai	Residential	488	43%	2007
Cape Coral, Panyu Dashi	Guangzhou	Residential & commercial	4,004	50%	2008
Guanlan	Shenzhen	Residential	1,697	50%	2008
Feng Huang Shan	Shenzhen	Residential & commercial	3,140	50%	2008
Maison d'artiste	Shanghai	Residential & commercial	1,681	50%	2008
Xin Zha Road	Shanghai	Commercial	626	30%	2008
Yingkoudao	Tianjin	Residential & commercial	2,718	40%	2008
Shisanling	Beijing	Residential	866	50%	2009
Huaqianbei Development	Shenzhen	Residential & commercial	1,610	50%	2009
Nanan	Chongqing	Residential & commercial	4,084	48%	2009
Douxi	Chongqing	Residential & commercial	4,399	50%	2009
Laopu Pian	Wuhan	Residential & commercial	1,427	50%	2009
Wenjiang	Chengdu	Residential & commercial	5,170	50%	2009
Qiao Island	Zhuhai	Residential & commercial	2,521	50%	2009
Century Avenue	Shanghai	Commercial	2,332	25%	2010
Hi-Tech Industrial Development Zone	Xian	Residential & commercial	11,164	50%	2010
Zhen Long, Luo Gang District	Guangzhou	Residential	2,483	40%	2010
Chai You Ji Chang, Nanguan District	Changchun	Residential	2,354	50%	2010
Hualou Jie	Wuhan	Residential & commercial	3,930	50%	2011
Laguna Verona	Dongguan	Residential & commercial	12,975	50%	2011
Jingyuetan	Changchun	Residential & commercial	4,379	50%	2011
Changsha Wangcheng	Hunan	Residential & commercial	6,972	50%	2012
High Tech Zone	Chengdu	Residential & commercial	25,645	50%	2016
Zengcheng	Guangzhou	Residential & commercial	13,669	50%	2018

The London Lots Road residential and commercial development is situated just off Cheyne Walk and beside the River Thames.

Overseas

In Singapore, a substantial number of remaining units of the Cairnhill Crest residential development was sold during the year. Other long-term development projects in the UK and Singapore are progressing well. In February this year, the Group announced the acquisition of a 25% interest in Lots Road and Chelsea Harbour Phase II from its joint-venture partner and, as a result, the Group's interest in this UK development has increased to 47.5%.



Cairnhill Crest in Singapore comprises three luxurious residential towers, offering one- to four-bedroom units.

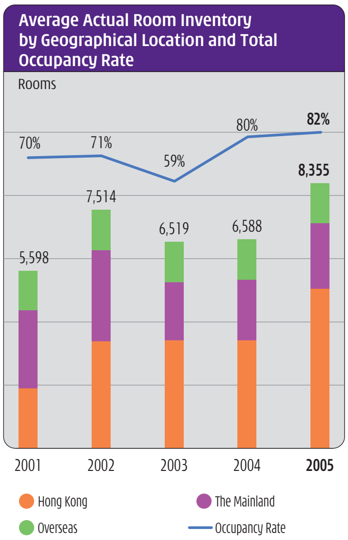
"A substantial number of remaining units of the Cairnhill Crest development was sold."

Major overseas properties under development

Name	Location	Property Type	Total Gross Floor Area (thousand sq ft)	Group's Interest	Completion Date
UK					
Lots Road and Chelsea Harbour Phase II	London	Residential & commercial	770	47.5%	2012
Convoys Wharf	London	Residential & commercial	3,168	50%	2016
Singapore					
Singapore Marina Bay	Singapore	Residential & commercial	2,626	17%	2009

Hotels

The Group has ownership interests in 11 hotels in Hong Kong, the Mainland and the Bahamas, of which six are managed through its 50% owned hotel management joint venture. The tourism industry continued to gain momentum in 2005 from a revived economy, resulting in significantly higher travel activity than last year. As a consequence, our hotels reported EBIT growth of 82% compared to 2004.



The Kowloon Hotel's Harbour Club Floor with a brand new club lounge offers a tranquil and service-oriented ambience for business travellers.


Marionnaud
BVLGARI
AQVA

1. Australia
2. The Philippines
3. South Korea
4. Taiwan
5. Hong Kong
6. Macau
7. Indonesia
8. Mainland China
9. Thailand
10. Singapore
11. Malaysia
12. Russia
13. Romania
14. Turkey
15. Israel
16. Latvia
17. Slovakia
18. Estonia
19. Slovenia
20. Lithuania
21. Hungary
22. Italy
23. Poland
24. Czech Republic
25. Austria
26. Germany
27. The Netherlands
28. Luxembourg
29. Switzerland
30. Belgium
31. France
32. United Kingdom
33. Spain
34. Morocco
35. Republic of Ireland
36. Portugal

Retail

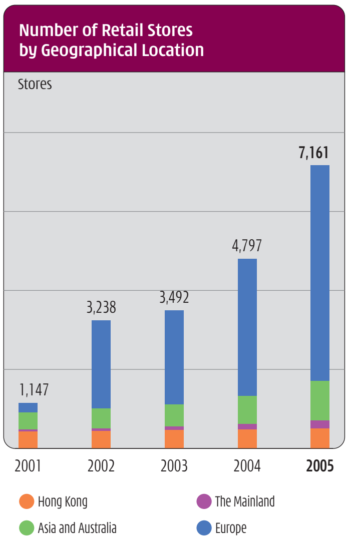
The retail division consists of the A S Watson group of companies, one of the world's largest and most diversified retailers currently operating 11 retail chains in Europe and four major retail chains in Asia, with more than 7,100 stores in 36 markets worldwide that provide high quality personal care, health and beauty products; luxury perfumery and cosmetic products; food, wine and general merchandise; and consumer electronic and electrical appliances. A S Watson also manufactures and distributes various water and other beverages in Hong Kong and the Mainland.

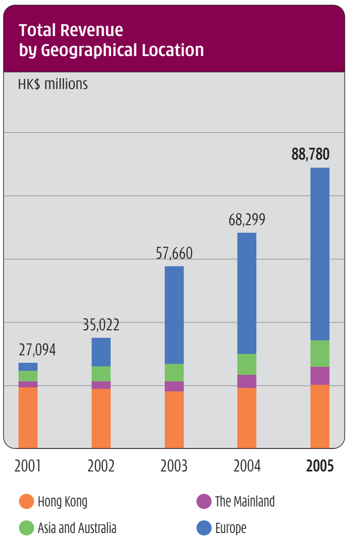
Retail

These businesses are managed under four principal operating divisions: Health and Beauty; Luxury Perfumeries and Cosmetics; Food, Electronics and General Merchandise ("FEGM"); and Manufacturing.

Total revenue for the retail division totalled HK$88,780 million, an increase of 30% compared to last year, mainly due to contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired in April and August respectively; a full-year contribution from the Rossmann retail chain in Germany, in which a 40% interest was acquired in August 2004; and also continued sales growth in PARKnSHOP and Watsons in the Mainland, Watsons in Taiwan and the UK retail operations. EBIT of HK$3,261 million was 2% above last year, mainly due to the profits from Marionnaud, The Perfume Shop and Rossmann; improved results from Watsons in the Mainland and the UK retail operations; offset by lower results from the retail operations, mainly in Hong Kong, due to margin compression. This division contributed 44% and 6% of the Group's total revenue and EBIT from its established businesses respectively.

"Total revenue for the retail division totalled HK$88,780 million, an increase of 30%."





Health and Beauty

The health and beauty division consists mainly of Savers and Superdrug in the UK; Kruidvat and Trekpleister in Continental Europe; Rossmann in the Czech Republic, Hungary, Poland and Germany; Drogas in the Baltic States; Watsons in Asia and Nuance-Watson in Hong Kong and Singapore. Watsons stores were also recently opened in Turkey, Estonia and Slovenia.

Superdrug, the health and beauty retailer, is expanding its presence rapidly throughout the UK.

In Europe, the health and beauty businesses reported combined revenue 19% above and EBIT 18% above last year, mainly due to the improved results in the UK, the increased contribution from the various Rossmann operations, including the full-year contribution from Rossmann in Germany in which a 40% interest was acquired in August 2004. Although the consumer spending sentiment in the UK has been weak, the combined revenue and recurring EBIT of the two major retail chains in the UK increased by 2% and 10% respectively, mainly through a wider range of products and promotional activities and improvements in category and product mix to strengthen margin. The businesses in Continental Europe have successfully maintained their market positions in respective countries and have reported overall revenue growth of 3% although the EBIT contribution had reduced, mainly due to keen competition from both health and beauty specialty chains and also supermarkets, particularly in the Netherlands. The Drogas chain in Latvia and Lithuania, being the division's first investment in Eastern Europe, provided its first full-year EBIT contribution. To further enhance its presence in Eastern Europe, where the business is enjoying robust growth in the consumer market, the first Watsons stores in Estonia and Slovenia were opened. In January this year, the division acquired the Spektr Group, an established 24-store health and beauty retail chain in St Petersburg, Russia. Including these recent additions, the division now has more than 4,000 retail outlets in 12 countries in Europe.

In Asia, the Watsons personal care, health and beauty business continues to be the leading retail chain with strong brand name recognition, particularly in Hong Kong, Taiwan and the Mainland. These operations reported combined revenue 22% above last year although EBIT was 9% below last year, mainly due to the reduced contribution from the operations in Hong Kong and also Taiwan, which were affected by margin compression due to intense price competition. In the Mainland,

European customers are pampered with more varieties of health and beauty products with Watsons Your Personal Store entering Europe in 2005.

Spektr Group, acquired by A S Watson, is an established health and beauty retail chain in St Petersburg, Russia, operating 24 stores.

The Perfume Shop, acquired by A S Watson in August 2005, operates over 120 stores in the UK, Ireland and Australia.

Watsons reported strong growth in both revenue and EBIT. In Southeast Asia, the Watsons operations in Singapore, Malaysia, Thailand and the Philippines all reported increased revenue and EBIT, mainly due to continued new store expansion. To further enhance its presence in Asia, in March, Watsons opened its first store in South Korea. The division also expanded its footprint to Turkey by acquiring Cosmo Shop, a seven-store health and beauty retail chain and by the opening of a Watsons store. In June, the acquisition of Apex Pharmacy, a 20-store pharmacy chain in Malaysia, was completed and rebranding of these stores to the Watsons brandname is in progress. This division currently operates more than 1,300 stores in 11 markets in Asia.

Retail concessions at the Hong Kong International Airport and the Singapore Changi Airport, operated by Nuance-Watson, a 50% joint venture, continued to provide a positive contribution to the division and reported strong growth in revenue and EBIT.

Luxury Perfumeries and Cosmetics

The luxury perfumeries and cosmetics division comprises ICI Paris XL and the two Europe-based luxury perfumery and cosmetics retail chains, Marionnaud and The Perfume Shop, acquired in April and August respectively. Marionnaud is the largest perfumery and cosmetics retailer headquartered in France with more than 1,200 stores in 14 countries and is well known for its wide, high quality product range. The Perfume Shop, which operates principally in the UK with more than 120 outlets, has established a market position as the leading specialist fragrance retailer in the UK. Both of these businesses have made EBIT contributions to the Group and are performing ahead of expectations. The Group is currently integrating these two new businesses with its existing retail operations to realise administrative efficiencies and to leverage the increased buying power from the leading combined market share.

Food, Electronics and General Merchandise

The FEGM division consists of PARKnSHOP in Hong Kong and the Mainland, Fortress in Hong Kong and Taiwan and wine retail and trading businesses.

The PARKnSHOP supermarket chain in Hong Kong continued to maintain a leading market share with 225 stores. Although PARKnSHOP reported solid revenue increase compared to last year, its results were adversely affected by severe price competition. PARKnSHOP's operations in the Mainland continued to expand by opening six new stores in the year. A total of 37 stores, mainly in the Southern region, is reporting satisfactory revenue growth and EBIT while this operation continues to expand to other cities in the Mainland.

Fortress, the consumer electronic and electrical appliances retail chain in Hong Kong and Taiwan, reported combined revenue growth of 11% compared to that of last year. However, margins were under pressure particularly on personal audio-visual products which have much shorter lifecycles than the traditional home appliances, leading to a reduced EBIT in Hong Kong and adverse results in Taiwan.

Manufacturing

The manufacturing division manufactures and distributes well-known brands of water, soft drinks and fruit juices in Hong Kong and the Mainland. The division reported a 5% increase in revenue compared to last year, but a reduced EBIT contribution, mainly due to an increase in raw material costs.

"The retail division contributed 44% and 6% of the Group's total revenue and EBIT of the established businesses."

California Governor Arnold Schwarzenegger visits a PARKnSHOP store during his stay in Hong Kong.

Mainland shoppers recognise PARKnSHOP's familiar "P" logo as a symbol of quality.


Husky

1	Australia	6	Macau	11	Italy
2	Japan	7	Indonesia	12	Luxembourg*
3	Taiwan	8	Mainland China	13	United Kingdom
4	The Philippines	9	Thailand	14	Canada
5	Hong Kong	10	Libya	15	United States*

* Finance & Investments

Energy, Infrastructure, Finance & Investments and Others

The energy, infrastructure, finance & investments and others division includes the Group's 84.6% interest in Cheung Kong Infrastructure ("CKI"), a leading investor in the infrastructure sectors in Hong Kong, the Mainland, Australia and the UK, and a 34.6% interest in Husky Energy ("Husky"), one of Canada's largest integrated energy and energy-related companies. Also reported in this division are the results from the finance, investments, treasury operations and certain other businesses.

Energy, Infrastructure, Finance & Investments and Others

Total revenue for the energy, infrastructure, finance & investments and others division for 2005 totalled HK$49,999 million, a 16% increase and EBIT totalled HK$18,306 million, a 3% increase. The aggregate net increase is mainly due to the effect of increased returns on the Group's investment interests in Husky and CKI, partially offset by a reduced result in the finance & investments and others segment.

Cheung Kong Infrastructure

CKI, which is listed on the Stock Exchange of Hong Kong, announced turnover of HK$4,750 million, in line with last year, and profit attributable to shareholders of HK$6,007 million, an increase of 71% compared to last year. This result includes a one-time profit of HK$3,699 million on partial disposal of the Australian electricity distribution businesses to Spark Infrastructure Group, which was listed on the Australian Stock Exchange in December, and an impairment for infrastructure materials and certain infrastructure investments, totalling HK$2,032 million, after considering the Group's assets valuation consolidation adjustments. CKI, after adjusting for the Group's assets valuation consolidation adjustments, contributed 8% and 11% of the Group's total revenue and EBIT from its established businesses respectively.

CKI is one of the largest publicly listed infrastructure companies in Hong Kong with diversified investments in energy, transportation and water infrastructure, and also in infrastructure materials businesses. Operating in Hong Kong, the Mainland, Australia, the UK, Canada and the Philippines, it is a leading player in the global infrastructure arena.

CKI holds a 38.9% interest in Hongkong Electric Holdings ("HEH"), which is the largest contributor to CKI's results. HEH, which is also listed on the Stock Exchange of Hong Kong, is the sole provider of electricity to Hong Kong and Lamma islands. HEH announced a profit attributable to shareholders of HK$8,562 million, an increase of 37% compared to last year. This result includes a profit on disposal of 22.07% of the Australian electricity distribution businesses to CKI of HK$1,560 million and non-cash tax adjustments of HK$648 million.

HEH continues to make investments to expand as well as to improve its existing businesses. Construction of Unit 9 at the Lamma Power Station extension is expected to be completed in mid-2006. The construction of the 1,400-megawatt (MW) gas-fired combined cycle power station in Ratchaburi Province, Thailand is scheduled to commence this year, following the recent completion of the financing arrangements. HEH holds a 25% interest in this project.

CKI's other infrastructure businesses recorded increased profits, reflecting the contribution from Northern Gas Networks in the UK, which was acquired in June, profit from the sale of a 9.9% interest in Northern Gas Networks to third parties and an improved contribution from the Australian electricity distribution businesses. CKI's cement, concrete, asphalt and aggregates businesses in Hong Kong and the Mainland experienced another difficult year due to the continuing depressed conditions. As a result, impairment charges for certain assets were recorded during the year.

CKI has continued to expand its businesses during the year. In June, CKI entered into a joint-venture contract for the construction and operation of Units 3 and 4 extension to the Zhuhai Power Plant. In August, Sydney's Cross City Tunnel, in which CKI has a 50% stake, commenced operation ahead of schedule. CKI will continue to explore investment opportunities around the world to facilitate future earnings growth.

Husky Energy

The Group has a 34.6% interest in Husky Energy, a listed Canadian based integrated energy and energy-related company. Husky announced total revenue of C$10,245 million, 21% above last year and net earnings of C$2,003 million, 99% above last year, mainly reflecting higher natural gas and crude oil prices. Cash flow from operations in 2005 was C$3,785 million, a 72% increase from last year. Dividends declared during the year increased by C$0.19 per share to C$0.65 per share and the special dividend increased by C$0.46 per share to C$1 per share, providing strong cash returns totalling HK$1,598 million to the Group. Husky contributed 11% and 10% to the Group's total revenue and EBIT from its established businesses respectively.

"Husky announced total revenue of C$10,245 million and net earnings of C$2,003 million, up 21% and 99%."

Powercor lineworkers complete a task as part of Powercor's comprehensive network maintenance programme. The Powercor network is the largest in Victoria, covering 65% of central and western Victoria with more than 640,000 customers.

Hongkong Electric commissions the territory's first commercial-scale wind power station, Lamma Winds, starting a new and important chapter in the local history of electricity generation.

Husky is a Canadian integrated energy and energy-related company with upstream, midstream and refined oil products operations.

In 2005, Husky's gross production volume averaged approximately 315,000 barrels of oil equivalent ("BOEs") per day compared to 325,000 BOEs per day during 2004, a 3% decrease. In November, Husky achieved, ahead of schedule and on budget, first oil production from the White Rose project off the east coast of Canada. Approximately 2.4 million barrels of oil have been produced with a 1.74 million share to Husky. This project is expected to increase gross production to 100,000 barrels per day of light oil when it attains full production in 2006. At the end of 2005, Husky's total proved and probable oil and gas reserves amounted to 2,260 million BOEs. The additions to crude oil proved and probable reserves were primarily from the White Rose project in the Jeanne d'Arc Basin, offshore Newfoundland and Labrador and from the Tucker Oil Sands project in the Cold Lake region of Alberta. The natural gas additions to proved and probable reserves in 2005 were mainly due to Husky's drilling programme in the foothill and deep basin areas of Alberta and northeastern British Columbia.

Major development projects are progressing well. The Tucker Oil Sands project development is progressing on schedule and the first oil production is expected in the fourth quarter of 2006. The Sunrise Oil Sands project received regulatory approval in December 2005 for phased development. The Sunrise Oil Sands project is estimated to have probable and possible reserves of 3.2 billion barrels of recoverable oil resources over its estimated 40-year project life span and Husky intends to develop this into a 200,000-barrel per day project in phases. In Indonesia, front-end engineering design for the Madura Strait offshore natural gas and natural gas liquids development project is progressing and expected to be completed by mid-2006.

Finance & Investments and Others

Finance & investments and others mainly represents returns earned on the Group's substantial holdings of cash and liquid investments which totalled HK$110,386 million at 31 December 2005. The Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associated company TOM Group are also reported under this division. These operations contributed 9% of the Group's EBIT from its established businesses. The overall 39% decrease in the division's EBIT is primarily due to lower realised foreign exchange gains on deposits and profits on disposal of certain fixed-income securities. Further information on this division can be found in the "Group Capital Resources and Liquidity" section on page 54 of the annual report.

Hutchison Whampoa (China)

Hutchison Whampoa (China) ("HWCL") operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK and also has investments in a number of health care projects. HWCL reported improved results from its continuing operations.

Sen has expanded its range of traditional Chinese teas and tinctures to include body and skin care products. It also offers treatments such as massage and acupuncture to relieve emotional and physical ailments.

The China Open Tournament 2005 co-organised by TOM Group brings world-class tennis professionals such as Rafael Nadal to Beijing every year.

Hutchison Harbour Ring

Hutchison Harbour Ring ("HHR"), a 61.97% owned subsidiary listed on the Stock Exchange of Hong Kong, is a leading toy manufacturer, a supplier and manufacturer of consumer electronic products as well as a licensing and sourcing service provider. The company also holds investment properties in the Mainland. HHR announced turnover, including its share of associated companies' turnover, of HK$2,628 million and profit attributable to shareholders of HK$186 million, increases of 1% and 14% respectively, reflecting the positive and stabilising effect of HHR's diversification into more stable rental income properties which reduces its dependency on the cyclical toy industry.

Bluetooth Virtual Keyboard is the world's first wireless virtual keyboard, taking wireless mobile communications to a new height.

TOM Group

TOM Group ("TOM"), a 24.5% associate, is listed on the Stock Exchange of Hong Kong and its businesses include Internet, outdoor media, publishing, sports, television and entertainment. TOM announced turnover of HK$3,105 million, an increase of 20% over last year and profit attributable to shareholders of HK$260 million, compared to HK$773 million last year, which included a dilution profit on listing of TOM Online of HK$979 million.

1. Australia
2. Hong Kong
3. Macau
4. Vietnam
5. Indonesia
6. Thailand
7. Sri Lanka
8. India
9. Israel
10. Italy
11. Austria
12. Sweden
13. Denmark
14. Norway
15. Ghana
16. United Kingdom
17. Republic of Ireland

Telecommunications

The Group's telecommunications division consists of a 49.8% interest in Hutchison Telecommunications International ("HTIL"), which is listed on the stock exchanges of Hong Kong and New York, and the **3** Group businesses in Europe and Australia. HTIL holds the Group's interests in 2G and 3G mobile operations in Hong Kong, Israel and Indonesia, 2G mobile operations in India, Macau, Sri Lanka, CDMA2000-1X operations in Thailand, Vietnam and Ghana, and a Hong Kong fixed-line operation. The **3** Group is one of the world's leading operators of third-generation mobile telecommunications technology with controlling interests in **3** branded businesses in seven countries in Europe and Australia.

Telecommunications

Hutchison Telecommunications International

HTIL announced turnover of HK$24,356 million, a 64% increase over last year. HTIL's loss attributable to shareholders was HK$768 million, including a one-off loss on disposal of the Paraguay business of HK$352 million, compared to a loss attributable to shareholders of HK$30 million in 2004, which included a one-time gain of HK$1,300 million on disposal of a 26% interest in its then listed subsidiary, Hutchison Global Communications Holdings ("HGCH"). Excluding the effect of this one-time gain, the comparable loss attributable to shareholders improved 42%. At 31 December 2005, HTIL had a consolidated mobile customer base of 16.9 million, representing a 39% increase over the beginning of the year. The Group's share of EBIT increased from HK$162 million to HK$2,789 million, mainly due to the strong growth in its mobile operations in India and reduced losses incurred by the operations in Thailand, partially offset by the loss on disposal of the Paraguay business. The Group's share of HTIL's turnover and EBIT amounted to 12% of the Group's total revenue and 5% of EBIT from its established businesses.

The Hutch House in Mumbai is beautifully illuminated by vibrant pink lights, truly exemplifying the Hutch Spirit.

In August, HTIL, acquired all the shares in its then listed subsidiary, HGCH, that it did not already own in exchange for either cash or HTIL shares. After the privatisation and de-listing of HGCH, the Group's interest in HTIL was diluted from approximately 74.3% to approximately 69.1%, and a profit on disposal of HK$1,150 million was realised by the Group. In addition, in December, the Group disposed of a 19.3% interest in HTIL to a strategic partner, Orascom Telecom, for a consideration of HK$10,100 million, which gave rise to a further profit on disposal of HK$7,400 million. HTIL and Orascom Telecom agreed to align their respective procurement processes to exploit synergies and to identify and pursue cooperation opportunities. Following the sale, the Group holds a 49.8% interest in HTIL, and as a result, HTIL is treated as an associated company of the Group.

In India, HTIL's 2G mobile operations continued to make significant progress both organically and through acquisition. The customer base has increased 59% to 11.4 million. Turnover increased 41% to HK$9,996 million and EBITDA increased 47% to HK$3,237 million. Following the completion of the acquisition of BPL Mobile Cellular, which operates in three licence areas, in January this year, and the pending acquisitions of BPL Mobile Communications ("BPL Mumbai") and Essar Spacetel, HTIL's India operation is positioning itself to become a national mobile telecommunication services operator with coverage in all 23 licence areas. The acquisition of BPL Mumbai, which operates in Mumbai, and Essar Spacetel, which has applied for seven new licences, remain subject to regulatory approval and other conditions.

In Israel, Partner announced revenues of US$1,113 million, in line with 2004 and profit attributable to shareholders of US$77 million, a 25% decrease, primarily due to the financial expenses related to the restructuring of Partner's debts, the impact of the inter-carrier termination rate reductions that were mandated by the Ministry of Communications, and the increased depreciation, amortisation and network expenses related to the 3G network. At 31 December 2005, Partner had over 2.5 million 2G and 3G customers, an estimated market share of approximately 32%.

In Hong Kong, after the privatisation of HGCH, good progress was made during the year to streamline and integrate the fixed-line and mobile businesses in Hong Kong in face of increasing competition. Measures included the outsourcing of certain functions and a reduction in total staff, which improved

"HTIL had a consolidated mobile customer base of 16.9 million at 31 December 2005, a 39% increase over the beginning of the year."

Partner Communications commemorates five years of trade on the NASDAQ.

HGCH promotes the "IDD 0088 Unlimited Plan" through a boxing demonstration in Causeway Bay, Hong Kong's major shopping district.

A Thai lady uses her Hutch phone at the Royal Palace, a famous landmark in Bangkok. Hutch phones have become very popular among the young generation in Thailand as the features of the phones make communications more accessible and enjoyable.

3 Hong Kong is the first 3G operator in Hong Kong to provide full 3G coverage of the entire MTR underground railway network and all 12 major vehicle tunnels, bringing customers truly seamless 3G video communications and high-speed download of video contents.

the financial performance and organisational efficiency of the businesses. The Hong Kong operations reported combined turnover of HK$6,041 million and EBITDA increased 42% to HK$1,465 million.

The mobile business in Hong Kong is the leading 3G operator and one of the largest mobile operators in the Hong Kong market, with a total customer base of approximately two million, including a 3G customer base now in excess of 500,000, which continues to provide a healthy revenue stream despite intense competition. Turnover increased 3% to HK$3,837 million, driven by the growing 3G customer base and higher ARPU associated with 3G services. EBITDA increased 112% to HK$769 million, a recovery from 2004 with the successful completion of various cost optimisation initiatives.

Turnover for the fixed-line telecommunications business totalled HK$2,204 million, an increase of 18% over 2004, reflecting strong growth in international direct dialing, residential broadband and the international and local data business. EBITDA was HK$696 million compared to HK$670 million in 2004.

In Thailand, the operation moved closer to EBITDA breakeven and became EBITDA positive on a monthly basis by the end of the year, and the business is now on a strong footing despite an extremely difficult operating environment. Turnover was HK$1,045 million and LBITDA improved from HK$233 million in 2004 to HK$15 million in 2005. The customer base increased by 19% to 732,000. A number of initiatives was undertaken during the year, including restructuring the organisation, outsourcing the network maintenance and information technology operations, which resulted in a positive EBITDA for the last quarter of the year and is expected to have a positive impact in 2006.

In Indonesia, in July, HTIL acquired a 60% stake in PT Hutchison CP Telecommunications, a company with both 2G and 3G nationwide spectrum. With a strategic partner, the CP Group of Indonesia, and network supplier, Siemens, network rollout has commenced and commercial services are expected to be launched during the second half of this year. Indonesia has a sizable market of over 217 million people and a telephony penetration level below average for the region.

In Vietnam, HTIL received in February 2005 an investment licence to engage in a business cooperation with Hanoi Telecommunication Joint Stock Company to build, develop and operate a nationwide mobile telecommunications network. Vietnam offers an opportunity to bring mobile services to a market with significant growth potential. With Nortel as the supplier, the business is currently building a nationwide CDMA2000-1X network and it is expected to launch commercial services in the second half of the year.

3 Group

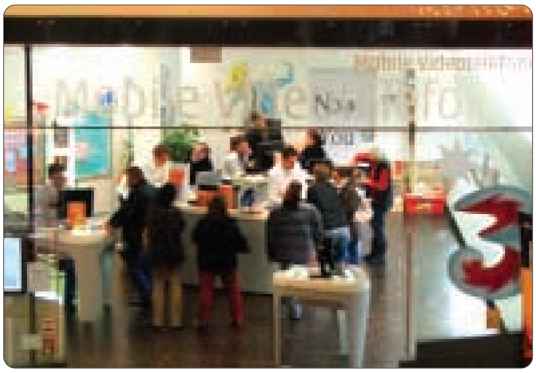
The **3** Group has interests in 3G mobile operations in the UK, Italy, Sweden, Denmark, Austria, Ireland, 2G and 3G mobile operations in Australia and a licence for the development of a 3G network in Norway. As evidenced by the recently reported operating performance of incumbent cellular operators in Europe, competition has been fierce throughout 2005. Unlike most of its competitors, the 3G businesses continued to improve their operating and financial performances and grow their customer bases in 2005. The Group's businesses have also maintained their 3G market leading positions in the face of the incumbents launching their own 3G services. The Group's 3G customer base has grown 65.5% from 31 December 2004 to 11,061,000 at 31 December 2005 and currently stands at 11,909,000. During 2005, all the 3G businesses increased their market share led by **3** Italia, with an estimated market share of over 8% and in the UK of over 5%, measured by customer numbers.

The **3** Group reported substantially improved financial performance with revenue totalling HK$37,502 million for 2005, an increase of HK$21,760 million or 138% over last year, reflecting the continuing growth of a high quality customer base and by above market average non-voice revenues. The proportion of lower-risk, higher-value postpaid, or contract, customers in the overall base increased from 36% last year to 40% at the end of 2005, reflecting a concerted effort to continue acquiring higher than market average value customers. The **3** Group's monthly average revenue per user on

*The **3** shop in Rome on via del Corso, one of the most famous shopping districts in the capital of Italy.*

"The 3 Group reported total revenue of HK$37,502 million, an increase of 138%."

3 UK continues its rollout of ThreeStores with a new "experience-based" store design, reflecting the growing importance of media contents in the sales process.



Enthusiastic customers inquire about **3** products and services at a **3** store in Austria.

a trailing 12-month average active customer basis ("ARPU") of €42.20, represents a modest decline from the €43.11 reported in the Group's interim announcement. The decline relates to the ARPU in the first six months of 2005 included in this calculation. However, both ARPU and non-voice service revenues as a percentage of ARPU have strengthened in the second half of the year. The **3** Group's ARPUs remain higher than the market averages in all the respective countries of operation. All of the operations have reported improving proportions of non-voice revenue which, when combined with the higher than market average ARPU, results in a substantially higher than market average spend on non-voice services.

Margins improved during the year, reflecting economies of scale from a sizeable customer base, and the positive effects of increased incoming traffic and from reduced domestic roaming traffic due to the judicious placement of new network coverage. Operating costs were tightly managed through performance improvements and optimisation with additional savings being achieved through network maintenance and other outsourcing programmes. As a result of increased revenue and cost improvements, the **3** Group achieved its target of full-year positive earnings before interest expense and finance costs, taxation, depreciation and amortisation and before investment in customer acquisition costs ("EBITDA before all CACs") of HK$1,825 million, a turnaround of 123% from the comparable LBITDA of HK$7,906 million in 2004. **3** Italia and **3** UK have each progressed further and on a monthly basis achieved a second important cashflow milestone, reporting positive EBITDA after deducting all CACs. **3** Italia first achieved this target in August and **3** UK in December, after including the cash benefits of its outsourcing agreements. This indicates that the revenues from these operations now cover both operating costs and the costs of continuing to grow their customer base and recurring revenue stream. As a whole, the **3** Group's target is to achieve positive EBITDA after all CACs for the full year in 2006.

Total CACs of HK$23,543 million increased 15% compared to 2004 due to the acquisition of more customers. Of this amount, HK$12,099 million related to postpaid customers, the value of which was capitalised to be amortised over the term of the respective customer contracts, and HK$11,444 million relates to prepaid customers, the value of which was expensed. The average cost of acquisition per customer for the year increased nominally to €293 from the level reported in the interim announcement of €274 per customer. This was partially due to manufacturers' delays in delivering lower cost handsets in the second half of the year as well as the higher proportion of postpaid customers versus prepaid customers added to the customer base in the second half of the year. Although this average was higher in the second half of the year, there has also been an improvement in ARPU in the second half of the year which implies that this customer acquisition spending succeeded in acquiring higher-value customers in the second half of the year. The current and contracted handset costs are significantly lower than the 2005 averages. This is expected to result in the cost of acquiring customers, relative to the value of customers acquired, to decrease through 2006.

The Group's accounting policy, consistent with the current interpretation of Hong Kong Accounting Standard 38, and last year's treatment, is to expense CACs of prepaid customers and to capitalise postpaid CACs which are amortised and charged to the profit and loss account over the duration of the customer contract period, generally 12 to 24 months. LBITDA after expensed CACs totalled HK$9,619 million compared to HK$16,329 million, a 41% improvement.

Total depreciation, amortisation of licence fees and other rights and amortisation of capitalised postpaid CACs increased from HK$22,120 million in 2004, to HK$26,661 million for 2005, mainly due to the increase in amortisation of postpaid CACs as the customer base grows. The resultant LBIT for the **3** Group totalled HK$36,280 million, compared to HK$38,449 million for last year, before a one-time profit of HK$9,400 million from the exercise by the Group of its right to re-purchase from the minority shareholders of **3** UK their

35% interest for £210 million, a substantial discount to its net asset value and to the £2,100 million paid to the Group by the minority shareholders when they acquired these interests in 2000. Including this profit, the **3** Group LBIT totalled HK$26,880 million compared to HK$38,449 million last year.

The **3** Group's capital expenditure, which was approximately HK$14,051 million in 2005, has reduced compared to the HK$21,428 million in 2004 and is expected to decline significantly in 2006 as the network construction phase nears completion.

Key Business Indicators

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

	Registered 3G Customers at 22 March 2006 ('000)	12-month Average Revenue per User ("ARPU") [1] in 2005			Mix of Postpaid/Prepaid Customers (ratio) at 31 December 2005
		Total	Non-voice		
		Local Currency/HK$	ARPU %	ARPU	
Australia [2]	854	A$78.00/463	24%	A$19.00/110	85/15
Austria	340	€53.92/520	14%	€7.60/73	68/32
Italy	6,005	€34.87/335	30%	€10.31/99	19/81
Sweden & Denmark	502	SEK382.90/398	16%	SEK59.73/62	78/22
UK & Ireland	3,569	£34.51/486	23%	£8.00/113	56/44
3 Group Total/Average	11,270	€42.20/406	25%	€10.47/101	40/60
Hong Kong [3]	521				
Israel [4]	118				
Total	11,909				

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers in the period, 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.

Note 2: Active customers as announced by this listed subsidiary updated from its results announcement date of 7 March for net customer additions to 22 March.

Note 3: Registered customers as announced by listed HTIL updated from its results announcement date of 9 March for net customer additions to 22 March.

Note 4: Registered customers as announced on 9 March by listed HTIL.

UK

The customer base of the wholly-owned subsidiary **3** UK, has grown steadily by 30% from 31 December 2004 to 3.4 million at 31 December 2005 and currently totals approximately 3.6 million. ARPU on a trailing 12-month average active customer basis increased from £33.83 at the time of the interim announcement to £34.51, primarily due to the increased focus on postpaid customer acquisition and the continuing improvement in the mix to more lower-risk, higher-value postpaid customers in the customer base. **3** UK currently has a market share of over 5% of the total mobile market and its ARPU continues to be above the mobile market average. The higher-margin non-voice revenue rose to 23% of total ARPU compared to 22% at the time of our interim announcement.

The financial performance of **3** UK improved significantly during the year. Total revenue grew 150%, reflecting the increased customer base and increased ARPU. **3** UK reported its first full-year positive EBITDA before all CACs in 2005 and encouragingly, on a monthly basis, reported its first month of positive EBITDA after all CACs in December after including the cash benefits of its outsourcing agreements.

In December, **3** UK signed an outsourcing agreement with Ericsson for the operational management of **3** UK's commercial network infrastructure and information systems. Network ownership and strategic decisions remain with **3** UK. This agreement is expected to generate significant savings over the seven-year period of the contract.

With the continuing growth of its customer base and revenues, combined with cost savings arising from the outsourcing agreement and other cost initiatives, **3** UK is targetting to be EBITDA positive after all CACs for the full year 2006.

Italy

3 Italia, in which the Group has a 95.4% interest, increased its customer base impressively by 98% from 31 December 2004 to 5.6 million at 31 December 2005 and currently totals over six million. Although ARPU declined modestly since the time of the interim announcement from €35.78 to €34.87 per month, ARPU continues to be at a premium to the Italy mobile market average. The decrease in ARPU has been partially offset by the improvement in gross margin as a result of increased penetration and usage of unique higher-margin non-voice 3G services. The non-voice revenue as a percentage of total revenue increased from 26% to 30% of total ARPU during the year.

The financial performance of **3** Italia improved significantly with total revenue growing 178%. **3** Italia also reported its first full-year positive EBITDA before all CACs in 2005. **3** Italia progressed well during the year and, on a monthly basis, reported its first month of positive EBITDA after deducting all CACs in August, reflecting the enlarged customer base and cost savings arising from the network outsourcing agreement with Ericsson that commenced on 1 April last year.

In November, **3** Italia announced the acquisition of Channel 7 which holds a network licence for nationwide TV distribution in Italy. **3** Italia plans to develop and operate a Digital Video Broadcast to Handheld (DVB-H) network to bundle interactive digital video services with its other 3G services.

As the customer base continues to grow, related revenues increase and with the introduction of new digital services and cost saving initiatives, **3** Italia is targetting to be EBITDA positive after all CACs in 2006.

Australia

The Group's 57.8% owned listed subsidiary in Australia, Hutchison Telecommunications Australia ("HTA"), announced total revenue of A$916 million, an increase of 19%, and a net loss attributable to shareholders of A$547 million, a 21% improvement compared to A$690 million last year. The increased revenue reflects the continuing growth of the **3** customer base and strengthening contribution from non-voice services. HTA announced that their total customer base (on an active basis versus a registered customer basis) has grown 23% from 31 December 2004 to 1,035,000 at 31 December 2005 of which 87% were postpaid customers. The 3G customer base (on an active basis) has grown by 58% from 31 December 2004 to 654,000 at 31 December 2005 and currently stands at 854,000 customers. Total ARPU declined slightly from A$70 in 2004 to A$67 per month in 2005, mainly due to a reduction in voice ARPU. The total ARPU contribution from non-voice services grew strongly from A$7 to A$12 per month in 2005 overall. Specifically, the 3G business non-voice ARPU grew from A$13 to A$19 per month and represents 24% of total ARPU.

Sweden/Denmark/Austria

In the Sweden and Denmark businesses, in which the Group has 60% interests, has grown by 19% from 31 December 2004 to 461,000 at 31 December 2005 and currently totals 502,000. ARPU declined slightly from the time of the interim announcement from SEK396.33 to SEK382.90 per month. The higher-margin non-voice services increased from 13% of ARPU to 16%. Total revenue increased by 135% compared to 2004, when customer growth was starting from a small customer base.

The customer base of wholly-owned subsidiary **3** Austria increased by 83% from 31 December 2004 to 302,000 at 31 December 2005 and currently totals 340,000. ARPU declined from €56.17 at the time of the interim announcement to €53.92 per month. The higher-margin non-voice services increased from 13% of ARPU to 14%. Total revenue increased by 160% compared to 2004.

Others

The **3** Ireland business was commercially launched in November and the Norway business is to be developed as an extension of the Sweden and Denmark operations.

Interest Expense, Finance Costs and Taxation

The Group's interest expense and finance costs for the year, including its share of associated companies' and jointly controlled entities' interest expense, amounted to HK$18,156 million, an increase of 34%, mainly due to increased loans to fund the acquisition of Marionnaud and The Perfume Shop and the development of the **3** Group businesses in Italy and Australia, new bank loans put in place in Sweden and Denmark and the increase in market interest rates. Further information on these expenses can be found in the "Group Capital Resources and Liquidity" section on page 54 of the annual report.

With regards to deferred taxation, as part of the Group's required adoption of the Hong Kong Financial Reporting Standards effective 1 January 2005 (see Note 1 to the accounts), the Group has adopted the current interpretation of Hong Kong Accounting Standard 12, Income Taxes. Pursuant to the adoption of this standard with retrospective effect, the deferred tax assets for tax losses carried forward of **3** Italia and the other **3** Group businesses are not recognised in the accounts, except for **3** UK where, among other things, taxation losses can be carried forward indefinitely. The Group recorded a net taxation charge of HK$866 million compared to a net credit of HK$622 million in 2004, mainly due to a decrease in deferred tax credits reflecting a decreased benefit of tax losses as **3** UK losses declined, in line with its improved performance during the year.

Deferred tax assets are carried on the Group's balance sheet and reduce net losses after taxation and minority interests for the year. As with any balance sheet asset, these must be tested for impairment at each balance sheet date. In the case of **3** UK's deferred tax assets, impairment could be required if and to the extent that, at a future time, the performance of its business does not provide convincing evidence that it is probable such tax benefits would be realised.

Summary

The results for the Group's established businesses reflect the healthy growth of these businesses, organically and through strategic acquisitions. In addition, we have realised value for our shareholders through selective strategic disposal transactions. In 2006, we will focus on integrating the newly acquired businesses with our existing operations to leverage on the enlarged market positions in those segments. We will continue to expand our businesses mainly through organic growth and also by acquisitions, where good opportunities arise, to sustain steady and strong growth.

The progress of the **3** Group continues to be encouraging and its target is to achieve overall positive EBITDA after all CACs in 2006.

The results of 2005 were achieved through the strong efforts and dedication of the Group's employees. I would like to join our Chairman in thanking them for their strong support and hard work throughout the year.

Fok Kin-ning, Canning
Group Managing Director

Hong Kong, 23 March 2006

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by its Executive Directors, which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transaction for speculative purposes.

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively. The Group's main interest risk exposures relate to US dollar, Euro and HK dollar borrowings.

At 31 December 2005, approximately 53% of the Group's principal amount of borrowings were at floating rates and the remaining 47% were at fixed rates. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK$96,706 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$7,838 million principal amount of floating interest rate borrowings was swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 86% of the Group's principal amount of borrowings were at floating rates and the remaining 14% were at fixed rates at 31 December 2005.

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. During the year, the HK dollar strengthened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised charge of HK$13,904 million (2004 - unrealised gain of HK$7,983 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist.

At 31 December 2005, the Group had entered into currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$1,365 million to non-US dollar principal amount of borrowings to match currency exposures of the underlying businesses. The Group's borrowings after taking into consideration of these currency swaps is denominated as to 16% in HK dollars, 35% in US dollars, 3% in British pounds, 32% in Euros and 14% in others currencies.

Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments expose the Group to credit risk of the counterparty. The Group controls its credit risk to non-performance by its counterparties through the setting of approved counterparty credit limits which are regularly reviewed and by monitoring their credit ratings.

Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment gradings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2005, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch.

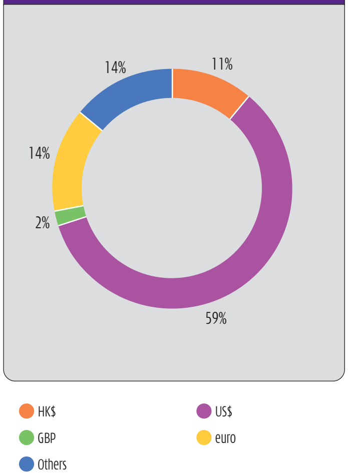
Liquid Assets

The Group continues to have a strong financial position benefiting from both the steady and growing cash flow from its established businesses. Cash, liquid funds and other investments ("total liquid assets") on hand totalled HK$110,386 million at 31 December 2005 (2004 - HK$140,301 million). The year-on-year decrease in total liquid assets mainly reflects the repayment of a €2,465 million **3** Italia bank loan. Of the total liquid assets, 11% were denominated in HK dollars, 59% in US dollars, 2% in British pounds, 14% in Euros and 14% in other currencies.

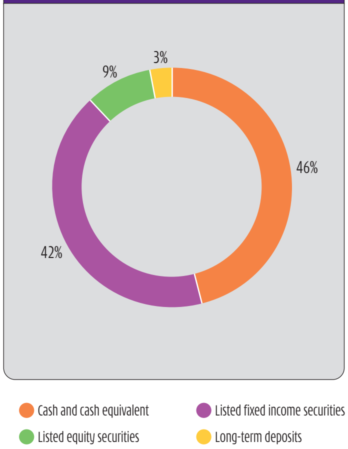
Cash and cash equivalents represented 46% (2004 – 54%) of the total liquid assets, listed fixed income securities 42% (2004 – 36%), listed equity securities 9% (2004 – 7%) and long-term deposits 3% (2004 – 3%).

The listed fixed income securities, including those held under managed funds, comprise US treasury notes (48%), government issued guaranteed notes (23%), supranational notes (15%) and others (14%). More than 83% of the listed fixed income securities are rated at Aaa/AAA, with an average maturity of approximately 3.1 years on the overall portfolio.

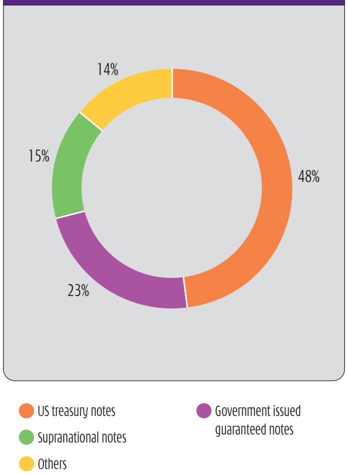
Total Liquid Assets by Currency Denomination



Total Liquid Assets by Type



Listed Fixed Income Securities by Type



Cash Flow

Consolidated EBITDA before prepaid CACs amounted to HK$73,292 million in 2005, a 24% increase from 2004, and funds from operations ("FFO"), before capital expenditure, investment in prepaid and postpaid CACs and changes in working capital amounted to HK$25,293 million, a 54% increase. The increase is attributed to the continued strong financial performance of the Group's established businesses and more significantly, the impressive improvement in the **3** Group which reported a 123% improvement in EBITDA and 52% improvement in FFO. EBITDA and FFO from the Group's established businesses, excluding the **3** Group businesses continued to be strong, totalling HK$71,467 million (2004 – HK$66,942 million) and HK$32,449 million (2004 – HK$31,292 million) respectively.

In addition to funds from operations, the Group received cash considerations from the disposal of a 19.3% interest in HTIL and also, a 20% interest in HIT and 10% interest in COSCO-HIT, totalling HK$17,310 million. The Group also received cash proceeds from the listing of the Australian electricity distribution businesses by CKI of approximately A$2,200 million.

The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$26,968 million (2004 – HK$34,090 million), of which HK$14,051 million (2004 – HK$21,428 million) related to the **3** Group. Capital expenditures for the ports and related services division amounted to HK$4,951 million (2004 – HK$4,654 million); for the property and hotels division HK$226 million (2004 - HK$794 million); for the retail division HK$2,454 million (2004 – HK$2,249 million); HK$500 million (2004 – HK$181 million) for the energy, infrastructure, finance & investments and others division; and for HTIL HK$4,824 million (2004 – HK$4,876 million). The decrease in the **3** Group capital expenditures by 34% to HK$14,051 million was mainly due to the reduction in expenditures incurred for the build-out of the 3G networks, which are nearing completion.

The investment in customer acquisition costs totalled HK$23,543 million (2004 – HK$20,505 million), comprised of the capitalised **3** Group's postpaid CACs of HK$12,099 million (2004 – HK$12,082 million), and expensed as incurred the **3** Group's prepaid CACs of HK$11,444 million (2004 – HK$8,423 million).

The capital expenditures of the **3** Group businesses in Italy and Australia were primarily funded by financing facilities, whilst the Group's remaining capital expenditures in its other businesses and investments in customer acquisition costs were funded primarily from cash generated from operations, cash on hand and to the extent required, by borrowings.

During the year, the Group also expanded its established businesses through strategic acquisitions including the acquisition of Marionnaud for €534 million and The Perfume Shop for £222 million by the retail division and the purchase of a 40% interest in Northern Gas Networks in the UK by CKI. In addition, the Group also exercised its right to re-purchase from the minority shareholders of **3** UK their 35% interest for £210 million at a substantial discount to its net asset value and to the £2,100 million paid to the Group by the minority shareholders when they acquired these interests in 2000.

Debt Maturity and Currency Profile

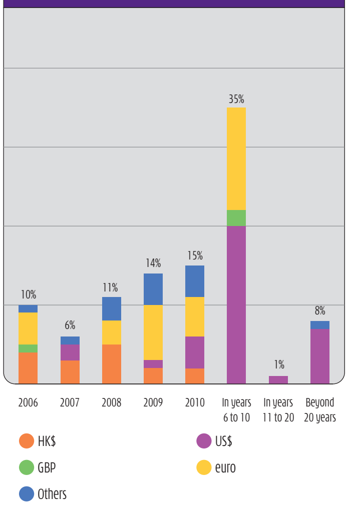
The Group's total borrowings at 31 December 2005 were HK$264,911 million (2004 - HK$282,993 million). The decrease in borrowings was mainly due to the repayment of a **3** Italia loan of approximately €2,465 million. The Group's weighted average cost of debt during 2005 was 4.7% (2004 - 4.0%).

The maturity profile of the Group's total borrowings after taking into consideration of foreign currency swaps at 31 December 2005 is set out below:

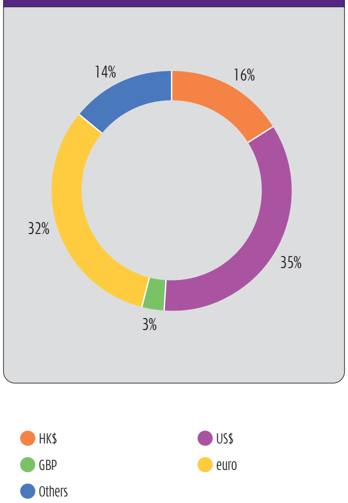
	HK$	US$	£	€	Others	Total
Within 1 year	4%	-	1%	4%	1%	10%
In 2007	3%	2%	-	-	1%	6%
In 2008	5%	-	-	3%	3%	11%
In 2009	2%	1%	-	7%	4%	14%
In 2010	2%	4%	-	5%	4%	15%
In years 6 to 10	-	20%	2%	13%	-	35%
In years 11 to 20	-	1%	-	-	-	1%
Beyond 20 years	-	7%	-	-	1%	8%
Total	16%	35%	3%	32%	14%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's borrowings, as a matter of policy, have credit rating triggers that would accelerate the maturity dates of the debt outstanding.

Debt Maturity Profile by Period and Currency Denomination



Debt Profile by Currency Denomination



Changes in Financing

The significant financing activities in 2005 were as follows:

- In March, Partner issued seven-year, CPI linked New Israeli Shekels 2,000 million (approximately HK$3,354 million) notes which bear an annual interest rate of 4.25% to finance the re-purchase of its shares and to repay certain existing debts falling due;
- In May, HTIL secured a three-year, floating rate HK$6,000 million senior secured credit facility, mainly to refinance existing loans and to fund the Hong Kong mobile operations;
- In June, issued ten-year, fixed rate €1,000 million (approximately HK$9,360 million) notes to refinance existing indebtedness;
- In June, Hi3G Access AB obtained a five-year, floating rate SEK10,500 million (approximately HK$10,500 million) term loan, to fund the 3G network operations in Sweden and Denmark;
- In July, obtained a five-year, floating rate HK$5,000 million syndicated bank loan to refinance existing loans;
- In October, HTIL's Indian operation obtained two three-year syndicated bank loans aggregated to INR19,450 million (approximately HK$3,432 million), to fund the Indian mobile operations;
- In November, HTIL secured a three-year, floating rate HK$9,000 million senior secured revolving credit facility, mainly to refinance the existing HK$8,000 million facility and to fund the existing operation; and
- In December, HTIL's Thailand operation arranged two one-year Baht denominated credit facilities: one THB9,500 million (approximately HK$1,799 million) term loan facility and one THB8,000 million (approximately HK$1,515 million) revolving and term loan facility, to refinance the existing loans.

Capital, Debt and Interest Coverage Ratios

The Group's total shareholders' funds decreased 3% to HK$243,554 million at 31 December 2005 compared to HK$251,171 million at the end of last year. The decrease in shareholders' funds mainly reflects the negative impact of exchange translation differences arising from the translation of the net assets of overseas businesses to HK dollars as mentioned above. The comparative 2004 amount has been restated to reflect the adoption of HKAS and HKFRS as explained in Note 1 to the accounts.

At 31 December 2005, net debt of the Group was HK$154,525 million (2004 – HK$142,692 million) and the net debt to net total capital ratio was 38% (2004 – 34%). The increased ratio mainly reflects the completion of the acquisition of a 40% interest in Northern Gas Networks by CKI and the acquisition of the Marionnaud and The Perfume Shop by the retail division. As a result, the net debt to net total capital ratio attributable to the established businesses rose to approximately 10% (31 December 2004 – 1%). The net debt to net total capital ratio attributable to the **3** Group businesses was 70% (31 December 2004 – 70%).

The Group's consolidated gross interest expense and finance costs before capitalisation for the year, including the **3** Group businesses, totalled HK$15,984 million, compared to HK$12,089 million last year. The gross interest expense and finance costs for established businesses increased by 49% to HK$7,430 million, mainly due to the higher loan balance related to the Group's acquisitions, as well as higher effective interest rates in 2005. The gross interest expense and finance costs for the **3** Group were higher than last year by 21% to HK$8,554 million, mainly due to higher loan balances as loan facilities were drawn to fund the operations in Italy and Australia and also a new loan of HK$10,500 million to fund the 3G network operations in Sweden and Denmark.

Consolidated EBITDA and FFO before prepaid CACs, including the **3** Group losses, covered consolidated net interest expense and finance costs 6.5 times and 3.4 times respectively (2004 – 7.9 times and 3.3 times).

Secured Financing

At 31 December 2005, the shares of H3G S.p.A. owned by the Group were pledged as security for its project financing facilities. The assets of H3G S.p.A. amounted to approximately HK$66,845 million (2004 – HK$73,781 million). In addition, HK$8,554 million (2004 – HK$40,633 million) of the Group's assets were pledged as security for bank and other loans of the Group.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies, but not drawn at 31 December 2005, amounted to the equivalent of HK$4,007 million (2004 - HK$33,656 million), of which HK$2,628 million (2004 – HK$17,400 million) related to the **3** Group.

Contingent Liabilities

At 31 December 2005, the Group provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$15,125 million (2004 – HK$7,442 million), and provided performance and other guarantees of HK$6,165 million (2004 – HK$5,994 million), primarily for the Group's telecommunications businesses.

Risk Factors

The Group's business, financial condition and results of operations may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Industry Trends and Interest Rates

The Group's results are affected by trends in the industries in which it operates, including the ports and related services, property, retailing, infrastructure and energy, and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends, for example, declining property values in Hong Kong, lower oil and gas prices, cyclical downturn in the business of shipping lines, a decline in the value of securities investments and volatility in interest rates. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon the interest rate and currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

Currency Fluctuations

The Group reports its results in Hong Kong dollars but its various subsidiaries and associated companies around the world, receive revenue and incur expenses in more than 48 different local currencies. The Group is thereby exposed to the potentially adverse impact of currency fluctuations on translation of the accounts of these subsidiaries and associates and also on the repatriation of earnings, equity investments and loans. Although the Group actively manages its currency exposures, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar, could adversely affect the Group's financial condition and results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- vertical integration of international shipping lines, who are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require the use of the Group's terminal facilities;

- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, rate of customer growth and retention prospects and hence the revenues it receives as a major provider of telecommunications services;

- risk of competition from entities providing alternate telecommunications technologies and potential competition in the future from technologies being developed or to be developed;

- an increasing number of developers undertaking property investment and development in the Mainland, which may result in lower returns achieved on the Group's property developments; and

- significant competition and pricing pressure from retail competitors in Asia and Europe is expected to continue and may adversely affect the financial performance of the Group's retail operations.

Strategic Partners

The Group conducts some of its businesses through non-wholly owned subsidiaries and associated companies in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly owned subsidiaries and associated companies and the markets in which they operate. Furthermore, other investors in the Group's non-wholly owned subsidiaries and associated companies may undergo a change of control or financial difficulties which may affect the Group's financial condition and results of operations.

Future Growth

The Group continues to expand the scale and geographic spread of its established businesses through investment in organic growth and by selective acquisitions. Success of the Group's acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. Failure to operate the acquired businesses successfully and thereby achieve the expected financial benefits, may impact the financial condition and results of operations of the Group.

The Group has made substantial investments in acquiring 3G licences and developing its 3G networks in Europe, Australia, Israel and Hong Kong. To achieve profitability and the expected return on the Group's investment, the 3G businesses need to continue to increase customer levels and operating margins in order to cover running operating costs, customer acquisition costs and capital expenditure requirements. If the Group is unable to significantly increase customer levels and operating margins, the cost of operating its 3G businesses could increase the total investment and funding requirement for these businesses and impact the financial condition and results of operations of the Group.

As of 31 December 2005, the Group had a total deferred tax asset balance of HK$15,723 million, of which HK$14,895 million was attributable to the Group's 3G operations in the UK where, among other things, taxation losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. The ultimate realisation of these deferred tax assets depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. If there is a significant adverse change in the projected performance and resulting projected taxable profits of this business, some or all of these deferred tax assets may need to be reduced and charged to the profit and loss account, which would have an adverse effect on the Group's financial condition and results of operations.

Impact of National and International Regulations

As a global business, the Group is exposed to local business risks in several different countries which could have a material adverse effect on its financial condition or results of operations. The Group operates in many countries around the world, and one of its strategies is to expand outside its traditional market in Hong Kong. The Group is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the national or international level, such as those required by the European Union or the World Trade Organisation. These include:

- changes in tariffs and trade barriers;
- competition law requirements, such as restrictions on the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;
- delays in the process of obtaining or maintaining licenses, permits and governmental approvals necessary to operate certain businesses, particularly certain of the Group's infrastructure businesses and certain of its joint ventures in the Mainland;
- telecommunications regulations; and
- environmental laws and regulations.

Ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime changes or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including the Group's port operations.

Husky Energy's business is subject to environmental laws and regulation in common with other companies in the oil and gas industry. In meeting its regulatory obligations, Husky incurs costs for preventative and corrective actions. Changes in these regulations could have an adverse effect on Husky's financial condition and results of operations.

New policies or measures by governments, whether fiscal, regulatory or other competitive changes, may pose a risk to the overall investment return of the Group's infrastructure and energy businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenues and profit.

The operations of the Hongkong Electric are subject to a scheme of control agreement with the Hong Kong government (the "Scheme of Control"). The original Scheme of Control expired in 1993 and was extended for another 15 years to 31 December 2008. Under the Scheme of Control, shareholders of Hongkong Electric are entitled to a net return of 15% on net fixed assets financed by shareholders' funds and a minimum net return of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings. The Scheme of Control is designed to ensure a balance of benefits for both consumers and Hongkong Electric's shareholders. There can be no assurance that changes to or abolition of the Scheme of Control in the future will not adversely affect the Group's financial condition and results of operations.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by competent authorities in individual countries. All of these licences are issued for a limited period of time and may not be renewed, or, if they are renewed, their terms may be changed. These licences contain a number of requirements regarding the way the Group must conduct its business, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences, to the Group or other parties, and changes in legislation, regulation or government policy affecting the Group's business activities, as well as decisions by regulatory authorities or courts, could adversely affect the Group's financial condition and results of operations.

The Group's overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it does business.

Hong Kong and the Mainland

A significant portion of the Group's operations are conducted in Hong Kong. As a result, the Group's financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly in the Mainland. There can be no assurance that the Group's financial condition and results of operations will not be adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland's trading relationships with other countries have from time to time adversely affected the Hong Kong economy and property market.

The Group currently has investments in many joint venture companies in the Mainland, and could decide to invest considerable capital resources to enter various markets in the Mainland. The value of the Group's investments in the Mainland may be adversely affected by significant political, social or legal uncertainties in the Mainland. The Chinese government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Chinese economy and could discourage foreign investment.

Impact of New Accounting Standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is pursuing its policy objective of full convergence with the standards and interpretations established by the International Accounting Standards Board. To this end, the HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2005. In the current year, the Group has adopted retrospectively, where required, all remaining new and revised HKFRS that are currently in issue and effective for the financial year beginning 1 January 2005 and has elected to early adopt Amendment to Hong Kong Accounting Standard 19, Employee benefits – actuarial gains and losses, group plans and disclosures, ahead of its effective date of 1 January 2006. The effect of the adoption of these new and revised HKFRS are summarised in note 2 to the 2005 audited consolidated financial statements of the Company. HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS could have a significant impact on the Group's financial position and results of operations.

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in the Mainland, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Recently, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A" among birds, poultry and in some isolated cases, transmission of Avian Influenza A virus from animals to human beings.

There can be no assurance that there will not be another significant global outbreak of a severe communicable disease. If such an outbreak were to occur, it may have a material adverse impact on the operations of the Group and its results of operations may suffer.

Employee Relations

The success and future growth of the Group depend upon the contributions by the employees. With operations in 54 countries and over 200,000 employees worldwide, our greatest asset has always been the people behind our products and services. That is why we have long ago established a heritage of maintaining good employee relations that helps contribute to our high motivation, morale and productivity.

Staff development is one of the Group's core values. The Group provides a comprehensive training programme to address training needs at individual, departmental and company-wide levels. These training and staff development programmes are provided both in-house and externally by way of workshops, conferences and training programmes. We also offer an e-Learning service that provides our colleagues with the opportunities to study online through a web portal.

Our commitment to equality of opportunity and diversity is deeply rooted. The Group is an equal opportunity employer and as such, our employment policy around the world is to find the right person regardless of race, colour, sex or religious belief. With global operations in 54 countries, we value diversity and encourage all colleagues to use their skills, knowledge and creativity to achieve excellence.

Our remuneration policy has been designed to deliver market-based, performance-driven pay in all segments of our business portfolio, and to reward appropriately our highest contributors. Salaries and benefits of the Group's employees are kept at competitive levels and they are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. We provide all our employees with medical, life and disability insurance. In addition, our pension schemes provide our employees with security and comfort in retirement. Employees of the Group also enjoy a wide range of benefits and discounts offered by our group companies. These benefits are successful in rewarding employees, fostering pride and encouraging loyalty.

We work to foster an atmosphere of harmony and encourage a sense of "family" among employees. The annual sports and family day held every autumn at the Hong Kong headquarters provides a unique opportunity for our employees around the world to get to know one another, to enjoy a beautiful Sunday, to do some exercises and most important of all, to have fun together.

The annual sports and family day helps foster harmony and a sense of belonging.

Corporate Social Responsibility

The Group is strongly committed not just to its shareholders, but also to a wide range of stakeholders such as customers, suppliers, employees and the community. Taking a proactive approach to corporate social responsibility has not just formed a part of our proud heritage, but also become crucial to our business success. The Group undertakes a wide range of philanthropic efforts as well as community initiatives that are designed to make life better for people from all walks of life. These initiatives stretch around the world and across all of the Group's operating divisions, reaching out into all of the communities where we operate.

Environment

To maximise recycling has become a key initiative in our environmental protection programme. Our group companies have proactively collaborated with different environmental organisations to implement diversified recycling initiatives on rechargeable batteries, plastic bottles, used clothes, moon cake containers, computer and electrical equipment and so on. Park'nshop launched a "Don't Drown the Earth" campaign to promote the use of environmentally friendly bags while raising funds for Green Power to support the environmental protection group's "Green Power Green School Network".

In Hong Kong, Hongkong Electric continued to run the Smart Power Campaign to enhance public understanding of renewable energy. A naming competition for Lamma Wind Power Station was held in 2005 to celebrate the introduction of wind power in Hong Kong and to raise public awareness of the benefits of wind power. The competition attracted 3,800 entries from members of the public and the name "Lamma Winds" was finally selected for its meaningful references to the infinite and inexhaustible nature of winds.

Hongkong Electric participates the four-day HOFEX2005 exhibition to promote wider use of electric cooking equipment in the catering industry.

HWL volunteers celebrate Easter with primary school pupils while propagating the messages of "Harmony, Health and Happiness".

In Chongqing, the Mainland, inmates of the Chongqing Children Welfare Center had the opportunity to preview an exhibition of butterflies and plants under the sponsorship of the Hutchison Whampoa Properties Group. The children were fascinated by the many different species of butterflies and plants and they learnt more about the importance of preserving our nature after attending the exhibition.

In Canada, Husky Energy continues to support important environmental programmes such as the Endangered Species Reintroduction Research programme at the Calgary Zoo. This programme seeks to help address imbalance in nature and preserve natural legacies by reintroducing endangered species to the wild. The energy company's long-term support of Ducks Unlimited also wins the company a Gold Legacy Award.

Community

The Group is recognised as one of the philanthropic leaders among global corporations. In addition to our significant involvement at the corporate level, we encourage our employees to play an active role in the communities where they live and work, and in cities and towns around the world. Specific initiatives vary by geographic region and include hundreds of donations, volunteer services and fund-raising activities organised by our employees in support of various charities.

In Hong Kong, apart from making continuous donations to The Community Chest, the Group also supported the Hong Kong Council of Social Service's "Caring Companies" programme. During the year, 28 Group companies were named "Caring Companies" in recognition of their support and care for the community as well as their staff. The Group was also a key sponsor of the Sixth WTO Ministerial Conference, which was held successfully in Hong Kong in December.

Our corporate philosophy of giving back to the community is reflected in the volunteerism encouraged among staff at all levels. Our 500-strong HWL Volunteer Team, with members coming from different business divisions of the Group, introduced in the year a special theme of promoting "Harmony, Health and Happiness" ("3Hs") in the community. A variety of community service activities were organised to convey the messages behind 3Hs, hoping that everybody will be able to lead a harmonious, healthy and happy life. The volunteer teams of our subsidiaries and associated companies had also arranged various kinds of services and activities for those in need throughout the year.

Education

Education is instrumental in nurturing our leaders for tomorrow and the Group puts this very high on our priority list. The Group continued to sponsor the Hutchison Chevening Scholarships Scheme and the Dorothy Hodgkin Postgraduate Awards to provide more opportunities for top-tier scholars from the Mainland and Hong Kong to pursue their further studies in leading UK universities.

Hutchison Port Holdings continued with its Dock Schools Project during the year, demonstrating the Group's long-term commitment to education. The project, which has been in place since 1992, is now supported by many of our member ports in Asia, the Middle East, Africa, Europe and the Americas and it provides annual scholarships to students who have achieved the best academic performance.

Husky Energy provided financial assistance to educational facilities through donations and scholarships totalling over C$20 million, supporting a variety of research initiatives to help improve the environment.

Watsons Thailand introduced the "Watsons Pharmacy Scholarship Programme" to support local education to meet the country's increasing demands for pharmacists.

Medical

The Group provided financial assistance to medical organisation and hospitals for medical research and for the purchase of sophisticated medical equipment during the year.

In the Netherlands, Kruidvat donated €2.25 million to the Groningen Expert Centre for Kids with Obesity for a scientific study on causes of obesity in children.

In the UK, Superdrug raised more than £400,000 to support Macmillan Cancer Relief. All proceeds went towards Macmillan's expanding services, including its nurses, doctors, cancer care centres, a range of cancer information and direct financial aid for those in need.

In Canada, Husky Energy sponsored Dr Noble Irwin Regional Healthcare Foundation for the "Campaign Towards Healthcare Excellence". This contribution went directly to the purchase of a chemical analyser for the laboratory at the Cypress Regional Hospital. Husky Energy also contributed during the year over C$400,000 to the Lloydminster Region Health Foundation and the Burin Peninsula Health Care Foundation for the purchase of CT scanners.

Arts and Culture

We lend our support to a great many arts and cultural events that increase public access to cultural activities. In 2005, for example, **3** Austria was the major sponsor for Leonardo da Vinci exhibition in Vienna. It also supported the Open Air Festival – Summer 2005, a music festival for Jazz, Rock and Alternative. In Ireland, **3** sponsored Dun Laoghaire College of Further Education ("DCFE") to produce a double album called "One Good Jukebox", which was composed and recorded by the DCFE students.

In the Netherlands, Kruidvat introduced an art promotional campaign in which 30,000 autographed hand-made paintings produced by promising young artists had been sold at competitive prices.

Husky Energy's community investment programme focuses on those areas that offer the greatest long-term benefits, including the establishment of mutually beneficial relationships with aboriginal communities.

The Group organises the "Knowledge Quest" programme to help widen Hong Kong students' horizons and promote liberal studies.

Established by A S Watson in 1989, Watsons Athletic Club is a community sports programme that promotes the development of track and field and the well-being of local youth.

Children show strong interest in a Butterfly Specimen Exhibition co-organised by Chongqing Metroplitian Plaza and Chongqing Museum of Nature.

In Hong Kong, the HWL Group continued to sponsor cultural and arts events of the Hong Kong Arts Festival and Le French May. These were in addition to the financial support to the China Cultural City.

Sports

We support talented young athletes and encourage them to persevere in their determination, hard work and dedication to their chosen sports. With the aim of recognising the potential and achievements of students in sports and stimulating greater interest in sports in schools, A S Watson Group launched its Hong Kong Student Sports Awards in October 2005, targetting all local primary and secondary students. Awards will be granted to over 1,200 high-performing or potentially high-performing students in a variety of sports. The initiative marked the beginning of a corporate effort to help develop an active sporting culture in welcoming the forthcoming 2008 Beijing Olympics.

Watsons Water was the six-time title sponsor of the Watsons Water Champions Challenge held in Hong Kong, bringing world-class sports event to Hong Kong's tennis enthusiasts.

Tom Group sponsored the China Open Tennis Tournament for the second consecutive year. The tournament offered tennis fans in the Mainland the opportunity to attend a top-class tennis event that was beginning to catch international attention.

Disaster Relief

Efforts to raise relief funds for victims of the South Asian tsunami continued among Group companies at the beginning of the year, which helped the victims rebuild their homes.

The HWL Group, together with the Li Ka Shing Foundation, donated US$500,000 to Pakistan as relief funds to help the earthquake victims rebuild their homes and to help the government rebuild their community.

Biographical Details of Directors and Senior Management

LI Ka-shing

KBE, GBM, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Leopold, Commandeur de la Légion d'Honneur, JP, aged 77, has been an Executive Director since 1979 and the Chairman since 1981. He is also the Chairman of the Remuneration Committee of the Company. He is the founder and the Chairman of Cheung Kong (Holdings) Limited ("Cheung Kong"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), and has been engaged in many major commercial developments in Hong Kong for more than 50 years. Mr Li served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also an Honorary Citizen of a number of cities in the Mainland and overseas. Mr Li is a keen supporter of community service organisations, and has served as honorary chairman of many such groups over the years. Mr Li has received Honorary Doctorates from Beijing University, The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong, The Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the United Kingdom. Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor, Deputy Chairman and the brother-in-law of Mr Kam Hing Lam, Executive Director.

LI Tzar Kuoi, Victor

aged 41, has been an Executive Director since 1995 and Deputy Chairman since 1999. He is the Chairman of Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") and Managing Director and Deputy Chairman of Cheung Kong. He is also the Co-Chairman of Husky Energy Inc. ("Husky Energy"), an Executive Director of Hongkong Electric Holdings Limited ("Hongkong Electric") and a Director of The Hongkong and Shanghai Banking Corporation Limited. In addition, he is a Director of Continental Realty Limited ("CRL"), Honourable Holdings Limited ("HHL"), Winbo Power Limited ("WPL"), Polycourt Limited ("PL") and Well Karin Limited ("WKL"). CRL is a substantial shareholder of the Company within the meaning of Part XV of the SFO and HHL, WPL, PL and WKL are companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Li serves as a member of the Standing Committee of the 10th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr Li Tzar Kuoi, Victor is the son of Mr Li Ka-shing, Chairman and the nephew of Mr Kam Hing Lam, Executive Director.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

FOK Kin-ning, Canning

aged 54, has been an Executive Director since 1984 and Group Managing Director since 1993. He is the Chairman of Hutchison Harbour Ring Limited ("Hutchison Harbour Ring"), Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia"), Hutchison Telecommunications International Limited ("Hutchison Telecommunications International"), Hongkong Electric and Partner Communications Company Ltd. ("Partner Communications") and the Co-Chairman of Husky Energy. He is also the Deputy Chairman of Cheung Kong Infrastructure and a Director of Cheung Kong. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

CHOW WOO Mo Fong, Susan

aged 52, has been an Executive Director since 1993 and Deputy Group Managing Director since 1998. She is also an Executive Director of Cheung Kong Infrastructure and Hutchison Harbour Ring and a Director of Hutchison Telecommunications Australia, Hongkong Electric, Partner Communications and TOM Group Limited ("TOM Group"). She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

aged 54, has been an Executive Director since 1991 and Group Finance Director since 1998. He is the Chairman of TOM Group and TOM Online Inc. He is also an Executive Director of Cheung Kong Infrastructure and Hongkong Electric and a Director of Cheung Kong, Hutchison Telecommunications Australia, Hutchison Telecommunications International, Husky Energy and Partner Communications. In addition, he is a Director of Li Ka-Shing Unity Trustee Company Limited, Li Ka-Shing Unity Trustee Corporation Limited and Li Ka-Shing Unity Trustcorp Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

LAI Kai Ming, Dominic

aged 52, has been an Executive Director since 2000. He is also the Deputy Chairman of Hutchison Harbour Ring and a Director of Hutchison Telecommunications Australia and priceline.com Incorporated. He has over 25 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

KAM Hing Lam

aged 59, has been an Executive Director since 1993. He is the Deputy Managing Director of Cheung Kong, Group Managing Director of Cheung Kong Infrastructure and President and Chief Executive Officer of CK Life Sciences. He is also an Executive Director of Hongkong Electric and a Director of Spark Infrastructure Group. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, Chairman and the uncle of Mr Li Tzar Kuoi, Victor, Deputy Chairman.

The Hon Sir Michael David KADOORIE

GBS, Officier de la Légion d'Honneur, Commandeur de l'Ordre de Léopold II, Commandeur de l'Ordre des Arts et des Lettres, aged 64, has been a Director since 1995 and is currently an Independent Non-executive Director. He is also Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited.

Holger KLUGE

aged 64, has been an Independent Non-executive Director since 2004. He is also a member of the Audit Committee and the Remuneration Committee of the Company. He worked 40 years for Canadian Imperial Bank of Commerce ("CIBC"), one of North America's largest financial institutions. From 1990 until his retirement in 1999, he was the President and Chief Executive Officer of CIBC's Personal and Commercial Bank. He is a Director of Husky Energy, Hongkong Electric and Shoppers Drug Mart Corporation. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

George Colin MAGNUS

OBE, BBS, aged 70, was an Executive Director from 1980 until his retirement on 1 November 2005 and is currently a Non-executive Director. He is also a Director of Cheung Kong, Cheung Kong Infrastructure and Hongkong Electric. He holds a Master's degree in Economics.

William Elkin MOCATTA

aged 53, has been an Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director, since 1997. He is the Chairman of CLP Power Hong Kong Limited and CLP Properties Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

Simon MURRAY

CBE, aged 66, has been a Director since 1984 and is currently an Independent Non-executive Director. He is the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray and Associates Limited. He is also a Director of a number of listed companies including Cheung Kong and Orient Overseas (International) Limited.

OR Ching Fai, Raymond

JP, aged 56, has been a Director since 2000 and is currently an Independent Non-executive Director. He is the Vice Chairman and Chief Executive of Hang Seng Bank Limited and a Director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited, Esprit Holdings Limited and 2009 East Asian Games (Hong Kong) Limited. He was also the Chairman of the Hong Kong Association of Banks in 2000 and 2003.

William SHURNIAK

aged 74, has been a Director since 1984 and is currently a Non-executive Director. He is also a member of the Audit Committee of the Company. He is a Director and Chairman of Northern Gas Networks Limited and a Director and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan and The University of Western Ontario in Canada.

WONG Chung Hin

CBE, JP, aged 72, has been a Director since 1984 and is currently an Independent Non-executive Director. He has been appointed as the Alternate Director to Mr Simon Murray, an Independent Non-executive Director, since 6 June 2005. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is a Director of The Bank of East Asia, Limited and Hongkong Electric. He is a solicitor.

The Executive Directors of the Company are also the Senior Managers of the Group.

Corporate Governance Report

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding shareholder interests. The Company has accordingly adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The principles of corporate governance adopted by the Group emphasise a quality board, sound internal control, and transparency and accountability to all stakeholders.

The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2005.

The Board

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board, led by the Chairman, Mr Li Ka-shing, approves and monitors Group wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the Management. Management is responsible for the day-to-day operations of the Group under the leadership of the Group Managing Director.

As at 31 December 2005, the Board comprised fourteen Directors, including the Chairman, Deputy Chairman, Group Managing Director, Deputy Group Managing Director, Group Finance Director, two Executive Directors, five Independent Non-executive Directors and two Non-executive Directors. Biographical details of the Directors are set out in the Directors and Senior Management Section on pages 69 to 72.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The roles of the Chairman and the Deputy Chairman are separate from that of the Group Managing Director. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, assisted by the Deputy Chairman, Mr Li Tzar Kuoi, Victor, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that the Board acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors annually without the presence of Executive Directors. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Group Managing Director, Mr Fok Kin-ning, Canning, assisted by the Deputy Group Managing Director, Mrs Chow Woo Mo Fong, Susan, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the Group Managing Director attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Deputy Group Managing Director and Group Finance Director, Mr Frank John Sixt, other Executive Directors and the executive management team of each core business division, he ensures that the Board is fully apprised of the funding requirements of the businesses of the Group and presents annual budgets to the Board for consideration and approval. With the assistance of the Group Finance Director, the Group Managing Director sees to it that the funding requirements of the businesses are met and he closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides briefings and information to Directors on a regular basis on the activities and development in the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory write-up, coupled with briefings from the Company Secretary and other executives as required. Details of material or notable transactions of subsidiary and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors at all times have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, Directors receive at least 14 days prior written notice of the meeting and an agenda with supporting Board papers no less than 3 days prior to the meeting. With respect to other meetings called, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held four meetings in 2005 and one meeting to date in 2006 with an average attendance rate of approximately 93%.

	Name of Directors	**Attended / Eligible to attend**
Chairman	Li Ka-shing *(1)*	5/5
Executive Directors	Li Tzar Kuoi, Victor *(1)* *(Deputy Chairman)*	5/5
	Fok Kin-ning, Canning *(Group Managing Director)*	5/5
	Chow Woo Mo Fong, Susan *(Deputy Group Managing Director)*	5/5
	Frank John Sixt *(Group Finance Director)*	5/5
	Lai Kai Ming, Dominic	5/5
	Kam Hing Lam *(1)*	4/5
Non-executive Directors	George Colin Magnus *(2)*	5/5
	William Shurniak	5/5
Independent Non-executive Directors	Michael David Kadoorie	4/5
	Holger Kluge	5/5
	Simon Murray	4/5
	Or Ching Fai, Raymond	5/5
	Wong Chung Hin *(3)*	3/5

Notes:

(1) Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor and brother-in-law of Mr Kam Hing Lam.

(2) Re-designated from Executive Director to Non-executive Director on 1 November 2005.

(3) Appointed as Alternate Director to Mr Simon Murray on 6 June 2005.

All Non-executive Directors are engaged on service contracts for twelve-month periods. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotation basis. None of the Directors who are proposed for re-election at a forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to compliment the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are aware of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

In March 2004, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Group's code of conduct regarding Directors' securities transactions. All Directors confirmed that they have complied with the Model Code in their securities transactions throughout the year.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Auditors' report on page 122 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare the Annual Report and Accounts. They are responsible for the preparation of financial statements for each financial year which give a true and fair view.

Accounting Policies

The Directors consider that in preparing the financial statements the Group uses appropriate accounting policies that are consistently applied, makes judgements and estimates that are reasonable and prudent, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group and enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Company Secretary

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are conducted efficiently and effectively. These objectives are achieved through the adherence to proper Board processes and the timely preparation and dissemination to Directors and Board Committees comprehensive Board agendas and papers.

The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it takes these into consideration when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of Report and Accounts and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Directors' dealings in securities of the Group.

The Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the Report of the Directors in the Annual Report.

In relation to connected transactions, regular briefings are made to legal counsels and executives from business units within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance and for Directors' consideration.

Audit Committee

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who possess the appropriate business and financial experience and skills to understand financial statements. The Committee is chaired by Mr Wong Chung Hin with Messrs Holger Kluge and William Shurniak as members.

Under the terms of reference of the Audit Committee, the Committee is required, amongst other things, to oversee the relationship with the external auditors, review the Group's preliminary results, interim results and annual financial statements, monitor compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's Internal Audit function, engage independent legal or other advisers as it determines is necessary and perform investigations.

The terms of reference of the Audit Committee adopted by the Board are published on the Group's website.

The Audit Committee held four meetings in 2005 and two meetings to date in 2006 with 100% attendance.

Name of Members	**Attended / Eligible to attend**
Wong Chung Hin *(Chairman)*	6/6
Holger Kluge	6/6
William Shurniak	6/6

Financial Statements

The Audit Committee meets and holds discussions with the Group Finance Director and other senior management of the Group on the Interim Report, Annual Report, interim and final results announcement. The Committee reviews and discusses the reports and representations of management with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets and holds discussions with the Group's principal external auditors, PricewaterhouseCoopers ("PwC"), to consider their reports on the scope and outcome of their independent review of the interim financial report and on their annual audit of the consolidated financial statements.

External Auditors

The Committee reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. The Committee receives each year the letter from PwC confirming their independence and objectivity and holds meetings with PwC to discuss the scope of their audit, approve the fees thereon, and the scope and appropriate fees for any non-audit services requested to be provided by them. The Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – includes audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditors.

- Audit related services – includes services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditors are to be invited to undertake these services that they must or are best placed to undertake in their capacity as auditors.

- Taxation related services – includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management and the Group's internal auditors with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditors are not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 44 to the accounts. In the year ended 31 December 2005, the fees paid to PwC were primarily for audit services.

Review of Risk Management and Internal Control

The Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. In addition, it discusses with the Group's Internal Auditors the work plan for their audits together with their resource requirements and considers the report of the Group Internal Audit General Manager to the Committee on the effectiveness of internal controls in the Group business operations. In addition, the Committee also receives the report from the Head Group General Counsel on the Group's compliance status on regulatory requirements.

These reviews and reports are taken into consideration by the Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman Mr Li Ka-shing with Messrs Holger Kluge and Wong Chung Hin, both Independent Non-executive Directors as members. The Committee meets towards the end of each year for the determination of the remuneration package of Directors and senior management of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. The Committee assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Directors and senior executives of the Group and determining their remuneration packages. The terms of reference of the Committee adopted by the Board are published on the Group's website.

The remuneration of Directors and senior executives is determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

In 2005, all members of the Remuneration Committee met on 10 November 2005 to review background information on market data (including economic indicators, recommendation from Employers' Federation of Hong Kong and 2006 Remuneration Review Guidelines of the Group), headcount and staff costs, the Group's general increase percentages and bonus ratios. Prior to the end of the year, the Committee reviewed and approved the proposed 2005 year end bonus and 2006 remuneration package of Executive Directors and senior management of the Company. Executive Directors, however, do not participate in the determination of their own remuneration.

Recent developments in corporate governance regulations and requirements have increased the responsibilities of Directors and so has the expansion of the businesses of the Group, resulting in increased time and effort required of Directors in the performance of their duties. Director's fees have thus been increased from HK$50,000 in 2003 to HK$100,000 since 2004.

Directors' emoluments comprise payments to Directors by the Company and its Group companies in connection with the management of the affairs of the Company and its Group companies. The emoluments of each of the Directors exclude amounts received from the Company's listed subsidiaries or associated companies and paid to the Company. The amounts paid to each Director of the Company for 2005 are as below:

Name of Directors	Director's Fees HK$ millions	Basic Salaries, Allowances and Benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident Fund Contributions HK$ millions	Inducement or Compensation Fees HK$ millions	Total Emoluments HK$ millions
LI Ka-shing (1), (7)	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure")	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning (2)	0.10	9.83	119.00	2.03	–	130.96
CHOW WOO Mo Fong, Susan (2)	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT (2)	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic (2)	0.10	4.88	11.00	0.85	–	16.83
KAM Hing Lam (2)						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS (2),(4)	0.12	3.36	3.50	–	–	6.98
William SHURNIAK (5),(6)	0.20	–	–	–	–	0.20
Michael David KADOORIE (3)	0.10	–	–	–	–	0.10
Holger KLUGE (3),(6),(7)	0.24	–	–	–	–	0.24
Simon MURRAY (3)	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond (3)	0.10	–	–	–	–	0.10
Peter Alan Lee VINE (3),(8)	–	–	–	–	–	–
WONG Chung Hin (3),(6),(7)	0.24	–	–	–	–	0.24
Total:	1.81	39.42	229.55	4.99	–	275.77

Notes:

(1) *No management remuneration was paid to Mr Li Ka-shing during the year other than Director's fees of HK$50,000 which he paid to Cheung Kong (Holdings) Limited.*

(2) *Directors' fees received by these Directors from the Company's listed subsidiaries during the period they served as Executive Directors that have been paid to the Company are not included in the amounts above.*

(3) *Independent Non-executive Directors. The total emoluments of the Independent Non-executive Directors of the Company are HK$780,000.*

(4) *Re-designated as Non-executive Director on 1 November 2005.*

(5) *Non-executive Director.*

(6) *Members of the Audit Committee.*

(7) *Members of the Remuneration Committee.*

(8) *Retired as Director and member of the Audit Committee on 7 January 2005 and received Director's and Committee member's fees of HK$3,288 for the six day period.*

Internal Control and Group Risk Management

Introduction

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. The Board also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against the budgets, review by the Audit Committee of the ongoing work of the Group's Internal Audit function and Risk Management function, as well as regular business reviews by Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the Boards of all material operating subsidiaries and associates for monitoring of the operations of those companies, including attendance at Board meetings, review and approval of business strategies, budgets, and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for differences to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each of the major businesses attend monthly meetings with the Group Finance Director and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations and the Group's Treasury function oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group Finance Director has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels for such expenditures being set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Group Finance Director or Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Group's internal audit function, reporting to the Group Finance Director on a day to day basis and also directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Group Finance Director and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scopes of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditors on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the Group Finance Director and the finance director or financial controller of the relevant executive management team. These reports are reviewed and the appropriate actions taken.

Group Risk Management

The Group Managing Director and the General Manager of the Group's risk management department have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The General Manager of the Group's risk management department, working with business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group wide risk reporting.

Code of Conduct

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct.

Corporate Social Responsibility

The Group has adopted a proactive approach to corporate social responsibility and undertakes a wide range of philanthropic efforts as well as community initiatives. Details of these initiatives are set out on pages 65 to 68.

Investor Relations and Shareholders' Rights

The Group actively promotes investor relations and communications with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Chairman, Group Managing Director, Group Finance Director and the Investor Relations Manager, respond to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations.

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to dispatching circular, notices, financial reports to shareholders, addition information is also available to shareholders through Investor Information on the Group's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 21 days' notice is given and at which the Chairman and Directors are available to answer questions on the Group's businesses. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items. All substantive resolutions at the annual general meeting are decided on a poll. The poll is conducted by the Group's Share Registrars and the results of the poll are published on the Group's website and local newspapers. Financial and other information is made available on the Group's website, which is regularly updated.

The latest shareholders' meetings of the Company were the 2005 Annual General Meeting and an Extraordinary General Meeting, both of which were held on 19 May 2005 at the Ballroom of Harbour Plaza Hong Kong, Hung Hom, Kowloon, Hong Kong at 12:00 noon. The resolutions proposed at those meetings and the percentage of votes cast in favour of such resolutions are set out below:-

For Annual General Meeting:

- Statement of audited accounts and reports of directors and auditors for the year ended 31 December 2004 (99.94%);
- Declaration of dividend (99.99%);
- Election of Messrs Li Tzar Kuoi, Victor, Fok Kin-ning, Canning, Kam Hing Nam, Holger Kluge and Wong Chung Hin as Directors of the Company (99.55% to 99.89% in respect of each individual resolution);
- Appointment of Auditors and authorisation of the Directors to fix the Auditors' remuneration (99.91%); and
- General mandate to Directors to issue additional shares in the Company (86.15%), purchase by the Company of its own shares (98.79%), and extension of such general mandate (98.21%).

For Extraordinary General Meeting:

- Share option scheme of Hutchison Telecommunications International Limited (86.58%).

All resolutions put to shareholders were passed at those meetings. The results of the voting by poll were published on the Group's website, the website of The Stock Exchange of Hong Kong Limited and also by notice in local newspapers.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Investor Relations Manager or the Company Secretary by mail or by e-mail to the Group's website.

Other Corporate Information

Memorandum and Articles of Association

There are no changes to the Company's memorandum and articles of association during the year ended 31 December 2005.

Key Corporate Dates

Events	Dates
Payment of 2005 interim dividend	7 October 2005
Announcement of audited results for the year ended 31 December 2005	23 March 2006
Closure of Register of Members	11 May 2006 – 18 May 2006
2006 Annual General Meeting	18 May 2006
Payment of 2005 final dividend	19 May 2006
Announcement of interim results for the six months ended 30 June 2006	August 2006

Public Float Capitalization

The public float capitalisation of the Company as at 31 December 2005 and the date of this report were approximately HK$151,474 million and HK$149,423 million respectively.

By order of the Board

Edith Shih

Company Secretary

Hong Kong, 23 March 2006

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2005.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and jointly controlled entities are shown on pages 204 to 208.

Group Profit

The consolidated profit and loss account is set out on page 123 and shows the Group profit for the year ended 31 December 2005.

Dividends

An interim dividend of HK$0.51 per share was paid to shareholders on 7 October 2005 and the Directors recommend the declaration of a final dividend at the rate of HK$1.22 per share payable on 19 May 2006 to all persons registered as holders of shares on 18 May 2006. The Register of Members will be closed from 11 May 2006 to 18 May 2006, both days inclusive.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 45 and note 33 to the accounts on pages 202 and 190 respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$70,000,000 (2004 – approximately HK$170,000,000).

Fixed Assets

Particulars of the movements of fixed assets are set out in note 14 to the accounts.

Share Capital

Details of the share capital of the Company are set out in note 32 to the accounts.

Directors

The board of Directors of the Company (the "Board") as at 31 December 2005 comprised Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor, Mr Fok Kin-ning, Canning, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt, Mr Lai Kai Ming, Dominic, Mr Kam Hing Lam, The Hon Sir Michael David Kadoorie, Mr Holger Kluge, Mr George Colin Magnus, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr Simon Murray, Mr Or Ching Fai, Raymond, Mr William Shurniak and Mr Wong Chung Hin (also Alternate Director to Mr Simon Murray).

Mr Peter Alan Lee Vine retired as Director with effect from 7 January 2005 and passed away on 14 April 2005. The Board records with great regret the passing away and records its deep appreciation for his services to the Group from 1997 until his retirement.

On 6 June 2005, Mr Wong Chung Hin was appointed as Alternate Director to Mr Simon Murray.

On 1 November 2005, Mr George Colin Magnus was re-designated as a Non-executive Director. The Board records its deepest gratitude to him for his over 25 years dedicated service and his many substantial contributions to the Group.

Mrs Chow Woo Mo Fong, Susan and Messrs Lai Kai Ming, Dominic, Simon Murray, Or Ching Fai, Raymond and William Shurniak will retire by rotation at the forthcoming annual general meeting under the provisions of Article 85 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

The Company received the Independent Non-executive Directors' confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors are independent.

The Directors' biographical details are set out on pages 69 to 72.

Interest in Contracts

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

On 9 May 2005, the Company exercised its rights to accelerate completion of the acquisition from (i) KPN Mobile N.V. ("KPN") of its 15% indirect interests in (the "KPN UK Sale"), and (ii) NTT DoCoMo Inc. ("DoCoMo") of its 20% indirect interests in (the "DoCoMo UK Sale") Hutchison 3G UK Holdings Limited ("Hutchison 3G UK Holdings"), a company indirectly owned, prior to these acquisitions, as to 65% by the Company, as to 15% by KPN and as to 20% by DoCoMo. Upon completion of the KPN UK Sale and the DoCoMo UK Sale, Hutchison 3G UK Holdings became an indirect wholly owned subsidiary of the Company. On 27 May 2004, DoCoMo was granted an option (the "DoCoMo's Option") to require the Company to purchase or procure the purchase of all the 187,966,653 ordinary shares of Hutchison Telecommunications International Limited ("Hutchison Telecommunications International", a then non wholly owned subsidiary of the Company) (the "HTIL Shares") acquired by DoCoMo in October 2004 in connection with the DoCoMo UK Sale. On 23 May 2005, the Company received notice of DoCoMo's intention to effectively exercise the DoCoMo's Option and to sell all the 187,966,653 HTIL Shares at HK$6.91 per HTIL Share. Completion of the sale and purchase of the 187,966,653 HTIL Shares pursuant to the exercise of the DoCoMo's Option ("DoCoMo HTIL Put") occurred on 23 June 2005. The total purchase consideration payable in cash on completion of the DoCoMo HTIL Put was US$166,520,000. DoCoMo was then a connected person of the Company within the meaning of the Listing Rules by virtue of being (i) a substantial shareholder of Hutchison 3G UK Holdings, and (ii) a substantial shareholder of Hutchison Telephone Company Limited and Hutchison 3G HK Holdings Limited, both of which were then indirect non wholly owned subsidiaries of the Company, prior to the DoCoMo UK Sale. KPN was then a connected person of the Company within the meaning of the Listing Rules by virtue of being a substantial shareholder of Hutchison 3G UK Holdings prior to completion of the KPN UK Sale. The acceleration of the DoCoMo UK Sale and the KPN UK Sale and the exercise of the DoCoMo's Option each constituted a connected transaction of the Company under the Listing Rules.

On 12 May 2005, Chellic Limited ("Chellic"), a company indirectly owned as to 50% by each of the Company and Cheung Kong (Holdings) Limited ("Cheung Kong"), entered into two agreements (the "Wuhan Agreements") with Land Reserve Center of Wuhan Municipal for the acquisition by Chellic of the land use rights in respect of (i) a piece of land with an area of 31,900 square metres, located at Lot no. P(2005)013 at the junction of Jinghan Main Road and Jianghan Road, Jiang Han District, Wuhan, the People's Republic of China (the "PRC") (the "North Property") and (ii) a piece of land with an area of 132,178 square metres, located at Lot no. P(2005)012 at Hualou Jie, Jiang Han District, Wuhan, the PRC (the "South Property") for a consideration of RMB420,000,000 and RMB1,203,000,000 respectively payable by instalments and subject to the other terms and conditions set out therein respectively. Two new joint ventures, namely Hutchison Whampoa Properties (Wuhan Jianghan North) Limited ("JV Co.1") and Hutchison Whampoa Properties (Wuhan Jianghan South) Limited ("JV Co.2", together with JV Co.1 as the "JVCos"), owned as to 50% by each of the Company and Cheung Kong through Chellic, have been established in the PRC to own and develop the North Property into commercial and residential properties and the South Property into residential and commercial properties. To fund the payment of land cost, construction costs and other project costs for the development of the North Property, the total investment and registered capital of JVCo.1 are proposed to be US$121,700,000 and US$42,600,000 respectively. To fund the payment of land cost, construction costs and other project costs for the development of the South Property, the total investment and registered capital of JV Co.2 are proposed to be US$188,400,000 and US$66,000,000 respectively. Any contribution to the registered capital of, and any shareholders' loans to, both JVCos has been, and was expected to be, made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in these companies. Cheung Kong is a substantial shareholder of the Company and hence is a connected person of the Company within the meaning of the Listing Rules. The establishment of the JVCos for the purpose of effecting the acquisition of the land use rights in respect of the North Property and the South Property pursuant to the Wuhan Agreements and their development constituted connected transactions for the Company under the Listing Rules.

On 13 May 2005, (i) Convoys Investment S.à r.l. ("CIS"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, as purchaser, (ii) News Property One Limited ("NPOL") as vendor and (iii) News International Limited as the vendor's guarantor, entered into a contract (the "CIS Agreement") relating to the acquisition by CIS of the freehold premises comprising land and buildings with an aggregate area of approximately 16 hectares located at the Royal Naval Yard Deptford (or otherwise known as the Convoys Wharf, Deptford), London, the United Kingdom (the "Property") and such of the existing licences for the use of certain structures adjacent to the Property as more particularly described in the CIS Agreement at the consideration of £100,000,000 (exclusive of VAT). On the same day, CIS also entered into an agreement with NPOL (the "Profit Participation Agreement") which governs the basis for computing the amount of, and NPOL's entitlement to, any amount which is payable by CIS to NPOL under the Profit Participation Agreement if planning permission comprising private residential housing is obtained prior to the prescribed deadline and is of an amount which is determined in accordance with a pre-agreed formulation set forth therein based, inter alia, on any additional area over which such planning permission is obtained (the "Additional Payment"). The consideration and any Additional Payment were/would be funded by the Company and Cheung Kong in proportion to their indirect 50/50 interests in CIS. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. CIS is an associate of Cheung Kong and thus a connected person of the Company within the meaning of the Listing Rules. The financial assistance provided or to be provided by the Company to CIS by way of the contribution to the consideration and any Additional Payment on an unsecured basis and on normal commercial terms in proportion to its 50% interests in CIS constituted or would constitute a connected transaction for the Company under the Listing Rules.

On 23 May 2005, Bayswater Developments Limited ("BDL"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into an agreement (the "Tianjin Agreement") with Tianjin Metro General Corp. ("TMGC") in respect of the establishment of Hutchison Whampoa Properties (Tianjin) Limited ("HWPT"), a sino-foreign co-operative joint venture established for the development of a piece of land with an area of 19,617.1 square metres located at Yingkou Dao, Tianjin, the PRC (the "Tianjin Property") into commercial development (in phase one) and residential development (in phase two). The proposed registered capital of HWPT is US$47,500,000. The initial total investment of HWPT is US$72,830,000 to be increased to US$123,500,000 upon embarking on phase two of the development of the Tianjin Property. The registered capital would be contributed on an 80:20 basis by BDL and TMGC respectively. BDL's contribution would be in the form of cash and TMGC would inject into HWPT the Tianjin Property which would be recognised as TMGC's contribution to HWPT's registered capital and surplus. Any contribution to the registered capital of, and any shareholders' loans to, HWPT through BDL would be made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in these companies. Pursuant to the Tianjin Agreement, TMGC is entitled to approximately 25% of the floor area of the completed buildings in the Tianjin Property as its return of investment in HWPT and therefore not entitled to any profit share of HWPT. Any profit of BDL would be ultimately shared equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective indirect equity interests in BDL. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. BDL is an associate of Cheung Kong and thus a connected person of the Company within the meaning of the Listing Rules. The financial assistance provided or to be provided by the Company to BDL by way of the contribution to the registered capital of, and any shareholders' loans to, HWPT through BDL on an unsecured basis and on normal commercial terms in proportion to its 50% interests in BDL constituted or would constitute a connected transaction for the Company under the Listing Rules.

On 10 June 2005, each of Rhine Office Investments Limited ("ROIL") and Vember Lord Limited ("VLL"), both indirect wholly owned subsidiaries of the Company, entered into a placing agreement (collectively the "Placing Agreements") with The Hongkong and Shanghai Banking Corporation Limited and UBS AG acting through its business group UBS Investment Bank, in relation to the acquisition of new H Shares in China COSCO Holdings Company Limited ("China COSCO"), a joint stock limited company established in the PRC and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to the Placing Agreements, each of ROIL and VLL acquired such number of new H Shares equal to an amount of US$75,000,000 at the final offer price of share offered pursuant to the global offering of China COSCO, rounded down to the nearest board lot. Such number of new H Shares acquired by ROIL and VLL represented approximately 6% of the entire issued share capital of China COSCO immediately after the global offering. COSCO Pacific Limited ("COSCO Pacific") is a substantial shareholder of a subsidiary of the Company and is an indirect subsidiary of China COSCO. Hence China COSCO is a connected person of the Company within the meaning of the Listing Rules. The acquisition of the new H shares in China COSCO pursuant to the Placing Agreements constituted a connected transaction for the Company under the Listing Rules.

On 13 June 2005, Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited ("HWPCJ"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into an agreement (the "Chongqing Land Contract") with Chongqing Municipal Land Resources and Real Estate Administration Bureau for the acquisition by HWPCJ of the land use right in respect of a piece of land with an area of 470,975 square metres, located at the west of B17 Road within DouXi District of the Economic and Technological Development Park, New Northern Zone, Chongqing, the PRC (the "Chongqing Land") for a consideration of RMB503,183,800 payable by instalments, and subject to the other terms and conditions set out therein. To fund the payment of land cost, construction costs and other project costs for the development of the Chongqing Land, the total investment and registered capital of HWPCJ are RMB714,000,000 and RMB250,000,000 respectively. Any contribution to the registered capital of, and any shareholders' loans to, HWPCJ has been, and was expected to be, made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in HWPCJ. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The establishment of HWPCJ for the purpose of effecting the acquisition of the land use right of the Chongqing Land pursuant to the Chongqing Land Contract and its development constituted connected transactions for the Company under the Listing Rules.

On 30 June 2005, Essar Teleholdings Limited ("ETH") agreed to an extension of a term loan facility of Rs. 10,913,000,000 (the "Original Facility") provided by independent financial institutions pursuant to a loan agreement dated 22 December 2004. Part of the security for the Original Facility was a US$260,000,000 standby letter of credit (the "US$260m SBLC") issued by another independent financial institution (the "SBLC Issuer") under a SBLC facility agreement dated 27 December 2004 (the "SBLC Facility Agreement") between ETH and the SBLC Issuer, which was supported by the guarantee (the "Guarantee") dated 30 December 2004 issued by the Company. The Guarantee was in turn counter-indemnified by Hutchison Telecom (BVI) Limited ("HTBVI"), a wholly owned subsidiary of Hutchison Telecommunications International. On the same date, a deed of amendment (the "First Deed of Amendment") was entered into, among others, between ETH, the SBCL Issuer and the Company under which the Company agreed to extend the final maturity date of the US$260,000,000 SBLC facility (the "SBLC Facility") made available to ETH under the SBLC Facility Agreement from 30 June 2005 to up to 30 September 2005, so as to enable the expiry date of the US$260m SBLC to be extended by one or more amendments to up to 30 September 2005. The contracting parties of the First Deed of Amendment entered into a second deed of amendment on 30 September 2005 and a third deed of amendment on 8 November 2005 under which the Company respectively agreed to further extend the final maturity date of the SBLC Facility (i) from 30 September 2005 to 31 October 2005 so as to enable the expiry date of the US$260m SBLC to be extended to 31 October 2005 and (ii) from 31 October 2005 to 23 December 2005 so as to enable the expiry date of the US$260m SBLC to be extended to 23 December 2005. Any claims against and liabilities of the Company arising from the Guarantee as extended would be counter-indemnified by HTBVI. ETH is a connected person of the Company within the meaning of the Listing Rules by virtue of being a substantial shareholder of Hutchison Essar Limited (then known as "Hutchison Max Telecom Limited") ("HEL"), an indirect non wholly owned subsidiary of the Company. The extensions of the Guarantee constituted connected transactions for the Company under the Listing Rules.

On 8 July 2005, the proposed privatisation (the "Proposal") of Hutchison Global Communications Holdings Limited ("Hutchison Global Communications", a then indirect non wholly owned subsidiary of Hutchison Telecommunications International), whose shares were then listed on the Stock Exchange, by way of a scheme of arrangement (the "Scheme") under Section 99 of the Companies Act 1981 of Bermuda, at the cancellation consideration (the "Cancellation Consideration") of 2 HTIL Shares for every 21 shares of Hutchison Global Communications ("HGCH Share") (the "Share Alternative") valuing at HK$0.7048 per HGCH Share or cash of HK$0.65 per HGCH Share, was sanctioned without modification by the Supreme Court of Bermuda. Under the Proposal, Hutchison Telecommunications International made a conditional offer (the "Option Offer") to the optionholders (the "Optionholders") of 110,400,000 outstanding options under the share option scheme of Hutchison Global Communications adopted on 2 April 2002 (the "Outstanding HGCH Share Options"), pursuant to which each relevant Optionholder who accepted the Option Offer and lodged the relevant election forms for acceptance and election of the form of consideration by the prescribed deadline was entitled to receive either cash alternative or share alternative (the "Option Share

Alternative") as option lapsing consideration (the "Option Lapsing Consideration") in respect of the lapsing of the Outstanding HGCH Share Options. In August 2005, Hutchison Telecommunications International has procured Hutchison Telecommunications Investment Holdings Limited ("HTIH"), an indirect wholly owned subsidiary of the Company and the immediate holding company of Hutchison Telecommunications International, to transfer 60,371,099 HTIL Shares in issue to holders of HGCH Shares (the "Connected Scheme Shareholders") or Optionholders (the "Connected Optionholders") who have validly elected the Share Alternative or the Option Share Alternative as the form of Cancellation Consideration or the Option Lapsing Consideration respectively (the "HWL Vendor Share Arrangement").

The identity of the Connected Scheme Shareholders was disclosed on page 64 of the document dated 7 June 2005 despatched to the HGCH Shareholders containing details of the Scheme and the Connected Optionholders were Messrs Wong King Fai, Peter and Kan Ka Wing, Frankie. These share transferees are connected persons of the Company within the meaning of that expression under the Listing Rules by virtue of being either directors of the Company, Hutchison Telecommunications International and/or Hutchison Global Communications or associates of such directors or associate of a substantial shareholder of the Company, Hutchison Telecommunications International and/or Hutchison Global Communications. The satisfaction of the Cancellation Consideration and the Option Lapsing Consideration by transfer of existing HTIL Shares to Connected Scheme Shareholders or Connected Optionholders pursuant to the HWL Vendor Share Arrangement constituted a connected transaction for the Company under the Listing Rules.

On 14 July 2005, Choicewide Group Limited ("Choicewide"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, jointly with Bayfront Development Pte Ltd and Sageland Pte Ltd (collectively the "Tendering Parties"), have been awarded by Urban Redevelopment Authority of Singapore a tender for certain parcels of land at Marina Boulevard/Central Boulevard, Singapore with the maximum total gross floor area of 478,000 square metres (the "Marina Bay Land") for the development of a business and financial centre and a single integrated development for public attraction uses. Choicewide, being one of the parties to a joint tender, is interested in one-third of the acquisition and development of the 99-year lease of phase 1 of land parcel A of Marina Bay Land pursuant to a tender for the development of a business and financial centre with a right to exercise the Parcel A Option (i.e. option to take up all phases subsequent to phase 1 of land parcel A of the Marina Bay Land to develop a business and financial centre) and the Parcel B Option (i.e. option to take up land parcel B of the Marina Bay Land to develop a single integrated development for public attraction uses) (the "Acquisition and Development"). Pursuant to the joint tender submitted by Choicewide and the Tendering Parties, Choicewide and the Tendering Parties agreed, (i) to acquire all or part of land parcel A of the Marina Bay Land at a total consideration of up to S$1,796,238,000 (subject to adjustment in case of the exercise of the Parcel A Option) to be paid by instalments; and (ii) subject to the exercise of the Parcel B Option, to acquire land parcel B of the Marina Bay Land at a total consideration of S$164,040,000 (subject to adjustment). Choicewide shall be responsible for one-third of each of the purchase price of the Acquisition and Development, the option fees in respect of the Parcel A Option and the Parcel B Option in the maximum respective sums of S$138,613,800 and S$2,460,600 should the options be exercised, and the applicable taxes (including stamp duty and goods and services tax), fees and costs (including the Parcel A Electric Substation Costs (i.e. cost for provision of a proposed electric substation in Downtown at Marina Bay, Singapore by the Government of Singapore and a third party in the sum of S$7,200,000), and should the Parcel B Option be exercised, the Parcel B Electric Substation Costs (i.e. cost for provision of a proposed electric substation in Downtown at Marina Bay, Singapore by the Government of Singapore and a third party in the sum of S$480,000)) relating to the Acquisition and Development. BFC Development Pte. Ltd., a new joint venture, has been established in Singapore and is owned by Choicewide and each of the Tendering Parties in equal proportion for the sole purpose of owning and developing phase 1 of the land parcel A of the Marina Bay Land. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. Any contribution to the consideration for the acquisition of the Marina Bay Land and any payment in proportion to their 50/50 interest in Choicewide for the development of a business and financial centre and/or a single integrated development for public attraction uses thereon is expected to be made equally by the Company and its subsidiaries and Cheung Kong and its subsidiaries in proportion to their respective equity interests in Choicewide. Such contribution and payments which lead to the financial assistance provided or to be provided by the Company to Choicewide constituted or would constitute a connected transaction for the Company under the Listing Rules.

On 4 October 2005, (i) City Island Developments Limited ("City Island"), a wholly owned subsidiary of Hutchison Harbour Ring Limited ("Hutchison Harbour Ring") which in turn is an indirect non wholly owned subsidiary of the Company, as purchaser, (ii) Hildon Development Limited ("Hildon"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, as vendor, (iii) Cheung Kong Holdings (China) Limited ("CKHC"), a wholly owned subsidiary of Cheung Kong, and Hutchison Whampoa Properties Limited ("HWP"), a wholly owned subsidiary of the Company, as vendor guarantors and (iv) Hutchison Harbour Ring as purchaser guarantor entered into a conditional agreement (the "Newscott Agreement") relating to the sale by Hildon to City Island of (a) 100 shares of US$1.00 each, representing the entire issued share capital, in Newscott Investments Limited ("Newscott"), a then wholly owned subsidiary of Hildon, and (b) all the shareholder's loans due and owing from Newscott to Hildon for a total consideration of approximately HK$1,797,554,000 payable in cash, subject to adjustment. On the same day, (i) City Island as purchaser, (ii) Montoya (HK) Limited ("Montoya"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, as vendor, (iii) CKHC and HWP as vendor guarantors and (iv) Hutchison Harbour Ring as purchaser guarantor entered into a conditional agreement (the "Great Winwick Agreement") relating to the sale by Montoya to City Island of (a) 100 shares of US1.00 each, representing the entire issued share capital, in Great Winwick Limited ("Great Winwick"), a then wholly owned subsidiary of Montoya, and (b) all the shareholder's loans due and owing from Great Winwick to Montoya for a total consideration of approximately HK$394,327,000 payable in cash, subject to adjustment. The principal assets of Newscott and Great Winwick are the holding of the entire equity interests in, and loans to, Shanghai He Hui Property Development Co., Ltd. and Shanghai Xin Hui Property Development Co., Ltd. which are joint owners of the development known as "The Center" located at 989 Changle Road, Shanghai, the PRC with a total gross floor area of 98,337.09 square meters (including 204 underground parking spaces) and the clubhouse with a gross floor area of 2,337.79 square metres located at The Summit, No. 1 to No. 4, Lane 99 Urumqi Zhong Lu, Shanghai, the PRC. Both Hildon and Montoya are associates of Cheung Kong and hence are connected persons of the Company within the meaning of the Listing Rules. The transactions under the Newscott Agreement and the Great Winwick Agreement constituted connected transactions for the Company under the Listing Rules.

On 8 November 2005, the following documents were executed in respect of the expansion of the Shenzhen Yantian Port construction and operation of six additional container berths:

(i) A supplemental contract between Hutchison Ports Yantian Limited ("HPYL"), an indirect non wholly owned subsidiary of the Company, and Shenzhen Yantian Port Group Company Limited ("SYPG") (the "Supplemental JV Contract") supplemental to the joint venture contract dated 26 November 2001 made between HPYL and SYPG for, among other things, the increase in the total investment and registered capital of Yantian International Container Terminals (Phase III) Limited ("Yantian JVCo"), a company owned as to 65% by HPYL and 35% by SYPG, from HK$5,746,520,000 and HK$2,400,000,000 respectively to HK$16,194,980,000 and HK$6,056,960,000 respectively. Yantian JVCo is a sino-foreign equity joint venture company in the PRC for the development, operation and management of the container and berthing terminal, depot and other related facilities at Phase III of the Shenzhen Yantian Port and expansion of the Shenzhen Yantian Port. The estimated aggregate amount of interest-free shareholders' loans expected to be contributed to Yantian JVCo by HPYL and SYPG is RMB4,460,000,000. Any contribution to increase the registered capital of, and any shareholders' loans to, Yantian JVCo would be effected by HPYL and SYPG pro rata to their 65:35 respective equity interests in Yantian JVCo;

(ii) A transfer contract between SYPG and Yantian JVCo (the "Terminal Site and Coastline Use Right Transfer Contract") for, the satisfaction of certain project requirements of the expansion of Shenzhen Yantian Port, including the transfer of the land use right and coastline use right by SYPG to Yantian JVCo for an aggregate cash consideration of RMB1,854,512,613.20 payable by instalments and the construction and provision of access roads to the project site and other post-related facilities at a management fee equivalent to 10% of the contract price under the construction contract between SYPG and the contractor to be engaged in the construction of access roads to the project site in respect of the project site for the expansion of the Shenzhen Yantian Port;

(iii) A supplemental contract between Yantian International Container Terminals Limited ("YICT"), a company owned as to 73% by HPYL and Yantian JVCo (the "Supplemental Management Agreement") supplemental to a management contract dated 26 November 2001 made between YICT and Yantian JVCo for, among other things, the operation and management of the facilities at Phases I, II and III and expansion of the Shenzhen Yantian Port on a consolidated basis;

(iv) A rock materials supply contract between SYPG and Yantian JVCo (the "Rock Materials Supply Contract") for, among other things, the supply of rock materials by SYPG to Yantian JVCo for the construction work to be carried out for expansion of the Shenzhen Yantian Port for an aggregate cash consideration of RMB450,000,000 payable by instalments; and

(v) A dredging management contract between SYPG and Yantian JVCo (the "Dredging Management Contract") for, among other things, the provision by SYPG to Yantian JVCo of management services in relation to dredging work to be carried out at the expansion of the Shenzhen Yantian Port for a management fee in an amount not exceeding 11% of the contract price under dredging contract to be entered into by Yantian JVCo with dredging contractor.

SYPG is a connected person of the Company within the meaning of the Listing Rules by virtue of it being a substantial shareholder of Yantian JVCo. Yantian JVCo is a connected person of the Company within the meaning of the Listing Rules by virtue of being a 35%-held associate of SYPG. Each contribution of additional capital in Yantian JVCo by HPYL constituted a connected transaction for the Company. The financial assistance to be provided by HPYL to Yantian JVCo by way of shareholder's loans on an unsecured basis and on normal commercial terms in proportion to its 65%-held equity interest in Yantian JVCo constituted a connected transaction for the Company under the Listing Rules. The entering into of the Terminal Site and Coastline Use Right Transfer Contract, the Supplemental Management Agreement, the Rock Materials Supply Contract and the Dredging Management Contract constituted connected transactions for the Company under the Listing Rules.

On 17 December 2005, a loan agreement (the "Loan Agreement") was entered into between (i) JayKay Finholding (India) Private Limited ("JKF") and Usha Martin Telematics Limited ("UMT") (both being then indirect non wholly owned subsidiaries of the Company) as borrowers and (ii) an independent financial institution as lender for a term loan facility of up to INR5,100,000,000 (the "Term Loan Facility") on a joint and several basis entitling the lender to request that JKF and/or UMT repay the lender an amount equivalent to the total outstanding indebtedness under the Term Loan Facility. On 19 December 2005, Hutchison Telecommunications International entered into a credit agreement with another independent financial institution to procure its issue of a short term one year standby letter of credit in the amount of US$125,000,000 (the "US$125m SBLC") in support of the obligations of JKF and UMT under the Term Loan Facility. Each of JKF and UMT was a holding company in respect of part of the Group's interest in telecommunications operators in India. Each of them was a then connected person of the Company within the meaning of the Listing Rules by virtue of it being an associate of the Kotak Mahindra Group, which was also a substantial shareholder of other Indian subsidiaries of the Company then. The entering into of the Loan Agreement by JKF and UMT on a joint and several basis and the procurement of the US$125m SBLC by Hutchison Telecommunications International each constituted a connected transaction for the Company under the Listing Rules.

On 19 December 2005, Mapleleaf Developments Limited ("Mapleleaf"), a company in which the Company and Cheung Kong have an indirect shareholding 25% and 25% respectively, entered into an agreement (the "Pudong Land Contract") with Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. for the acquisition by Mapleleaf of the land use right in respect of a piece of land known as Land 2-4 with an area of approximately 50,850 square metres located at Century Avenue, Pudong District, Shanghai, the PRC (the "Pudong Land") for a consideration of RMB2,599,452,000, subject to adjustment and payable by instalments. The remaining 50% shareholding of Mapleleaf is held indirectly by Li Ka Shing (Overseas) Foundation (the "Foundation"). Hutchison Whampoa Properties (Shanghai) Lujiazui Limited ("Pudong JVCo"), a wholly foreign owned enterprise owned by Mapleleaf would be established for the purposes of owning and developing the Pudong Land for its development into commercial, cultural and office properties. To fund the payment of land cost, construction costs and other project costs for the development of the Pudong Land, the total investment and registered capital of Pudong JVCo are US$683,000,000 and US$240,000,000 respectively. Any contribution to the registered capital of, and any shareholders' loans to, Pudong JVCo was made or is expected to be made by the Company, Cheung Kong and the Foundation (or their respective subsidiaries) in proportion to their respective equity interests in Pudong JVCo. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between the Company and Cheung Kong in relation to Mapleleaf and Pudong JVCo for the purpose of effecting the acquisition of the land use right of the Pudong Land pursuant to the Pudong Land Contract and its development constituted connected transactions for the Company under Listing Rules.

On 19 December 2005, Hutchison Ports Yangshan Limited ("HPYSL"), an indirect wholly owned subsidiary of the Company, entered into a contract (the "Yangshan JV Contract") with 上海盛東國際集裝箱碼頭有限公司 ("SSICTC"), APM Terminals Yangshan Company Limited ("APM"), COSCO Ports (Yangshan) Limited ("COSCO") and 中海碼頭發展有限公司 ("CS") (collectively the "JV Partners") in relation to the establishment of an equity joint venture company to be named as 上海亞東國際集裝箱碼頭有限公司 (the "Shanghai JVCo") in the PRC for the purposes of acquiring, developing, operating and managing the Phase II Container Terminal located at Yangshan deep water port, including 4 berths with a quay length of 1,400 metres, relevant sea area, land area of approximately 0.64 square kilometers, buildings, structures, machinery and equipment supporting facilities and all other facilities required for the normal operation of the terminal (the "Yangshan Phase II Terminal"). Pursuant to the Yangshan JV Contract, SSICTC, HPYSL, APM, COSCO and CS respectively hold 16%, 32%, 32%, 10% and 10% equity interests in Shanghai JVCo. To fund the payment of development costs and other project costs for the development and operation of Yangshan Phase II Terminal, both the total investment and registered capital of Shanghai JVCo are proposed to be RMB4,000,000,000. Any contribution to the registered capital of Shanghai JVCo is expected to be made by HPYSL and the JV Partners in proportion to their respective equity interests in the Shanghai JVCo. On the same day, an agreement (the "Acquisition Principles Agreement") was entered into by HPYSL and the JV Partners under which the parties agreed to use best endeavours to procure the acquisition of Yangshan Phase II Terminal by Shanghai JVCo from the owner of Yangshan Phase II Terminal, which is independent of the Company, no later than 6 months after the issuance of the business licence of the Shanghai JVCo. COSCO Pacific is a substantial shareholder of a subsidiary of the Company and the holding company of COSCO, and hence COSCO is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between HPYSL and COSCO in relation to Shanghai JVCo for the purpose of effecting the acquisition of Yangshan Phase II Terminal pursuant to the Acquisition Principles Agreement and the development thereof constituted connected transactions for the Company under the Listing Rules.

On 6 February 2006, Golden Castle Management Limited ("GCML"), a company indirectly owned equally as to 50% by each of the Company and Cheung Kong, entered into a contract (the "First Amended and Restated JV Contract") with 廣州方興房地產建設有限公司 (transliterated as "Guangzhou Fang Xing Real Estate Development Limited") ("GZ Fang Xing"), as a result of further discussions regarding the expansion and enhancement of the scale and quality of development of the GZ Lands (as defined below). The First Amended and Restated JV Contract was entered into for the purposes of amending and restating the provisions of the joint venture contract dated 21 December 2005 (the "Yu Hu JV Contract") entered into between GCML and GZ Fang Xing in respect of the establishment of a sino-foreign co-operative joint venture named as 廣州御湖房地產發展有限公司 (transliterated as "Guangzhou Yu Hu Real Estate Development Limited") ("GZ Project Co") to own and develop four pieces of land (the "GZ Lands") into residential properties. The GZ Lands comprise (i) the piece of land with an area of 66,571 square metres, located at Jinkeng Village Shanxia (Tuming), Zhongxin Town (Zhenlong); (ii) the piece of land with an area of 66,247 square metres, located at Jinkeng Village Shangxin She (Shangtang), Zhongxin Town Zhenlong; (iii) the piece of land with an area of 66,063 square metres, located at Jinkeng Village Shanxia (Tuming), Zhongxin Town (Zhenlong) and (iv) the piece of land with an area of 26,666.7 square metres, located at Jinkeng Village Shangxin She, Zhongxin Town (Zhenlong). The initial registered capital and total investment of GZ Project Co were both RMB806,000,000. Under the Yu Hu JV Contract, GCML would make a cash contribution of RMB241,200,000 to the registered capital of GZ Project Co, and GZ Fang Xing would contribute the balance in the sum of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to GZ Project Co. The First Amended and Restated JV Contact was entered into for the purpose of increasing both the registered capital and the total investment of GZ Project Co to RMB1,040,640,000 and RMB1,544,320,000 respectively and providing for the payment of special distributions in and up to the pre-agreed amounts to GZ Fang Xing and GCML in alternative rounds with GZ Fang Xing being entitled to the first one and thereafter, sharing of available profits and assets of the GZ Project Co between GCML and GZ Fang Xing on an 80:20 basis (subject to adjustment in the case of non-compliance by any party of certain obligations under the First Amended and Restated JV Contract including, without limitation, its obligation to provide shareholders' loans to the GZ Project Co). Under the First Amended and Restated JV Contract, GCML would make an aggregate cash contribution of RMB475,840,000 to the registered capital of the GZ Project Co, representing approximately 45.7% of the registered capital of the GZ Project Co, and GZ Fang Xing would make an aggregate contribution of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to the GZ Project Co, representing approximately 54.3% of the registered capital of the GZ Project Co. Any shareholders' loans advanced by GCML and GZ Fang Xing to GZ Project Co would be made, as between GCML and GZ Fang Xing, on the basis of the then sharing ratio applicable to GCML and GZ Fang Xing. Any contribution to the registered capital of, and any shareholders' loans to, the GZ Project Co through GCML is expected to be made equally by the indirect subsidiaries of the Company and Cheung Kong in proportion to their respective effective equity interests in GCML. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between Cheung Kong and the Company in respect of the establishment of GCML and the GZ Project Co as contemplated under the First Amended and Restated JV Contract constituted connected transactions for the Company under the Listing Rules.

On 17 March 2006, (i) Kingdom Development S.A. ("Kingdom"), an indirect wholly owned subsidiary of the Company, (ii) Proficient Investment Limited ("Proficient Investment"), an indirect wholly owned subsidiary of 北京首都旅遊集團有限責任公司 (transliterated as "Beijing Tourism Group Corporation Limited") ("BTG"), and (iii) Beijing Tourism Development Company Limited ("BTDC", a company owned as to 45.8% by Kingdom, 44.07% by Proficient Investment and 10.13% by New Civic Company Ltd. ("New Civic"), which is an indirect wholly owned subsidiary of BTG, prior to the Repurchase (as defined below)) entered into a repurchase agreement (the "Repurchase Agreement") relating to, and on the same day completed, the repurchase by BTDC of 2,750 "B" shares of BTDC held by Kingdom and 2,642 "B" shares of BTDC held by Proficient Investment (the "Repurchase") at an aggregate consideration of HK$703,738,003 and payable as to 51% (i.e. HK$358,906,382) and 49% (i.e. HK$344,831,621) to Kingdom and Proficient Investment respectively, being the value attributable to all "B" shares of BTDC based on the book value of BTDC's investment in Doncaster International Limited ("Doncaster"), a wholly owned subsidiary of BTDC and the principal asset of which is its 82% equity interest in the Great Wall Hotel Joint Venture of Beijing, as at 28 February 2006. The consideration for the Repurchase payable by BTDC was satisfied by transferring BTDC's entire shareholding in Doncaster to Kingdom and Proficient Investment in proportion to their 51:49 holding of "B" shares in BTDC. Each of Kingdom and Proficient Investment has directed BTDC to transfer their proportional entitlements to the interests in Doncaster to Cavendish Hotels (Holdings) Limited ("Cavendish"), a company then owned as to 51% by Kingdom and 49% by Proficient Investment. Upon completion of the Repurchase, BTDC became wholly owned by New Civic. On the same day, BTG as vendor and Cavendish as purchaser entered into a conditional agreement (the "BTG Agreement") for the sale and purchase of 160,000,000 non-tradable legal person shares, representing 69.14% of the issued share capital of 北京首都旅遊股份有限公司 (Beijing Capital Tourism Co., Ltd.) ("BCT"), a company incorporated under the laws of the PRC and whose "A" shares are listed on the Shanghai Stock Exchange, (the "BCT Sale Shares") for an aggregate cash consideration of RMB657,600,000 (the "Acquisition"). It is contemplated that BCT will implement a share reform proposal (the "Share Reform Proposal") for converting the BCT Sale Shares into tradable A Shares subject to and in accordance with the terms of the Share Reform Proposal and PRC laws and regulations, which will result in a reduction of the BCT Sale Shares to be acquired or held by Cavendish to approximately 60% of the current issued share capital of BCT. BTDC and BTG are both connected persons of the Company by virtue of being an associate of and the holding company respectively of Proficient Investment, a substantial shareholder of Cavendish which in turn was a then non wholly owned subsidiary of the Company. Each of the Repurchase and the Acquisition constituted a connected transaction for the Company under the Listing Rules.

Directors' Service Contract

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-shing	(i) Founder of discretionary trusts (ii) Interest of controlled corporations	(i) Other interest (ii) Corporate interest	2,141,698,773 (1) 47,577,000 (3)	18,613,202 (2) -	2,207,888,975	51.7874%
Li Tzar Kuoi, Victor	(i) Beneficiary of trusts (ii) Interest of controlled corporations	(i) Other interest (ii) Corporate interest	2,141,698,773 (1) 1,086,770 (4)	18,613,202 (2) -	2,161,398,745	50.6969%
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,310,875 (5)	-	4,310,875	0.1011%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	-	150,000	0.0035%
Frank John Sixt	Beneficial owner	Personal interest	50,000	-	50,000	0.0012%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	-	50,000	0.0012%
Kam Hing Lam	Beneficial owner	Personal interest	60,000	-	60,000	0.0014%
Michael David Kadoorie	Beneficiary of trust(s)	Other interest	15,984,095 (6)	-	15,984,095	0.3749%
Holger Kluge	Beneficial owner	Personal interest	40,000	-	40,000	0.0009%
George Colin Magnus	(i) Founder and beneficiary of a discretionary trust (ii) Beneficial owner (iii) Interest of spouse	(i) Other interest (ii) Personal interest (iii) Family interest	950,100 (7) 40,000 9,900	- - -	1,000,000	0.0235%
Simon Murray	Founder of a discretionary trust	Other interest	87,000 (8)	-	87,000	0.0020%
William Shurniak	Beneficial owner	Personal interest	165,000	-	165,000	0.0039%

Short positions in the underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of underlying shares held	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	Other interest	18,613,202 (2)	0.4366%
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	18,613,202 (2)	0.4366%

Notes:

(1) The two references to 2,141,698,773 shares of the Company relate to the same block of shares comprising:

(a) 2,130,202,773 shares held by certain subsidiaries of Cheung Kong. Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of Cheung Kong by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of Cheung Kong independently without any reference to Unity Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies and the said shares of the Company held by the subsidiaries of Cheung Kong under the SFO as directors of Cheung Kong. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of Cheung Kong and has no duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

(b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3").

Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of the Company held by TUT3 as trustee of UT3 under the SFO.

(2) The references to 18,613,202 underlying shares of the Company relate to the same block of underlying shares comprising:

(a) 10,463,201 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong; and

(b) 8,150,001 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2008 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.

(3) Such shares were held by certain companies of which Mr Li Ka-shing is interested in the entire issued share capital.

(4) Such shares were held by certain companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

(5) Such shares were held by a company which is equally controlled by Mr Fok Kin-ning, Canning and his spouse.

(6) The Hon Sir Michael David Kadoorie is deemed to be interested by virtue of the SFO in 15,984,095 shares in the Company.

(7) Such shares were indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and a discretionary beneficiary.

(8) Such shares were held by an offshore discretionary family trust of which Mr Simon Murray was the founder.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2005, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong or the Company as described in Note (1) above:

(i) (a) 1,912,109,945 shares, representing approximately 84.82% of the then issued share capital, in Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") of which 1,906,681,945 shares were held by a wholly owned subsidiary of the Company and 5,428,000 shares were held by TUT1 as trustee of UT1;

(b) 2 underlying shares in Cheung Kong Infrastructure by virtue of the HK$300,000,000 capital guaranteed notes due 2009 held by a wholly owned subsidiary of Cheung Kong; and

(c) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;

(ii) (a) 2,419,115,596 ordinary shares, representing approximately 50.90% of the then issued share capital, in Hutchison Telecommunications International of which 52,092,587 ordinary shares and 2,366,869,729 ordinary shares were held by certain wholly owned subsidiaries of each of Cheung Kong and the Company respectively and 153,280 ordinary shares were held by TUT3 as trustee of UT3; and

(b) 917,759,172 underlying shares in Hutchison Telecommunications International held by a wholly owned subsidiary of the Company in the form of security interest under a share charge created by Orascom Telecom Eurasia Limited ("Orascom"), a substantial shareholder of Hutchison Telecommunications International;

(iii) 146,809,478 common shares, representing approximately 34.61% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") held by a wholly owned subsidiary of the Company;

(iv) (a) 829,599,612 shares, representing approximately 38.87% of the then issued share capital, in Hongkong Electric Holdings Limited ("Hongkong Electric") which shares were held by certain wholly owned subsidiaries of Cheung Kong Infrastructure; and

(b) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;

(v) 1,429,024,545 shares, representing approximately 36.71% of the then issued share capital, in TOM Group Limited ("TOM Group") of which 476,341,182 shares and 952,683,363 shares were held by a wholly owned subsidiary of each of Cheung Kong and the Company respectively; and

(vi) all the shares, underlying shares and debentures of the subsidiary and associated companies of the Company held by the Company and its subsidiary companies.

As Mr Li Ka-shing may be regarded as a founder of DT3 for the purpose of SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of DT3 as disclosed in Note (1) above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in 152,801,701 common shares, representing approximately 36.03% of the then issued share capital, in Husky Energy which were held by a company in respect of which TDT3 as trustee of DT3 is indirectly entitled to substantially all the net assets thereof and of which Mr Li Ka-shing is additionally entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings. In addition, Mr Li Ka-shing had, as at 31 December 2005, corporate interests in (i) 27,513,355 ordinary shares, representing approximately 0.58% of the then issued share capital, in Hutchison Telecommunications International and (ii) 4,600 class C common shares, representing 46% of the then issued share capital, in Husky Oil Holdings Limited, which were held by companies of which Mr Li Ka-shing is interested in the entire issued share capital.

Mr Li Tzar Kuoi, Victor had, as at 31 December 2005, the following interests:

(i) family interests in 151,000 shares, representing approximately 0.007% of the then issued share capital, in Hongkong Electric held by his spouse; and

(ii) corporate interests in (a) a nominal amount of US$21,000,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited; (b) a nominal amount of US$12,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited; and (c) 2,519,250 ordinary shares, representing approximately 0.05% of the then issued share capital, in Hutchison Telecommunications International, which were held by companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

Mr Fok Kin-ning, Canning had, as at 31 December 2005, the following interests:

(i) corporate interests in (a) a nominal amount of US$6,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited; and (b) a nominal amount of €12,600,000 in the 4.125% Notes due 2015 issued by Hutchison Whampoa Finance (05) Limited;

(ii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.08% of the then issued share capital, in Hutchison Harbour Ring;

(iii) (a) 5,100,000 ordinary shares, representing approximately 0.75% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and

(b) 1,474,001 underlying shares in Hutchison Telecommunications Australia comprising personal and corporate interests in 134,000 underlying shares and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by Hutchison Telecommunications Australia;

(iv) corporate interests in 1,202,380 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications International;

(v) corporate interests in 300,000 common shares, representing approximately 0.07% of the then issued share capital, in Husky Energy; and

(vi) corporate interests in 225,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.15% of the then issued share capital, in Partner Communications Company Ltd. ("Partner Communications").

Mr Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2005, personal interests in 250,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in Hutchison Telecommunications International.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2005, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.15% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 17,000 American Depositary Shares (each representing 15 ordinary shares), representing approximately 0.005% of the then issued share capital, in Hutchison Telecommunications International.

Mr Kam Hing Lam in his capacity as a beneficial owner had, as at 31 December 2005, personal interests in 100,000 shares, representing approximately 0.004% of the then issued share capital, in Cheung Kong Infrastructure.

Mr Holger Kluge in his capacity as a beneficial owner had, as at 31 December 2005, personal interests in (i) 200,000 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 10,000 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

Mr George Colin Magnus had, as at 31 December 2005, the following interests:

(i) 13,333 ordinary shares, representing approximately 0.0003% of the then issued share capital, in Hutchison Telecommunications International comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse; and

(ii) personal interests in 25,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.02% of the then issued share capital, in Partner Communications held in his capacity as a beneficial owner.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2005, personal interests in 1,000 common shares, representing approximately 0.0002% of the then issued share capital, in Husky Energy.

Short positions in the underlying shares of the associated corporations of the Company

As at 31 December 2005, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong as described in Note (1) above:

(i) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;

(ii) 175,326,456 underlying shares in Hutchison Telecommunications International by virtue of a call option granted over such shares by a wholly owned subsidiary of the Company in favour of Orascom; and

(iii) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.

Save as disclosed above, as at 31 December 2005, none of the Directors and chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or chief executives of the Company, as at 31 December 2005, other than the interests and short positions of the Directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	2,130,202,773 (1)	18,613,202 (2)	2,148,815,975	50.40%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	2,130,202,773 (1)	18,613,202 (2)	2,148,815,975	50.40%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	2,130,202,773 (1)	18,613,202 (2)	2,148,815,975	50.40%
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interest of controlled corporations	2,130,202,773 (1)	18,613,202 (2)	2,148,815,975	50.40%
Continental Realty Limited	Beneficial owner	465,265,969 (3)	-	465,265,969	10.91%

Short positions in the underlying shares of the Company

Name	Capacity	Number of underlying shares held	Approximate % of shareholding
TDT1	Trustee and beneficiary of a trust	18,613,202 (2)	0.43%
TDT2	Trustee and beneficiary of a trust	18,613,202 (2)	0.43%
TUT1	Trustee	18,613,202 (2)	0.43%
Cheung Kong	Interest of controlled corporations	18,613,202 (2)	0.43%

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Honourable Holdings Limited	Interest of controlled corporations	322,942,375(3)	7.57%
Winbo Power Limited	Beneficial owner	236,260,200(3)	5.54%
Polycourt Limited	Beneficial owner	233,065,641(3)	5.47%
Well Karin Limited	Beneficial owner	226,969,600(3)	5.32%

Notes:

(1) *The four references to 2,130,202,773 shares of the Company relate to the same block of shares in the Company which represent the total number of shares of the Company held by certain wholly owned subsidiaries of Cheung Kong where Cheung Kong is taken to be interested in such shares under the SFO. In addition, by virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same 2,130,202,773 shares of the Company held by Cheung Kong as described in Note (1)(a) of the section entitled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*

(2) *The references to 18,613,202 underlying shares of the Company relate to the same block of interest and short position in the underlying shares of the Company which were derived from the HK Dollar equity-linked notes due 2007 and the HK Dollar equity-linked notes due 2008 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong. By virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 18,613,202 underlying shares of the Company held by Cheung Kong as described in Note (1)(a) of the section entitled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*

(3) *These are wholly owned subsidiaries of Cheung Kong and their interests in the shares of the Company are duplicated in the interests of Cheung Kong.*

Saved as disclosed above, as at 31 December 2005, there was no other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Schemes

The Company has no share option scheme but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarized as follows:

(I) 3 ITALIA S.P.A. (formerly "HUTCHISON 3G ITALIA S.P.A.") ("3 Italia")

The purpose of the employee share option plan of **3** Italia (the "**3** Italia Plan") constituted and governed by the rules of such plan as amended from time to time (the "**3** Italia Rules") is to provide **3** Italia with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any employee of **3** Italia and any other company of which **3** Italia has control from time to time (the "**3** Italia Participating Company") or any director of any **3** Italia Participating Company who is required to devote to his duties a substantial part of his working hours (the "**3** Italia Eligible Employees").

The duly constituted remuneration committee of the board of directors of **3** Italia (the "**3** Italia Board") or before the establishment of a remuneration committee, any duly appointed committee of the **3** Italia Board set up for the purpose of administering the **3** Italia Plan (the "**3** Italia Remuneration Committee") may grant a right to acquire the ordinary shares of €5 each in the capital of **3** Italia (or such other nominal value as may be determined by **3** Italia in general meeting from time to time) (the "**3** Italia Shares") granted in accordance with the **3** Italia Rules (the "**3** Italia Options") under the **3** Italia Plan to individuals who are **3** Italia Eligible Employees, subject always to any limits and restrictions specified in the **3** Italia Rules.

The form, manner and timing of grant of the **3** Italia Options, the maximum number of **3** Italia Shares in respect of each **3** Italia Option, the price at which each **3** Italia Share subject to a **3** Italia Option may be acquired on the exercise of that **3** Italia Option being subject to adjustment in case of reorganisation of capital structure (the "Subscription Price"), any condition on exercise of each **3** Italia Option, and all other terms relating or attaching to such grant shall be at the absolute discretion of the **3** Italia Remuneration Committee subject to compliance with the Listing Rules. The **3** Italia Remuneration Committee may delegate to the chief executive officer(s) of **3** Italia the power to grant **3** Italia Options to any **3** Italia Eligible Employee which power shall in all cases be subject to the directions of the **3** Italia Remuneration Committee in relation thereto.

A **3** Italia Eligible Employee is not required to pay for the grant of a **3** Italia Option.

The Subscription Price will be, (i) in the case of the one time initial grants of **3** Italia Options recognising the long service and ongoing contribution of those **3** Italia Eligible Employees who were under the employment of **3** Italia and any **3** Italia Participating Company prior to 31 July 2001 and who at the date on which a **3** Italia Option is granted under the **3** Italia Plan (the "**3** Italia Date of Grant") remain so employed and who the **3** Italia Remuneration Committee determines should receive such an initial grant, the price as determined by the **3** Italia Remuneration Committee, and (ii) in any other case the market value of the **3** Italia Share at the **3** Italia Date of Grant as determined by the **3** Italia Remuneration Committee but in any event not being less than the nominal value of such **3** Italia Share at the **3** Italia Date of Grant.

In respect of any **3** Italia Option granted either: (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in the case of a listing on the Growth Enterprise Market of the Stock Exchange or an overseas exchange) up to the date of the listing, and where the Subscription Price notified to a **3** Italia Option Holder (as referred to below) is less than the issue price of the **3** Italia Shares on listing, the Subscription Price shall be adjusted to the issue price of the **3** Italia Shares on listing and no **3** Italia Option (to which the **3** Italia Rule applies) shall be exercised at a Subscription Price below such issue price.

No **3** Italia Option shall be granted under the **3** Italia Plan which would, at the **3** Italia Date of Grant, cause the number of **3** Italia Shares which shall have been or may be issued both (a) in pursuance of the **3** Italia Options granted under the **3** Italia Plan and (b) under any other share option scheme involving the grant by **3** Italia or any of its subsidiaries of options over new **3** Italia Shares issued by **3** Italia or any of its subsidiaries established by **3** Italia or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules (whether or not before 1 September 2001) or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules (the "Other **3** Italia Plan") (the "**3** Italia Option Plan Shares") to exceed such number as represents 5% the number of **3** Italia Shares in the capital of **3** Italia in issue at the date of approval of the **3** Italia Plan subject to compliance with Rule 17.03(3) of the Listing Rules. This limit may only be exceeded with approval of the shareholders of both **3** Italia and the Company in general meetings in accordance with the requirements of the Listing Rules.

No **3** Italia Option shall be granted under the **3** Italia Plan which would, at the **3** Italia Date of Grant, cause the number of **3** Italia Option Plan Shares which shall have been or may be issued both (a) in pursuance of the **3** Italia Options granted under the **3** Italia Plan and (b) under any Other **3** Italia Plan to exceed 130,185,000 (on the basis of an assumed total number of shares in issue of 4,500,000,000 at €1 per share representing an aggregate paid up shareholders' equity of €4,500,000,000 immediately prior to a listing application being made to the competent Listing Authority (i.e. any authority acting in its capacity as the competent listing authority in respect of a recognised stock exchange) for admission to trading on a recognised stock exchange the ordinary share capital of **3** Italia without the prior written consent of the board of Directors of the Company (or such other person(s) as it may designate from time to time) which consent may be withheld at its absolute discretion.

The limit on the number of **3** Italia Shares which may be issued upon exercise of all outstanding **3** Italia Options granted and not yet exercised under the **3** Italia Plan and under any Other **3** Italia Plan to **3** Italia Eligible Employees must not exceed 30% of the **3** Italia Shares in issue from time to time.

The **3** Italia Remuneration Committee shall not grant any **3** Italia Options (the "**3** Italia Relevant Options") to any **3** Italia Eligible Employee which, if exercised, would result in such **3** Italia Eligible Employee becoming entitled to subscribe for such number of **3** Italia Shares as, when aggregated with the total number of **3** Italia Shares already issued or to be issued to him under all **3** Italia Options granted to him (including exercised, cancelled and outstanding **3** Italia Options) in the 12-month period up to and including the **3** Italia Date of Grant of the **3** Italia Relevant Options, exceed 1% of the **3** Italia Shares in issue at such date. Notwithstanding this, the **3** Italia Remuneration Committee may grant **3** Italia Options to any **3** Italia Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of **3** Italia and the Company in general meetings (with such **3** Italia Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

The rights of a **3** Italia Option Holder (i.e. a **3** Italia Eligible Employee who has accepted an offer from a **3** Italia Participating Company of a **3** Italia Option in accordance with the **3** Italia Plan or where the context requires a person becoming entitled to a **3** Italia Option in consequence of the death of a **3** Italia Option Holder) to exercise **3** Italia Options which have neither lapsed nor been exercised (or part thereof) shall be crystallised as to one third on the date of (and immediately following) a listing, as to a further one third on the date one calendar year after a listing and as to the final one third on the date two calendar years after a listing.

A **3** Italia Option may be exercised in whole or in part by the **3** Italia Option Holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the **3** Italia Option. **3** Italia Options must be exercised with the period of eight years from the **3** Italia Date of Grant.

The **3** Italia Remuneration Committee may at any time (but not earlier than 20 May 2004 nor later than the eighth anniversary thereof) grant options under the **3** Italia Plan to individuals who are **3** Italia Eligible Employees.

The following share options were outstanding under the **3** Italia Plan during the year ended 31 December 2005:

Name or category of participant	Effective date of grant or date of grant of share options(1)	Number of share options held at 1 January 2005	Granted during 2005	Exercised during 2005	Expired/ cancelled during 2005	Number of share options held at 31 December 2005	Exercise period of share options	Exercise price of share options	Price of 3 Italia Share At grant date of share options	Price of 3 Italia Share At exercise date of share options
								€	€	€
Employees in aggregate	20.5.2004	21,724,241	-	-	(3,198,209)	18,526,032	On Listing(2) to 16.7.2009	5.17	5.00	N/A
	20.11.2004	2,892,689	-	-	(76,006)	2,816,683	On Listing to 16.7.2009	5.17	5.00	N/A
	2.2.2005	N/A	335,320	-	-	335,320	On Listing to 16.7.2009	5.17	5.00	N/A
	6.9.2005	N/A	4,311,469	-	-	4,311,469	On Listing to 16.7.2009	5.17	5.00	N/A
Total:		24,616,930	4,646,789	-	(3,274,215)	25,989,504				

Notes:

(1) The share options shall vest as to one-third on the date of (and immediate following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.

*(2) Listing refers to an application being made to the competent listing authority for admission to trading on a recognised stock exchange of the ordinary share capital of **3** Italia.*

As at the date of this report, **3** Italia had 25,989,504 share options outstanding under the **3** Italia Plan, which represented approximately 2.00% of **3** Italia's shares in issue as at that date.

3 Italia is an unlisted 95% owned subsidiary of the Company and the options relate to these unlisted shares. Based on the best estimate of the Directors of the Company and taking into consideration the losses incurred by **3** Italia, prevailing market perception, the option exercise price and **3** Italia being an unlisted company, the value of the options were estimated to be not material to the Group.

(II) HUTCHISON 3G UK HOLDINGS

The purpose of the employee share option plan of Hutchison 3G UK Holdings (the "H3GUKH Plan") is to provide Hutchison 3G UK Holdings with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible employees of Hutchison 3G UK Holdings (the "H3GUKH Eligible Employees"), being:

(a) any employee of Hutchison 3G UK Holdings and any other company of which Hutchison 3G UK Holdings has control from time to time (collectively the "H3GUKH Participating Company"); or

(b) any director of Hutchison 3G UK Holdings and any H3GUKH Participating Company who is required to devote to his duty substantially the whole of his working hours being not less than 25 hours per week.

The duly constituted remuneration committee of the board of Hutchison 3G UK Holdings or, before the establishment of a remuneration committee, any duly appointed committee of the board of Hutchison 3G UK Holdings set up for the purpose of administering the H3GUKH Plan (the "H3GUKH Remuneration Committee") may grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees, subject always to any limits and restrictions specified in the rules of the H3GUKH Plan as amended from time to time.

The subscription price for H3GUKH Shares (as defined below) will be, (i) in the case of the one time initial grants of options recognising the long service and ongoing contribution of the founders and other H3GUKH Eligible Employees who were under the employment of Hutchison 3G UK Holdings and any H3GUKH Participating Company (the "H3GUKH Group") prior to 31 March 2001 and who remain so employed and who the H3GUKH Remuneration Committee determines should receive such an initial grant (the "Founders"), the price as determined by the H3GUKH Remuneration Committee (not being less than £1.00 per share); and (ii) in any other case the market value of the ordinary shares of £1.00 each in the capital of Hutchison 3G UK Holdings (the "H3GUKH Shares") at the date on which an option is granted under the H3GUKH Plan (the "H3GUKH Grant Date") as determined by the H3GUKH Remuneration Committee but in any event not being less than the nominal value of such H3GUKH Share at the H3GUKH Grant Date.

In respect of any option granted either: (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in case of a listing on the Growth Enterprise Market of the Stock Exchange, the London Stock Exchange or an overseas exchange) up to the date of the listing, and where the subscription price notified to an option holder is less than the issue price of the H3GUKH Shares on listing, the subscription price shall be adjusted to the issue price of the H3GUKH Shares on listing and no option (to which the rules of the H3GUKH Plan applies) shall be exercised at a subscription price below such issue price.

No option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Shares which shall have been or may be issued both (a) in pursuance of options granted under the H3GUKH Plan and (b) under any share option scheme involving the grant by Hutchison 3G UK Holdings or any of its subsidiaries of option over new H3GUKH Shares issued by Hutchison 3G UK Holdings or any of its subsidiaries established by Hutchison 3G UK Holdings or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules (whether or not before 1 September 2001) or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules or any other employees share scheme within the meaning of Section 743 of the Companies Act 1985 (the "Other H3GUKH Plan") (the "H3GUKH Option Plan Shares") to exceed such number as represents 5% of the number of H3GUKH Shares in the capital of Hutchison 3G UK Holdings in issue at the date of approval of the H3GUKH Plan. This limit may only be exceeded with the approval of the shareholders of both Hutchison 3G UK Holdings and the Company in general meetings in accordance with the requirements of the Listing Rules.

No option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Option Plan Shares to exceed such number as represents 4% of the number of H3GUKH Shares in issue at the date of approval of the H3GUKH Plan without the prior written consent of the board of directors of the Company (or such other person(s) as it may designate from time to time) which consent may be withheld at its absolute discretion.

The limit on the number of H3GUKH Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the H3GUKH Plan and under any Other H3GUKH Plan to H3GUKH Eligible Employees must not exceed 30% of the H3GUKH Shares in issue from time to time.

The H3GUKH Remuneration Committee shall not grant any options (the "H3GUKH Relevant Options") to any H3GUKH Eligible Employee which, if exercised, would result in such H3GUKH Eligible Employee becoming entitled to subscribe for such number of H3GUKH Shares as, when aggregated with the total number of H3GUKH Shares already issued or to be issued to him under all options granted to him in the 12-month period up to and including the H3GUKH Grant Date of the H3GUKH Relevant Options, exceed 1% of the H3GUKH Shares in issue at such date. Notwithstanding this, the H3GUKH Remuneration Committee may grant options to any H3GUKH Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of Hutchison 3G UK Holdings and the Company in general meeting (with such H3GUKH Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

An option may be exercised in whole or in part by the option holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the option. Options must be exercised within the period of ten years from the H3GUKH Grant Date.

The H3GUKH Remuneration Committee may at any time (but not earlier than the 20 May 2004 nor later than the tenth anniversary thereof) grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees.

The following share options were outstanding under the H3GUKH Plan during the year ended 31 December 2005:

Name or category of participant	Effective date of grant or date of grant of share options(1)	Number of share options held at 1 January 2005	Granted during 2005	Exercised during 2005	Expired/ cancelled during 2005	Number of share options held at 31 December 2005	Exercise period of share options	Exercise price of share options	Price of H3GUKH Share: At grant date of share options	Price of H3GUKH Share: At exercise date of share options
								£	£	£
Employees in aggregate	20.5.2004	18,787,000	-	-	(445,000)	18,342,000	On Listing(2) to 18.4.2011	1.00	1.00	N/A
	20.5.2004	62,409,500	-	-	(10,343,750)	52,065,750	On Listing to 18.4.2011	1.35	1.00	N/A
	20.5.2004	5,740,250	-	-	(1,135,000)	4,605,250	On Listing to 20.8.2011	1.35	1.00	N/A
	20.5.2004	3,435,000	-	-	(1,060,000)	2,375,000	On Listing to 18.12.2011	1.35	1.00	N/A
	20.5.2004	2,323,250	-	-	(825,500)	1,497,750	On Listing to 16.5.2012	1.35	1.00	N/A
	20.5.2004	2,652,750	-	-	(475,000)	2,177,750	On Listing to 29.8.2012	1.35	1.00	N/A
	20.5.2004	507,500	-	-	(90,000)	417,500	On Listing to 28.10.2012	1.35	1.00	N/A
	20.5.2004	1,175,000	-	-	(300,000)	875,000	On Listing to 11.5.2013	1.35	1.00	N/A
	20.5.2004	7,852,500	-	-	(240,000)	7,612,500	On Listing to 14.5.2014	1.35	1.00	N/A
	27.1.2005	N/A	4,512,750	-	(65,000)	4,447,750	On Listing to 16.1.2015	1.35	1.00	N/A
	11.7.2005	N/A	1,881,000	-	(190,000)	1,691,000	On Listing to 10.7.2015	1.35	1.00	N/A
Total:		104,882,750	6,393,750	-	(15,169,250)	96,107,250				

Notes:

(1) *Subject to the terms of individual stock options, the share options shall vest as to one-third on the date of (and immediately following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.*

(2) *Listing refers to an application being made to the Financial Services Authority for admission to the official list of the ordinary share capital of Hutchison 3G UK Holdings or to have the shares of Hutchison 3G UK Holdings admitted to trading on any other recognised investment exchange in the United Kingdom or elsewhere.*

As at the date of this report, Hutchison 3G UK Holdings had 96,107,250 share options outstanding under the H3GUKH Plan, which represented approximately 2.16% of H3GUKH Shares in issue at as that date.

Hutchison 3G UK Holdings is an unlisted wholly owned subsidiary of the Company and the options relate to these unlisted shares. Based on the best estimate of the Directors of the Company and taking into consideration the losses incurred by Hutchison 3G UK Holdings, prevailing market perception, the option exercise price and Hutchison 3G UK Holdings being an unlisted company, the value of the options were estimated to be not material to the Group.

(III) HUTCHISON HARBOUR RING

The purpose of the share option scheme of Hutchison Harbour Ring (the "HHR Share Option Scheme") is to enable Hutchison Harbour Ring and its subsidiaries (the "HHR Group") to grant options to selected participants as incentives or rewards for their contribution to the HHR Group, to continue and/or render improved service with the HHR Group, and/or to establish a stronger business relationship between the HHR Group and such participants.

The directors of Hutchison Harbour Ring (the "HHR Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK$0.10 each in the share capital of Hutchison Harbour Ring (the "HHR Shares"):

(a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any executive director but excluding any non-executive director) of Hutchison Harbour Ring (the "HHR Eligible Employee"), any of its subsidiaries or any entity (the "HHR Invested Entity") in which any member of the HHR Group holds any equity interest;

(b) any non-executive directors (including independent non-executive directors) of Hutchison Harbour Ring, any of its subsidiaries or any HHR Invested Entity;

(c) any supplier of goods or services to any member of the HHR Group or any HHR Invested Entity;

(d) any customer of any member of the HHR Group or any HHR Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the HHR Group or any HHR Invested Entity;

(f) any shareholder of any member of the HHR Group or any HHR Invested Entity or any holder of any securities issued by any member of the HHR Group or any HHR Invested Entity;

(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the HHR Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by Hutchison Harbour Ring for the subscription of HHR Shares or other securities of the HHR Group to any person who fall within any of the above classes of participants shall not, by itself, unless the HHR Directors otherwise determine, be construed as a grant of option under the HHR Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the HHR Directors from time to time on the basis of their contribution to the development and growth of the HHR Group. The maximum number of HHR Shares to be allotted and issued is as follows:

(a) The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not in aggregate exceed 30% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue from time to time.

(b) The total number of HHR Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the HHR Share Option Scheme and any other share option scheme of the HHR Group) to be granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not in aggregate exceed 6% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the HHR Share Option Scheme (the "HHR General Scheme Limit"). Based on the number of HHR Shares in issue on 20 May 2004, the HHR General Scheme Limit of the HHR Share Option Scheme is 402,300,015 HHR Shares.

(c) Subject to (a) above and without prejudice to (d) below, Hutchison Harbour Ring may seek approval of its shareholders (the "HHR Shareholders") in general meeting to refresh the HHR General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the HHR Shareholders for that purpose) provided that the total number of HHR Shares which may be allotted and issued upon the exercise of all options to be granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not exceed 10% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the HHR Share Option Scheme and any other share option scheme of the HHR Group will not be counted.

(d) Subject to (a) above and without prejudice to (c) above, Hutchison Harbour Ring may seek separate approval of the HHR Shareholders in general meeting to grant options beyond the HHR General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by Hutchison Harbour Ring before such approval is sought.

The total number of HHR Shares issued and which may fall to be issued upon the exercise of the options granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of Hutchison Harbour Ring for the time being (the "HHR Individual Limit"). Any further grant of options in excess of the HHR Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the HHR Shareholders in a general meeting of Hutchison Harbour Ring with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the HHR Shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the HHR Share Option Scheme at any time during a period to be determined on the date of offer for the grant of option and notified by the HHR Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the HHR Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the HHR Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for HHR Shares under the HHR Share Option Scheme shall be a price determined by the HHR Directors but shall not be less than the highest of (i) the closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares on the date of the offer of grant which must be a business day; (ii) the average closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the HHR Shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The HHR Share Option Scheme will remain in force for a period of ten years commencing on the date on which the HHR Share Option Scheme becomes unconditional.

The following share options were outstanding under the HHR Share Option Scheme during the year ended 31 December 2005:

Name or category of participant	Date of grant of share options(1)	Number of share options held at 1 January 2005	Granted during 2005	Exercised during 2005	Expired/ cancelled during 2005	Number of share options held at 31 December 2005	Exercise period of share options	Exercise price of share options	Price of HHR Share At grant date of share options(2)	Price of HHR Share At exercise date of share options
								HK$	HK$	HK$
Employees in aggregate	3.6.2005	N/A	123,750,000	-	(1,500,000)	122,250,000	3.6.2006 to 16.9.2014	0.822	0.82	N/A

Notes:

(1) *The share options are exercisable subject to the vesting schedule pursuant to which approximately one-third of the options will be vested on each of 3 June 2006 and 3 June 2007 and the balance of the options will be vested on 3 June 2008.*

(2) *The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options.*

As at the date of this report, Hutchison Harbour Ring had 122,250,000 share options outstanding under the HHR Share Option Scheme, which represented approximately 1.82% of HHR Shares in issue at as that date.

The fair value of options granted, determined using the Binomial valuation model, was HK$0.2498 per HHR Share. The significant inputs into the model were share price of HK$0.82 at the grant date, exercise price of HK$0.822 per HHR Share, standard deviation of expected share price returns of 31.7%, expected life of options of seven years, expected dividend paid out rate of 2.44% and annual risk-free interest rate of 3.444%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.

(IV) HUTCHISON TELECOMMUNICATIONS AUSTRALIA

The purpose of the executive option plan of Hutchison Telecommunications Australia (the "HTAL Option Plan") is to provide selected employees of Hutchison Telecommunications Australia with the right to acquire ordinary shares in Hutchison Telecommunications Australia (the "HTAL Shares") at a predetermined price and subject to various conditions. The objectives of the HTAL Option Plan are to enable selected employees to benefit from growth in Hutchison Telecommunications Australia's share price, if any, without any downside risk, unless the options are exercised.

Options are granted to directors and executives of Hutchison Telecommunications Australia under the HTAL Option Plan which was approved by the board of directors of Hutchison Telecommunications Australia (the "HTAL Board") on 3 July 1999. The HTAL Option Plan is governed by the rules of the HTAL Option Plan. Full time, permanent part-time and casual employees are eligible to participate in the HTAL Option Plan and acquire the HTAL Shares.

The total number of securities available for issue under the HTAL Option Plan is 5% of the issued capital of Hutchison Telecommunications Australia (when combined with all other shares issued under employee participation schemes). However, under the current program, the HTAL Board has limited the total number of options to be issued to 20,000,000. This represents 2.94% of the issued share capital of Hutchison Telecommunications Australia as at the date of this report.

The maximum entitlement of each participant under the HTAL Option Plan is determined by the HTAL Board. Currently, the maximum period within which the shares must be taken up under any option already granted pursuant to the HTAL Option Plan is six years and five months. Unless otherwise determined by the HTAL Board, there is no minimum period after the commencement of the exercise period under the HTAL Option Plan for the holding of an option before it can be exercised.

Options are granted under the HTAL Option Plan for no consideration. Options granted under the HTAL Option Plan carry no dividend or voting rights. When exercisable, each option is convertible into one HTAL Share.

The following share options were outstanding under the HTAL Option Plan during the year ended 31 December 2005:

Name or category of participant	Date of grant of share options(1)	Number of share options held at 1 January 2005	Granted during 2005	Exercised during 2005	Expired/ cancelled during 2005	Number of share options held at 31 December 2005	Exercise period of share options	Exercise price of share options(2)	Price of HTAL Share At grant date of share options(3)	Price of HTAL Share At exercise date of share options
								A$	A$	A$
Employees in aggregate	18.8.2001	70,000	-	-	-	70,000	18.8.2001 to 17.8.2006	0.540	0.540	N/A
	23.7.2004	15,820,000	-	-	(1,980,000)	13,840,000	1.9.2005 to 31.12.2010	0.455	0.455	N/A
	30.7.2004	150,000	-	-	(100,000)	50,000	1.9.2005 to 31.12.2010	0.460	0.460	N/A
	20.8.2004	100,000	-	-	-	100,000	1.9.2005 to 31.12.2010	0.405	0.405	N/A
	10.12.2004	450,000	-	-	-	450,000	1.9.2005 to 31.12.2010	0.360	0.360	N/A
	23.12.2004	150,000	-	-	-	150,000	1.9.2005 to 31.12.2010	0.345	0.345	N/A
	8.4.2005	N/A	200,000	-	(200,000)	-	1.9.2005 to 31.12.2010	0.330	0.330	N/A
	3.6.2005	N/A	50,000	-	-	50,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	1.7.2005	N/A	200,000	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	5.8.2005	N/A	200,000	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
Total:		16,740,000	650,000	-	(2,280,000)	15,110,000				

Notes:

(1) The share options are exercisable subject to amongst other relevant vesting criteria the vesting schedule of one-fourth on 1 September 2005, one-half on 1 September 2006 and the remaining one-fourth on 1 September 2007.

(2) The exercise price of option disclosed is the higher of (i) the closing price of shares on the Australian Stock Exchange on the day on which the options are granted; and (ii) the average closing price of shares for the five trading days immediately preceding the day on which the options are granted.

(3) The price of the shares disclosed as at the date of grant of share options was the Australian Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

As at the date of this report, Hutchison Telecommunications Australia had 15,110,000 share options outstanding under the HTAL Option Plan, which represented approximately 2.23% of HTAL Shares in issue as at that date.

The fair value of options granted, determined using the Binomial valuation model, was A$0.15 per HTAL Share. The significant inputs into the model were weighted average share price of A$0.29 at the grant date, weighted average exercise price of A$0.45 per HTAL Share, weighted average standard deviation of expected share price returns of 52%, weighted average expected life of options of five years, expected dividend paid out rate of 0% and weighted average annual risk-free interest rate of 5.3%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.

(V) HUTCHISON TELECOMMUNICATIONS INTERNATIONAL

The share option plan of Hutchison Telecommunications International (the "HTIL Share Option Scheme") has a term of ten years commencing on the date on which the HTIL Share Option Scheme becomes unconditional and its purpose is to enable Hutchison Telecommunications International group (the "HTIL Group") to grant options to selected participants as incentives or rewards for their contribution to the HTIL Group, including but not limited to:

(a) any employee or consultant in the areas of finance, business or personnel administration or information technology (whether full-time or part-time, including any executive director but excluding any non-executive director) of Hutchison Telecommunications International, any of its subsidiary companies or any entity in which any member of the HTIL Group holds any equity interest, which is also referred to as an invested entity;

(b) any non-executive directors (including independent non-executive directors) of Hutchison Telecommunications International, any of Hutchison Telecommunications International's subsidiary companies or any invested entity;

(c) any supplier of goods or services to any member of the HTIL Group or any invested entity;

(d) any customer of any member of the HTIL Group or any invested entity;

(e) any person or entity that provides research, development or other technological support to any member of the HTIL Group or any invested entity;

(f) any shareholders or security holders of any member of the HTIL Group or any invested entity;

(g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the HTIL Group; and

(h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

The grant of any options by Hutchison Telecommunications International for the subscription of ordinary shares of Hutchison Telecommunications International (the "HTIL Shares") or other securities of Hutchison Telecommunications International to any person who falls within any of the above classes of participants shall not, by itself, unless the directors of Hutchison Telecommunications International otherwise determine, be construed as a grant of options under the HTIL Share Option Scheme. The eligibility of any of the foregoing class of participants to receive a grant of any options shall be determined by the directors of Hutchison Telecommunications International from time to time on the basis of their contribution to the development and growth of the HTIL Group.

The maximum number of HTIL Shares that may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the HTIL Share Option Scheme and any other share option plan must not in the aggregate exceed 30% of the HTIL Shares issued and outstanding from time to time. The total number of HTIL Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the HTIL Share Option Scheme and any other share option plan of the Hutchison Telecommunications International group) to be granted under the HTIL Share Option Scheme and any other share option plan of Hutchison Telecommunications International must not in the aggregate exceed 10% of the relevant class of securities of Hutchison Telecommunications International in issue as at 15 October 2004, the date on which the shares of Hutchison Telecommunications International were first listed and upon refreshing this general plan limit, the total number of shares which may be allotted and issued upon exercise of all options to be granted under the HTIL Share Option Scheme and any other plan of Hutchison Telecommunications International must not exceed 10% of the relevant class of securities of Hutchison Telecommunications International in issue as at the date of approval of the limit by its shareholders (the "HTIL Shareholders") in general meeting. Hutchison Telecommunications International may seek separate approval of HTIL Shareholders in a general meeting to grant options beyond these limits.

The total number of HTIL Shares issued and which may fall to be issued upon exercise of the options (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of Hutchison Telecommunications International for the time being. Any grant of options in excess of 1% in any such 12-month period must be approved by the HTIL Shareholders in a general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the HTIL Shareholders and the date of the board meeting proposing such further grant will be the date of grant for the purpose of calculating the exercise price if such grant is approved.

Any grant of options under the HTIL Share Option Scheme to a director, chief executive or substantial shareholder of Hutchison Telecommunications International or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director of Hutchison Telecommunications International who is also the grantee of the options). Approval of HTIL Shareholders in a general meeting is required if any grant of options to a substantial shareholder, an independent non-executive director of Hutchison Telecommunications International or any of their respective associates would result in the HTIL Shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) representing in the aggregate over 0.1% of the HTIL Shares in issue; and (2) having an aggregate value, based on the closing price of the HTIL Shares at the date of each grant, in excess of HK$5,000,000. Any such meeting must be in accordance with the Listing Rules. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of Hutchison Telecommunications International or any of their respective associates must also be approved by HTIL Shareholders in a general meeting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. The subscription price for HTIL Shares under the HTIL Share Option Scheme shall be a price determined by the directors of Hutchison Telecommunications International but shall not be less than the highest of: (1) the closing price of HTIL Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HTIL Shares on the date of the offer of grant which must be a business day; (2) the average closing price of HTIL Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HTIL Shares for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (3) the nominal value of the HTIL Shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The options are exercisable for a period of nine years commencing on the first anniversary of the date on which the option was offered, provided that no options may be exercised after 7 August 2015.

Hutchison Telecommunications International ceased to be a subsidiary of the Company on 21 December 2005. Accordingly, the disclosure made therein and for the share option schemes of Hutchison Global Communications and Partner Communications (both being subsidiaries of Hutchison Telecommunications International) as set out under sections (VI) and (VII) below are for the period up to 21 December 2005.

The following share options were outstanding under the HTIL Share Option Scheme for the period from 1 January to 21 December 2005:

Name or category of participant	Date of grant of share options[(1)]	Number of share options held at 1 January 2005	Granted from 1 January to 21 December 2005	Exercised from 1 January to 21 December 2005	Expired/ cancelled from 1 January to 21 December 2005	Number of share options held at 21 December 2005	Exercise period of share options	Exercise price of share options[(2)]	Price of HTIL Share: At grant date of share options[(3)]	Price of HTIL Share: At exercise date of share options
								HK$	HK$	HK$
Employees in aggregate	8.8.2005	N/A	76,300,000	-	(6,000,000)	70,300,000	8.8.2006 to 7.8.2015	8.70	8.60	N/A

Notes:

(1) *The share options will be vested according to a schedule, namely, as to as close to one-third of the shares of Hutchison Telecommunications International which are subject to the share options as possible by each of the three anniversaries of the date of offer of the share options and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the HTIL Share Option Scheme) on such vesting date.*

(2) *The exercise price of the share options is subject to adjustment, in accordance with the provisions of the HTIL Share Option Scheme, in the event of an alteration in the capital structure of Hutchison Telecommunications International.*

(3) *The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.*

As at 21 December 2005, Hutchison Telecommunications International had 70,300,000 share options outstanding under the HTIL Share Option Scheme, which represented approximately 1.48% of HTIL Shares in issue as at that date.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$3.05 at measurement date. The significant inputs into the model were HTIL Share price of HK$8.70, grant date on 8 August 2005, at exercise price of HK$8.70 per HTIL Share, standard deviation of expected share price returns of 27.76%, expected life of options of 5.5 to 6.5 years, zero expected dividend paid out rate, annual risk-free interest rate of 3.68% and an expected workforce turnover rate of 5%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable telecommunication companies over the last three years.

(VI) HUTCHISON GLOBAL COMMUNICATIONS

(i) 2002 Option Scheme

To enable Hutchison Global Communications to reward and provide incentives to, and to strengthen the business relationship of Hutchison Global Communications group (the "HGCH Group") with the prescribed classes of participants who may contribute to the growth and development of the HGCH Group, an option scheme (the "2002 Option Scheme") was adopted by Hutchison Global Communications on 2 April 2002. The 2002 Option Scheme will remain in force for ten years commencing on 2 April 2002.

Under the 2002 Option Scheme, the eligibility of the participants for the grant of any options shall be determined by the directors of Hutchison Global Communications ("HGCH Directors") from time to time on the basis of their contribution to the development and growth of the HGCH Group. The HGCH Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options for HGCH Shares:

(a) any employee/consultant or proposed employee/consultant (including executive director but excluding any non-executive director) of Hutchison Global Communications, any of its subsidiary companies or any entity (the "HGCH Invested Entity") in which a member of the HGCH Group holds any equity interest, including any executive director of Hutchison Global Communications, any of such subsidiary companies or any HGCH Invested Entity;

(b) any non-executive directors (including independent non-executive directors) of Hutchison Global Communications, any of its subsidiary companies or any HGCH Invested Entity;

(c) any supplier of goods or services to any member of the HGCH Group or any HGCH Invested Entity;

(d) any customer of any member of the HGCH Group or any HGCH Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the HGCH Group or any HGCH Invested Entity;

(f) any shareholder of any member of the HGCH Group or any HGCH Invested Entity, or any holder of any securities issued by any member of the HGCH Group or any HGCH Invested Entity;

(g) any other group or class of participants who has contributed or may contribute by way of a joint venture, business alliance or other business arrangement to the development and growth of the HGCH Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

The maximum number of HGCH Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Option Scheme and any other share option scheme must not in aggregate exceed 30% of the relevant class of shares of Hutchison Global Communications (or its subsidiary companies) in issue from time to time.

The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the 2002 Option Scheme and any other share option scheme of the HGCH Group must not in aggregate exceed 10% of the relevant class of shares of Hutchison Global Communications in issue at the date of approval of the limit by Hutchison Global Communications in a general meeting.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the 2002 Option Scheme and any other share option scheme of the HGCH Group, including both exercised or outstanding options, to each participant in any 12-month period, shall not exceed 1% of the issued share capital of Hutchison Global Communications for the time being unless approved by the shareholders of Hutchison Global Communications (the "HGCH Shareholders") in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Hutchison Global Communications, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Hutchison Global Communications. Where any grant of option to a substantial shareholder or an independent non-executive director of Hutchison Global Communications, or any of their associates would result in the HGCH Shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the HGCH Shares in issue; and (b) having an aggregate value (based on the closing price of the HGCH Shares at the date of each grant) in excess of HK$5,000,000, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director of Hutchison Global Communications, or any of their associates must be approved by the HGCH Shareholders in a general meeting.

An option may be accepted by a participant by the payment of a nominal value of HK$1. An option may be exercised in accordance with the terms of the 2002 Option Scheme at any time during a period to be determined on the date of offer of grant of the option and notified by the directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end, in any event, not later than 10 years from the date on which the offer of the grant of the options was made, subject to the provisions for early termination thereof. Unless otherwise determined by the HGCH Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the 2002 Option Scheme for the holding of an option before it can be exercised.

The exercise price of the HGCH Shares under the 2002 Option Scheme shall be a price determined by the HGCH Directors, but shall not be less than the highest of (i) the closing price of the HGCH Shares on the date of the offer of the grant; (ii) the average closing price of the HGCH Shares for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the HGCH Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2002 Option Scheme for the period from 1 January to 21 December 2005:

Name or category of participant	Date of grant of share options	Number of share options held at 1 January 2005	Granted from 1 January to 21 December 2005	Exercise from 1 January to 21 December 2005	Expired/ cancelled from 1 January to 21 December 2005	Number of share options held at 21 December 2005	Exercise period of share options	Exercise price of share options(3)	Price of HGCH Share At grant date of share options(4)	Price of HGCH Share At exercise date of share options
								HK$	HK$	HK$
Employees in aggregate	2.5.2002 (1)	6,850,000	-	-	(6,850,000)	-	2.5.2003 to 1.5.2006	0.940	0.930	N/A
	2.5.2003 (1)	3,800,000	-	-	(3,800,000)	-	2.5.2004 to 1.5.2007	0.340	0.315	N/A
	16.5.2003 (1)	750,000	-	-	(750,000)	-	16.5.2004 to 15.5.2007	0.410	0.410	N/A
	19.8.2004 (2)	105,000,000	-	-	(105,000,000)	-	19.8.2004 to 18.8.2008	0.480	0.480	N/A
Total:		116,400,000	-	-	(116,400,000)	-				

Notes:

(1) *The share options are exercisable, subject to the vesting schedule, commencing on the date on which the options are accepted to the earlier of the options lapses and the date falling four years from the date of grant of the options. One-third of the options are vested on the first anniversary of the date of grant and one-thirty sixth of which are vested equally on a monthly basis thereafter.*

(2) *The share options are exercisable subject to the vesting schedule of which approximately one-third of the options will be vested on 19 August 2005 and 19 August 2006 respectively and the balance of the options will be vested on 19 August 2007.*

(3) *The exercise price of the share options is subject to adjustment, in accordance with the provisions of the share option scheme, in the event of an alteration in the capital structure of Hutchison Global Communications.*

(4) *The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.*

In conjunction with the proposal made on 7 June 2005 to privatise Hutchison Global Communications by way of a scheme of arrangement, Hutchison Telecommunications International also made a cash or share offer in accordance with the Code on Takeovers and Mergers to the holders of the outstanding share options in consideration for allowing such options to lapse. As at 21 December 2005, there were no share options outstanding under the 2002 Option Scheme.

(ii) Share option schemes of subsidiary companies of Hutchison Global Communications

On 21 May 2001, Hutchison Global Communications approved the adoption by certain subsidiary companies (the "HGCH Subsidiaries") of their respective share option schemes (collectively the "HGCH Subsidiaries' Schemes"). The purpose of the adoption of the HGCH Subsidiaries' Schemes is to provide greater incentive to the HGCH Subsidiaries' employees, thereby improving their productivity and helping to retain key staff. The boards of directors of the HGCH Subsidiaries may, at their discretion, offer to grant options to subscribe for shares in the respective HGCH Subsidiaries to employees and any executive directors of the HGCH Subsidiaries. Subject to any earlier termination by the respective HGCH Subsidiaries, the HGCH Subsidiaries' Schemes shall be valid and effective for a period of 10 years from 21 May 2001. The issue of the shares in the respective HGCH Subsidiaries pursuant to the exercise of an option by the grantee shall be conditional upon the unconditional completion of the listing of the shares of the respective HGCH Subsidiaries (the "HGCH Subsidiary Shares") on any internationally recognised stock exchange. Subject to the above, an option may be exercised in accordance with the terms of the HGCH Subsidiaries' Schemes, but in any event shall not exceed ten years commencing from the date of grant of the option.

The total number of HGCH Subsidiary Shares which can be subscribed through exercising all options granted under the HGCH Subsidiaries' Schemes and any other share option scheme of the respective HGCH Subsidiaries shall in aggregate not exceed 10% of the total number of the HGCH Subsidiary Shares in issue from time to time (excluding any HGCH Subsidiary Shares issued pursuant to the HGCH Subsidiaries' Schemes). No option may be granted to any one person which if exercised in full would result in the total number of the HGCH Subsidiary Shares already issued and issuable to the grantee under all the options previously granted to him, and the proposed option, exceeding 25% of the total number of HGCH Subsidiary Shares subject to the HGCH Subsidiaries' Schemes.

The offer of a grant of share options may be accepted upon payment of a nominal consideration by the grantee of HK$1 for the respective HGCH Subsidiaries incorporated in Hong Kong, or an appropriate amount in the currency of the jurisdiction, if not in Hong Kong, in which the respective HGCH Subsidiaries have their principal places of business.

The minimum exercise price for the options granted under the HGCH Subsidiaries' Schemes shall be the higher of (i) the par value per the respective HGCH Subsidiary Shares; or (ii) 80% of the net asset value of the respective HGCH Subsidiaries, as stated in the latest audited financial statements or, if audited financial statements are not available, the latest management accounts of the respective HGCH Subsidiaries, divided by the number of the respective HGCH Subsidiary Shares in issue at the date of the latest audited financial statements or latest management accounts (as the case may be).

As at 21 December 2005, no options were granted under the HGCH Subsidiaries' Schemes.

(VII) PARTNER COMMUNICATIONS

In July 2004, the board of directors of Partner Communications approved an employee stock option plan (as amended on 1 March 2006) (the "2004 Plan") for options to be granted to employees under the provisions of the capital gain's tax route provided for in section 102 of the Israeli Income Tax Ordinance.

The purpose of the 2004 Plan is to promote the interests of Partner Communications and its shareholders by providing employees, officers and advisors of Partner Communications with appropriate incentives and rewards to encourage them to enter into and continue in the employment of or service to Partner Communications and to acquire a proprietary interest in the long-term success of Partner Communications. The 2004 Plan will remain in force for 10 years from its adoption in July 2004.

A total number of 5,775,000 ordinary shares of Partner Communications (the "PCCL Shares"), representing 3.15% of the total issued share capital of, Partner Communications as at the date of adoption of the 2004 Plan may be issued under the 2004 Plan. The maximum number of options which may be issued and allotted to each participants under the 2004 Plan shall not exceed 1,834,615 PCCL Shares, representing approximately 1% of the total number of shares in issue at the date of adoption of the 2004 Plan.

An option shall become cumulatively vested as to one-fourth (25%) of the shares covered thereby on each of the first, second, third and fourth anniversaries of the date of the relevant grant, unless otherwise set by the compensation committee of Partner Communications (the "PCCL Compensation Committee"), being appointed by the board of directors of Partner Communications to administer the 2004 Plan, in the relevant grant instrument. The exercise period during which an option may be exercised will be determined by the PCCL Compensation Committee and will not exceed ten years from the date of grant of options. No payment is required to be made by the grantee on application or acceptance of an option.

The PCCL Compensation Committee shall determine the exercise price per share (the "Option Exercise Price"). The Option Exercise Price will be determined taking into consideration the fair market value of a PCCL Share at the time of grant. Such fair market value on any date will be equal to the average of the closing sale price of PCCL Shares during the preceding thirty trading days, as such closing sale price is published by the national securities exchange in Israel on which the PCCL Shares are traded, or if there is no sale of PCCL Shares on such date, the average of the bid and asked prices on such exchange at the closing of trading on such date, or if PCCL Shares are not listed on a securities exchange in Israel or the over the counter market, the fair market value on such date as determined in good faith by the PCCL Compensation Committee.

The board of directors of Partner Communications adopted the 1998 Employee Stock Option Plan (the "1998 Plan") and 2000 Employee Stock Option Plan (the "2000 Plan") in 1998 and 2000 respectively. Until November 2003, Partner Communications granted options to senior managers and other employees pursuant to the 1998 Plan and 2000 Plan. In November 2003, the 1998 Plan and 2000 Plan were amended to conform with the changes in the Israeli Income Tax Ordinance (New Version), 1961. As a result, any grant of options after November 2003 would be subject to the terms of the 2000 Plan as so amended, referred to as the 2003 Amended Plan. No options will further be granted under the aforesaid three plans without the board of directors of Partner Communications approving relevant amendments being made necessary by the changes in Israeli laws and other regulatory requirements, as applicable.

The following share options were outstanding under the stock option plans of Partner Communications (the "PCCL Option Plans") during the period from 20 April 2005 (being the date on which Partner Communications became a subsidiary of the Company) to 21 December 2005:

Name or category of participant and corresponding Employee Stock Option Plan	Date of grant of share options(1)	Number of share options held at 20 April 2005(1)	Granted from 20 April to 21 December 2005	Exercised from 20 April to 21 December 2005	Expired/ cancelled from 20 April to 21 December during 2005	Number of share options held at 21 December 2005(1)	Exercise period of share options(2)	Exercise price of share options	Price of PCCL Share At date of grant of share options(3)	At exercise date of share options(4)
								US$/NIS	NIS	NIS
Employees in aggregate										
1998 Plan	5.11.1998 to 22.12.2002	889,386	-	(456,912)	-	432,474	5.11.1999 to 15.12.2011	US$0.343 and 20.45 NIS	0.01	38.52
2000 Plan	3.11.2000 to 30.12.2003	2,193,010	-	(565,929)	(43,500)	1,583,581	3.11.2000 to 30.12.2012	17.25 NIS to 27.35 NIS	17.25 to 27.35	38.81
2003 Amended Plan	30.12.2003	195,000	-	-	-	195,000	30.12.2003 to 30.12.2012	20.45 NIS	34.12	N/A
2004 Plan	29.11.2004 to 20.4.2005	5,158,500	350,000	(152,000)	(500,750)	4,855,750	29.11.2004 to 20.04.2015	26.74 NIS to 33.72 NIS	31.45 to 39.61	38.54
Total:		8,435,896	350,000	(1,174,841)	(544,250)	7,066,805				

Notes:

(1) *The number of share options disclosed is the aggregate figure of share options held at 20 April or 21 December 2005 under each of Partner Communications' stock option plans. The share options were granted on various date(s) during the corresponding period(s) and in respect of the 2003 Amended Plan, on the date of grant as disclosed.*

(2) *Subject to the terms of individual stock option plans, vesting schedules are in general: 25% of the options become vested on each of the first, second, third and fourth anniversaries of the date of employment of the grantee or date of grant, unless otherwise specified by the Employee Stock Option Committee.*

(3) *The price of the shares disclosed as at the date of grant of share options was the average closing price as recorded by the Tel Aviv Stock Exchange 30 days prior to the date of grant.*

(4) *The price of the shares disclosed as at the date of exercise of share options was the weighted average closing price of the shares immediately before the dates on which the options were exercised.*

As at 21 December 2005, Partner Communications had 7,066,805 share options outstanding under the PCCL Option Plans, which represented approximately 4.63% of PCCL Shares in issue as at that date.

The fair value of options granted, determined using the Black and Scholes valuation model, was NIS21.27 per share. The significant inputs into the model were share price of NIS38.10 at the grant date, exercise price of NIS33.72 per PCCL Share, standard deviation of expected share price returns of 58%, expected life of options of 5 years, expected dividend paid out rate of 0% and annual risk-free interest rate of 3.5%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Business

During the year ended 31 December 2005, the following Directors of the Company had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year required to be disclosed pursuant to Listing Rule 8.10:

Name of Director	Name of company	Nature of interest	Nature of competing business
Li Ka-shing	Cheung Kong	Chairman	- Property and hotels - Finance & investments and others
Li Tzar Kuoi, Victor	Cheung Kong	Managing Director and Deputy Chairman	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Chairman	- Energy, infrastructure, finance & investments and others
	CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")	Chairman	- Retail (research and development, manufacture and sale of environmental and human health products) - Finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Husky Energy	Co-Chairman	- Energy
Fok Kin-ning, Canning	Cheung Kong	Non-executive Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Deputy Chairman	- Energy, infrastructure, finance & investments and others
	Hanny Holdings Limited	Non-executive Director (Retired on 1 September 2005)	- Telecommunications (distribution and marketing of computer products and information technology services and solution) - Finance & investments and others
	Hongkong Electric	Chairman (since 1 November 2005) Deputy Chairman (From 1 January 2005 to 31 October 2005)	- Energy
	Husky Energy	Co-Chairman	- Energy
	Hutchison Global Communications *(Note)*	Chairman	- Telecommunications
	Hutchison Harbour Ring	Chairman	- Property
	Hutchison Telecommunications Australia	Chairman	- Telecommunications
	Panva Gas Holdings Limited	Non-executive Director	- Energy
	Partner Communications	Chairman	- Telecommunications

Name of Director	Name of company	Nature of interest	Nature of competing business
Chow Woo Mo Fong, Susan	Cheung Kong Infrastructure	Executive Director	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Non-executive Director	– Energy
	Hutchison Global Communications (Note)	Director	– Telecommunications
	Hutchison Harbour Ring	Executive Director	– Property
	Partner Communications	Director	– Telecommunications
	TOM Group	Non-executive Director	– Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online Inc. ("TOM Online")	Alternate Director	– Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)
Frank John Sixt	Cheung Kong	Non-executive Director	– Property and hotels – Finance & investments and others
	Cheung Kong Infrastructure	Executive Director	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Executive Director	– Energy
	Husky Energy	Director	– Energy
	Hutchison Global Communications (Note)	Director	– Telecommunications
	Hutchison Telecommunications Australia	Director	– Telecommunications
	Partner Communications	Director	– Telecommunications
	TOM Group	Chairman	– Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online	Chairman	– Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)

Name of Director	Name of company	Nature of interest	Nature of competing business
Lai Kai Ming, Dominic	Hutchison Global Communications (Note)	Deputy Chairman	- Telecommunications
	Hutchison Harbour Ring	Deputy Chairman	- Property
	Hutchison Telecommunications Australia	Director	- Telecommunications
Kam Hing Lam	Cheung Kong	Deputy Managing Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Group Managing Director	- Energy, infrastructure, finance & investments and others
	CK Life Sciences	President and Chief Executive Officer	- Retail (research and development, manufacture and sale of environmental and human health products) - Finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Spark Infrastructure Group	Non-executive Director (Appointed on 1 November 2005)	- Energy
George Colin Magnus	Cheung Kong	Non-executive Director (Since 1 November 2005) Deputy Chairman (From 1 January 2005 to 31 October 2005)	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Non-executive Director (Since 1 November 2005) Deputy Chairman (From 1 January 2005 to 31 October 2005)	- Energy, infrastructure, finance & investments and others
	Hongkong Electric	Non-executive Director (Since 1 November 2005) Chairman (From 1 January 2005 to 31 October 2005)	- Energy
William Shurniak	Husky Energy	Director and Deputy Chairman	- Energy

Note: Privatised on 15 July 2005

As the Board is independent of the boards of the above entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

During the year, Messrs Fok Kin-ning, Canning and Frank John Sixt are non-executive directors of Hutchison Telecommunications International which was engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan resigned as a non-executive director of Hutchison Telecommunications International on 21 December 2005 and was appointed as an alternate director to Mr Fok Kin-ning, Canning on the same date. The non-competition agreement entered into by the Company and Hutchison Telecommunications International on 24 September 2004 maintained a clear geographical delineation, underpinned by the regulatory regime, of the two groups' respective businesses ensuring there would be no competition between them.

The exclusive territory of the Group comprised the member countries of the European Union (prior to its enlargement in 2004), the Vatican City, the Republic of San Marino, the Channel Islands, Monaco, Switzerland, Norway, Greenland, Liechtenstein, Australia, New Zealand, the United States of America, Canada and, unless and until such time as the Hutchison Telecommunications International Group exercises its option to acquire our Group's interest in Hutchison Telecommunications Argentina S.A., Argentina. The exclusive territory of the HTIL Group comprised all the remaining countries of the world. There is no single country in which both groups have competing operations.

Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the ordinary shares of the Company. In addition, the Company has not redeemed any of its ordinary shares during the year.

Major Customers and Suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group turnover.

Public Float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, approximately 48% of the issued share capital of the Company was held by the public.

Auditors

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible will offer themselves for re-appointment.

By order of the Board

Edith Shih
Company Secretary

Hong Kong, 23 March 2006

AUDITORS' REPORT

To the Shareholders of Hutchison Whampoa Limited

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 123 to 208 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
	Company and subsidiary companies			
23,408	Revenue	6, 7	**182,584**	134,595
(8,052)	Cost of inventories sold		**(62,804)**	(52,006)
(3,299)	Staff costs		**(25,730)**	(21,478)
(1,532)	Telecommunications prepaid customer acquisition costs		**(11,954)**	(8,423)
(4,580)	Depreciation and amortisation	7	**(35,727)**	(30,727)
(7,722)	Other operating expenses		**(60,233)**	(39,146)
472	Change in fair value of investment properties		**3,685**	5,244
3,220	Profit on disposal of investments, elimination of minority interests and others	8	**25,117**	19,181
1,915		7	**14,938**	7,240
1,034	Share of profits less losses of associated companies	2(c), 21	**8,067**	5,921
504	Share of profits less losses of jointly controlled entities	2(c), 22	**3,927**	1,765
1,538		7	**11,994**	7,686
(1,975)	Interest and other finance costs	9	**(15,405)**	(11,220)
1,478	**Profit before taxation**		**11,527**	3,706
(322)	Current taxation charge	11	**(2,511)**	(2,386)
582	Deferred taxation credit	11	**4,538**	4,815
1,738	**Profit after taxation**		**13,554**	6,135
101	**Allocated as: Loss attributable to minority interests**		**789**	6,843
1,839	**Profit attributable to shareholders of the Company**	13	**14,343**	12,978
946	**Dividends**	12	**7,375**	7,375
US43.1cents	**Earnings per share for profit attributable to shareholders of the Company**	13	**HK$3.36**	HK$3.04

CONSOLIDATED BALANCE SHEET

at 31 December 2005

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
	ASSETS			
	Non-current assets			
15,933	Fixed assets	14	**124,278**	147,603
4,943	Investment properties	15	**38,557**	31,741
4,151	Leasehold land prepayments	16	**32,374**	31,037
10,849	Telecommunications licences	17	**84,624**	103,060
791	Telecommunications postpaid customer acquisition costs	18	**6,172**	6,823
2,302	Goodwill	19	**17,954**	10,577
459	Brand names and other rights	20	**3,579**	1,559
8,376	Associated companies	21	**65,334**	54,887
4,780	Interests in joint ventures	22	**37,284**	35,756
2,016	Deferred tax assets	23	**15,723**	12,259
567	Other non-current assets	24	**4,426**	8,230
7,778	Liquid funds and other listed investments	25	**60,669**	66,503
62,945			**490,974**	510,035
	Current assets			
6,374	Cash and cash equivalents	26	**49,717**	73,798
4,617	Trade and other receivables	27	**36,011**	45,873
2,607	Inventories		**20,337**	17,489
13,598			**106,065**	137,160
	Current liabilities			
7,291	Trade and other payables	28	**56,873**	66,245
3,337	Current borrowings	29	**26,028**	23,118
267	Current tax payables		**2,080**	1,898
10,895			**84,981**	91,261
2,703	**Net current assets**		**21,084**	45,899
65,648	**Total assets less current liabilities**		**512,058**	555,934
	Non-current liabilities			
30,626	Long term borrowings	29	**238,883**	259,875
1,763	Deferred tax liabilities	23	**13,750**	11,674
298	Pension obligations	30	**2,323**	2,424
445	Other non-current liabilities	31	**3,473**	2,167
33,132			**258,429**	276,140
32,516	**Net assets**		**253,629**	279,794

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
	CAPITAL AND RESERVES			
137	Share capital	32	**1,066**	1,066
31,088	Reserves		**242,488**	250,105
31,225	**Shareholders' funds**		**243,554**	251,171
1,291	Minority interests		**10,075**	28,623
32,516	**Total equity**	33	**253,629**	279,794

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
	Operating activities			
5,474	Cash generated from operating activities before interest and other finance costs, profits tax paid, telecommunications prepaid CACs [(a)] and changes in working capital	34 (a)	**42,699**	30,197
(1,941)	Interest and other finance costs		**(15,138)**	(11,427)
(85)	Hong Kong profits tax paid		**(663)**	(1,051)
(206)	Overseas profits tax paid		**(1,605)**	(1,319)
3,242	Funds from operations before telecommunications prepaid CACs		**25,293**	16,400
(1,532)	Telecommunications prepaid CACs		**(11,954)**	(8,423)
1,710	**Funds from operations**		**13,339**	7,977
(876)	Changes in working capital	34 (b)	**(6,829)**	(8,894)
834	**Net cash from (used in) operating activities**		**6,510**	(917)
	Investing activities			
(1,389)	Purchase of fixed assets and investment properties for established businesses		**(10,837)**	(11,689)
(1,801)	Purchase of fixed assets for 3G businesses		**(14,051)**	(21,428)
(272)	Additions to leasehold land prepayments		**(2,118)**	(1,065)
(28)	Purchase of telecommunications licences		**(221)**	(182)
(1,619)	Additions to telecommunications postpaid CACs		**(12,632)**	(12,804)
(102)	Additions to brand names and other rights		**(796)**	(30)
(1,106)	Purchase of subsidiary companies	34 (c)	**(8,630)**	(2,264)
(338)	Purchase of minority interests		**(2,638)**	(4,359)
(1,549)	Purchase of and advances to associated companies		**(12,079)**	(367)
(1,064)	Purchase of and advances to jointly controlled entities		**(8,296)**	(4,093)
(55)	Additions to other unlisted investments		**(430)**	(1,610)
361	Repayments from associated companies and non-property jointly controlled entities		**2,812**	830
81	Proceeds on disposal of fixed assets		**634**	1,216
994	Proceeds on disposal of subsidiary companies	34 (d)	**7,750**	48
640	Proceeds on partial disposal of subsidiary companies		**4,994**	9,300
1,545	Proceeds on disposal of associated companies	34 (e)	**12,048**	14,611
26	Proceeds on disposal of jointly controlled entities		**202**	–
54	Proceeds on disposal of other unlisted investments		**424**	307
25	Proceeds on disposal of infrastructure project investments		**196**	–
365	Disposal of liquid funds and other listed investments		**2,850**	15,430
(12)	Additions to liquid funds and other listed investments		**(95)**	(7,166)
(5,244)	**Cash flows used in investing activities**		**(40,913)**	(25,315)

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
	Financing activities			
11,074	New borrowings		**86,374**	76,812
(8,602)	Repayment of borrowings		**(67,092)**	(79,118)
96	Issue of shares by subsidiary companies to minority shareholders		**749**	376
(299)	Dividends paid to minority shareholders		**(2,334)**	(2,598)
(946)	Dividends paid to shareholders		**(7,375)**	(7,375)
1,323	**Cash flows from (used in) financing activities**		**10,322**	(11,903)
(3,087)	Decrease in cash and cash equivalents		**(24,081)**	(38,135)
9,461	Cash and cash equivalents at 1 January		**73,798**	111,933
6,374	**Cash and cash equivalents at 31 December**		**49,717**	73,798
	Analysis of cash, liquid funds and other listed investments			
6,374	Cash and cash equivalents, as above		**49,717**	73,798
7,778	Liquid funds and other listed investments	25	**60,669**	66,503
14,152	**Total cash, liquid funds and other listed investments**		**110,386**	140,301
33,963	Bank and other interest bearing borrowings		**264,911**	282,993
19,811	**Net debt**		**154,525**	142,692

(a) CACs represents customer acquisition costs

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2005

2005 US$ millions		Note	2005 HK$ millions	As restated Note 2 2004 HK$ millions
(15)	Fair value changes in available-for-sale investments		**(117)**	–
–	Fair value changes in other listed equity investments		**–**	672
158	Fair value changes arising from business combination		**1,233**	–
24	Fair value adjustment upon transfer from other properties to investment properties		**188**	–
(4)	Deferred tax effect on fair value adjustment upon transfer from other properties to investment properties		**(31)**	–
(108)	Valuation released upon disposal of available-for-sale investments		**(845)**	–
–	Valuation released upon disposal of other listed equity investments		**–**	(585)
–	Deferred tax effect on revaluation of other listed equity investments		**–**	(39)
46	Gain on cash flow hedges		**357**	–
(1,976)	Exchange translation differences		**(15,415)**	9,047
(37)	Actuarial gains and losses of defined benefit plans		**(283)**	(340)
12	Deferred tax effect on actuarial gains and losses of defined benefit plans		**93**	13
(1,900)	Net income (expense) recognised directly in equity	33	**(14,820)**	8,768
1,738	Profit after taxation		**13,554**	6,135
(162)	Total recognised income and expense	33	**(1,266)**	14,903
(230)	Allocated as: Attributable to minority interests		**(1,797)**	(5,782)
68	Attributable to shareholders of the Company		**531**	20,685

Effects of the adoption of new and revised Hong Kong Financial Reporting Standards accounting policies for each component of equity:

US$ millions		Note	HK$ millions	HK$ millions
	Attributable to shareholders of the Company			
	Cumulative effects as at 31 December 2004 (31 December 2003)			
(81)	Decrease in exchange reserve		**(629)**	(580)
11	Increase in other reserves		**89**	35
(1,170)	Decrease in retained profit		**(9,130)**	(5,665)
	In respect of financial instruments as at 1 January 2005 (1 January 2004)			
6	Increase in exchange reserve		**49**	–
262	Increase in other reserves		**2,044**	–
(351)	Decrease in retained profit		**(2,739)**	–
(1,323)	Effects on shareholders' funds	33	**(10,316)**	(6,210)
	Attributable to minority interests			
(178)	Cumulative effects as at 31 December 2004 (31 December 2003)		**(1,390)**	(882)
(29)	In respect of financial instruments as at 1 January 2005 (1 January 2004)		**(229)**	–
(207)	Effects on minority interests	33	**(1,619)**	(882)
(1,530)			**(11,935)**	(7,092)

1 Adoption of new and revised Hong Kong Financial Reporting Standards

Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes Hong Kong Accounting Standards "HKAS" and related Interpretations "INT") that are effective or available for early adoption for the financial year beginning 1 January 2005. In the current year, the Group has adopted retrospectively, where required, all remaining new and revised HKFRS that are currently in issue and effective for the financial year beginning 1 January 2005 and has elected to early adopt Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures, ahead of its effective date of 1 January 2006.

HKICPA may issue new and revised standards and interpretations subsequent to the date of issuance of these accounts. In addition, interpretations on the application of HKFRS will continue to develop. These factors may require adoption of new accounting policies.

Note 2 sets out information on the effect of the adoption of new and revised HKFRS accounting policies for the current and prior years. As explained in note 2(n), HKAS 39, Financial instruments: recognition and measurement, does not require retrospective application and therefore adjustments made with respect to the changes in accounting policies under this standard are only recorded as at 1 January 2005 with no retrospective adjustments made to prior year comparatives.

2 Effect of the adoption of new and revised HKFRS accounting policies

The effect, where material, of the adoption is summarised below.

(a) Restatement of prior year and opening balances

(i) Effect on the consolidated profit and loss account for the year ended 31 December 2004

		Effect of adopting new policies – increase (decrease) in profit attributable to shareholders of the Company													
in HK$ millions	2004 (as previously reported)	HKAS 1 (c) & (d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)	Sub-total	2004 (as restated)
Company and subsidiary companies															
Revenue	134,595	–	–	–	–	–	–	–	–	–	–	–	–	–	134,595
Cost of inventories sold	(52,006)	–	–	–	–	–	–	–	–	–	–	–	–	–	(52,006)
Staff costs	(21,525)	–	–	–	–	–	–	103	–	–	–	–	(56)	47	(21,478)
Telecommunications prepaid customer acquisition costs	(8,423)	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,423)
Depreciation and amortisation	(30,263)	–	–	–	3	(62)	–	–	–	–	(405)	–	–	(464)	(30,727)
Other operating expenses	(38,680)	–	(1,062)	–	63	–	–	19	–	–	488	–	26	(466)	(39,146)
Change in fair value of investment properties	5,244	–	–	–	–	–	–	–	–	–	–	–	–	–	5,244
Profit on disposal of investments, elimination of minority interests and others	19,181	–	–	–	–	–	–	–	–	–	–	–	–	–	19,181
	8,123	–	(1,062)	–	66	(62)	–	122	–	–	83	–	(30)	(883)	7,240
Share of profits less losses of:															
Associated companies	8,822	(2,813)	–	–	–	(27)	–	–	–	(33)	–	–	(28)	(2,901)	5,921
Jointly controlled entities	2,422	(612)	–	–	(13)	(27)	(5)	–	–	–	–	–	–	(657)	1,765
	11,244	(3,425)	–	–	(13)	(54)	(5)	–	–	(33)	–	–	(28)	(3,558)	7,686
Interest and other finance costs	(12,712)	1,662	–	–	(23)	–	–	–	–	–	(147)	–	–	1,492	(11,220)
Profit before taxation	6,655	(1,763)	(1,062)	–	30	(116)	(5)	122	–	(33)	(64)	–	(58)	(2,949)	3,706
Current taxation charge	(3,776)	1,390	–	–	–	–	–	–	–	–	–	–	–	1,390	(2,386)
Deferred taxation credit	6,818	373	–	(2,341)	(7)	–	–	(28)	–	–	–	–	–	(2,003)	4,815
Profit after taxation	9,697	–	(1,062)	(2,341)	23	(116)	(5)	94	–	(33)	(64)	–	(58)	(3,562)	6,135
Allocated as:															
Loss attributable to minority interests	6,431	–	92	265	9	7	–	(3)	–	5	17	–	20	412	6,843
Profit attributable to shareholders of the Company	16,128	–	(970)	(2,076)	32	(109)	(5)	91	–	(28)	(47)	–	(38)	(3,150)	12,978
Earnings per share for profit attributable to shareholders of the Company	HK$3.78	–	(HK$0.23)	(HK$0.49)	HK$0.01	(HK$0.03)	–	HK$0.02	–	–	(HK$0.01)	–	(HK$0.01)	(HK$0.74)	HK$3.04

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(a) Restatement of prior year and opening balances (continued)

(ii) Effect on the consolidated balance sheet as at 31 December 2004 and 1 January 2005

in HK$ millions	31.12 2004 (as previously reported)	Effect of adopting new policies - increase (decrease) in net assets: HKAS 1 (c) & (d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKFRS 2 (o)	Sub-total	31.12 2004 (as restated)	Effect of HKAS 39 (n)	1.1 2005 (as restated)
Assets																
Non-current assets																
Fixed assets	210,937	(31,741)	–	–	(21)	(151)	(31,124)	–	–	–	(297)	–	(63,334)	147,603	–	147,603
Investment properties	–	31,741	–	–	–	–	–	–	–	–	–	–	31,741	31,741	–	31,741
Leasehold land prepayments	–	–	–	–	–	–	31,037	–	–	–	–	–	31,037	31,037	–	31,037
Telecommunications licences	102,138	–	–	–	–	–	–	–	–	–	922	–	922	103,060	(153)	102,907
Telecommunications postpaid customer acquisition costs	6,823	–	–	–	–	–	–	–	–	–	–	–	–	6,823	–	6,823
Goodwill	10,241	–	–	181	–	–	–	(15)	170	–	–	–	336	10,577	–	10,577
Brand names and other rights	–	–	–	–	–	–	–	–	–	–	1,559	–	1,559	1,559	–	1,559
Associated companies	55,332	–	–	–	(15)	(76)	–	(6)	47	(395)	–	–	(445)	54,887	(600)	54,287
Interests in joint ventures	35,963	–	–	–	(103)	(82)	(32)	10	–	–	–	–	(207)	35,756	(2,399)	33,357
Deferred tax assets	19,384	–	–	(7,125)	–	–	–	–	–	–	–	–	(7,125)	12,259	–	12,259
Other non-current assets	8,230	–	–	–	–	–	–	–	–	–	–	–	–	8,230	(549)	7,681
Liquid funds and other listed investments	66,503	–	–	–	–	–	–	–	–	–	–	–	–	66,503	(775)	65,728
	515,551	–	–	(6,944)	(139)	(309)	(119)	(11)	217	(395)	2,184	-	(5,516)	510,035	(4,476)	505,559
Current assets																
Cash and cash equivalents	73,798	–	–	–	–	–	–	–	–	–	–	–	–	73,798	–	73,798
Trade and other receivables	46,916	–	(657)	–	–	–	–	–	–	–	(386)	–	(1,043)	45,873	(192)	45,681
Inventories	17,970	–	(481)	–	–	–	–	–	–	–	–	–	(481)	17,489	–	17,489
	138,684	–	(1,138)	–	–	–	–	–	–	–	(386)	–	(1,524)	137,160	(192)	136,968
Current liabilities																
Trade and other payables	63,510	1,944	–	–	668	-	13	(9)	–	–	107	12	2,735	66,245	(2,288)	63,957
Current borrowings	23,118	–	–	–	–	–	–	–	–	–	–	–	–	23,118	–	23,118
Current tax payables	1,898	–	–	–	–	–	–	–	–	–	–	–	–	1,898	–	1,898
	88,526	1,944	–	–	668	–	13	(9)	–	–	107	12	2,735	91,261	(2,288)	88,973
Net current assets	50,158	(1,944)	(1,138)	–	(668)	–	(13)	9	–	–	(493)	(12)	(4,259)	45,899	2,096	47,995
Total assets less current liabilities	565,709	(1,944)	(1,138)	(6,944)	(807)	(309)	(132)	(2)	217	(395)	1,691	(12)	(9,775)	555,934	(2,380)	553,554
Non-current liabilities																
Long term borrowings	254,779	5,096	–	–	–	–	–	–	–	–	–	–	5,096	259,875	(2,544)	257,331
Deferred tax liabilities	11,893	–	–	–	2	–	(18)	(203)	–	–	–	–	(219)	11,674	(32)	11,642
Pension obligations	1,143	–	–	–	–	–	–	1,281	–	–	–	–	1,281	2,424	–	2,424
Other non-current liabilities	–	–	–	–	–	–	–	–	–	–	2,167	–	2,167	2,167	1,071	3,238
	267,815	5,096	–	–	2	–	(18)	1,078	–	–	2,167	–	8,325	276,140	(1,505)	274,635
Minority interests	37,053	(37,053)	–	–	–	–	–	–	–	–	–	–	(37,053)	–	–	–
Net assets	260,841	30,013	(1,138)	(6,944)	(809)	(309)	(114)	(1,080)	217	(395)	(476)	(12)	18,953	279,794	(875)	278,919
Capital and reserves																
Share capital	1,066	–	–	–	–	–	–	–	–	–	–	–	–	1,066	–	1,066
Reserves	259,775	–	(1,040)	(6,230)	(557)	(289)	(64)	(1,017)	210	(334)	(341)	(8)	(9,670)	250,105	(646)	249,459
Shareholders' funds	260,841	–	(1,040)	(6,230)	(557)	(289)	(64)	(1,017)	210	(334)	(341)	(8)	(9,670)	251,171	(646)	250,525
Minority interests	–	30,013	(98)	(714)	(252)	(20)	(50)	(63)	7	(61)	(135)	(4)	28,623	28,623	(229)	28,394
Total equity	260,841	30,013	(1,138)	(6,944)	(809)	(309)	(114)	(1,080)	217	(395)	(476)	(12)	18,953	279,794	(875)	278,919

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(b) Estimated effect on the current year

(i) Estimated effect on the consolidated profit and loss account for the year ended 31 December 2005

in HK$ millions	HKAS 1 (c) & (d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)	Total
	Estimated effect of adopting new policies – increase (decrease) in profit attributable to shareholders of the Company												
Company and subsidiary companies													
Revenue	–	–	–	–	–	–	–	–	–	–	–	–	–
Cost of inventories sold	–	–	–	–	–	–	–	–	–	–	–	–	–
Staff costs	–	–	–	–	–	–	80	–	–	–	–	(134)	(54)
Telecommunications prepaid customer acquisition costs	–	–	–	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation	–	–	–	161	(76)	–	–	–	–	(637)	–	–	(552)
Other operating expenses	–	(706)	–	(35)	–	–	–	–	–	706	350	–	315
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	–	–
Profit on disposal of investments, elimination of minority interests and others	–	–	–	–	–	–	2	–	212	93	54	30	391
	–	(706)	–	126	(76)	–	82	–	212	162	404	(104)	100
Share of profits less losses of:													
Associated companies	(4,190)	–	–	11	(43)	–	30	–	–	–	102	(18)	(4,108)
Jointly controlled entities	(1,454)	–	–	(17)	(61)	(5)	(1)	–	–	–	–	–	(1,538)
	(5,644)	–	–	(6)	(104)	(5)	29	–	–	–	102	(18)	(5,646)
Interest and other finance costs	2,751	–	–	(12)	–	–	–	–	–	(148)	3	–	2,594
Profit before taxation	(2,893)	(706)	–	108	(180)	(5)	111	–	212	14	509	(122)	(2,952)
Current taxation charge	1,608	–	–	–	–	–	–	–	–	–	–	–	1,608
Deferred taxation credit	1,285	–	(3,990)	–	1	–	(26)	–	–	–	(26)	1	(2,755)
Profit after taxation	–	(706)	(3,990)	108	(179)	(5)	85	–	212	14	483	(121)	(4,099)
Allocated as:													
Loss attributable to minority interests	–	33	326	(29)	8	–	(8)	–	(33)	36	(46)	59	346
Profit attributable to shareholders of the Company	–	(673)	(3,664)	79	(171)	(5)	77	–	179	50	437	(62)	(3,753)
Earnings per share for profit attributable to shareholders of the Company	–	(HK$0.16)	(HK$0.86)	HK$0.02	(HK$0.04)	–	HK$0.02	–	HK$0.04	HK$0.01	HK$0.10	(HK$0.01)	(HK$0.88)

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(b) Estimated effect on the current year (continued)

(ii) Estimated effect on the consolidated balance sheet as at 31 December 2005

	Estimated effect of adopting new policies – increase (decrease) in net assets												
in HK$ millions	HKAS 1 (c) & (d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)	Total
Assets													
Non-current assets													
Fixed assets	(38,557)	–	–	415	(196)	(32,464)	–	–	–	(211)	–	–	(71,013)
Investment properties	38,557	–	–	–	–	–	–	–	–	–	–	–	38,557
Leasehold land prepayments	–	–	–	–	–	32,374	–	–	–	–	–	–	32,374
Telecommunications licences	–	–	–	–	–	–	–	–	–	–	(133)	–	(133)
Telecommunications postpaid customer acquisition costs	–	–	–	–	–	–	–	–	–	–	–	–	–
Goodwill	–	46	572	6	–	–	(13)	121	–	–	84	–	816
Brand names and other rights	–	–	–	–	–	–	–	–	–	1,954	–	–	1,954
Associated companies	–	–	–	(104)	(118)	-	(146)	(50)	(110)	(221)	(142)	(2)	(893)
Interests in joint ventures	–	–	–	(120)	(144)	(37)	19	–	–	–	(754)	–	(1,036)
Deferred tax assets	–	–	(10,100)	–	–	–	–	–	–	–	–	–	(10,100)
Other non-current assets	–	–	–	–	–	–	–	–	–	–	(1,455)	–	(1,455)
Liquid funds and other listed investments	–	–	–	–	–	–	–	–	–	–	(1,580)	–	(1,580)
	–	46	(9,528)	197	(458)	(127)	(140)	71	(110)	1,522	(3,980)	(2)	(12,509)
Current assets													
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other receivables	–	(1,362)	–	–	–	–	–	–	–	(1,140)	(76)	–	(2,578)
Inventories	–	(464)	–	–	–	–	–	–	–	–	4	–	(460)
	–	(1,826)	–	–	–	–	–	–	–	(1,140)	(72)	–	(3,038)
Current liabilities													
Trade and other payables	3,159	–	–	523	–	10	37	–	–	–	(2,088)	12	1,653
Current borrowings	–	–	–	–	–	–	–	–	–	–	15	–	15
Current tax payables	–	–	–	–	–	–	–	–	–	–	–	–	–
	3,159	–	–	523	–	10	37	–	–	–	(2,073)	12	1,668
Net current assets	(3,159)	(1,826)	–	(523)	–	(10)	(37)	–	–	(1,140)	2,001	(12)	(4,706)
Total assets less current liabilities	(3,159)	(1,780)	(9,528)	(326)	(458)	(137)	(177)	71	(110)	382	(1,979)	(14)	(17,215)
Non-current liabilities													
Long term borrowings	5,429	–	–	–	–	–	–	–	–	–	(3,972)	–	1,457
Deferred tax liabilities	–	–	–	–	30	(17)	(203)	–	–	–	(27)	(1)	(218)
Pension obligations	–	–	–	–	–	–	1,042	–	–	–	–	–	1,042
Other non-current liabilities	–	–	–	–	–	–	–	–	–	662	2,811	–	3,473
	5,429	–	–	–	30	(17)	839	–	–	662	(1,188)	(1)	5,754
Minority interests	(18,663)	–	–	–	–	–	–	–	–	–	–	–	(18,663)
Net assets	10,075	(1,780)	(9,528)	(326)	(488)	(120)	(1,016)	71	(110)	(280)	(791)	(13)	(4,306)
Capital and reserves													
Share capital	–	–	–	–	–	–	–	–	–	–	–	–	–
Reserves	–	(1,695)	(8,983)	(319)	(460)	(69)	(970)	71	(93)	(277)	(691)	(14)	(13,500)
Shareholders' funds	–	(1,695)	(8,983)	(319)	(460)	(69)	(970)	71	(93)	(277)	(691)	(14)	(13,500)
Minority interests	10,075	(85)	(545)	(7)	(28)	(51)	(46)	–	(17)	(3)	(100)	1	9,194
Total equity	10,075	(1,780)	(9,528)	(326)	(488)	(120)	(1,016)	71	(110)	(280)	(791)	(13)	(4,306)

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

The following sets out further information on the adoption of new and revised HKFRS accounting policies for the financial year beginning 1 January 2005 which have been reflected in these accounts. The financial impact is summarised in notes 2(a) and 2(b).

(c) Share of profits less losses of associated companies and jointly controlled entities (HKAS 1, Presentation of financial statements)

In prior years, share of profits less losses of associated companies and jointly controlled entities were presented in the consolidated profit and loss account before the change in fair value of investment properties, interest expense and other finance costs, taxation and minority interests in the associated companies and jointly controlled entities. With effect from 1 January 2005, in accordance with Guidance on Implementing HKAS 1, the Group's share of the results of the associated companies and jointly controlled entities is presented after the change in fair value of investment properties, interest expense and other finance costs, taxation and minority interests in the associated companies and jointly controlled entities.

The presentation of share of profits less losses of associated companies and jointly controlled entities in the consolidated profit and loss account for the comparative year has been restated accordingly.

(d) Minority interests and investment properties (HKAS 1 and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets, and minority interests in the results of the Group were presented in the consolidated profit and loss account separately as a deduction before arriving at the profit attributable to shareholders of the Company. With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit after taxation between the minority interests and the shareholders of the Company. The presentation of minority interests in the consolidated profit and loss account, consolidated balance sheet and consolidated statement of recognised income and expense for the comparative year has been restated accordingly.

In prior years, investment properties were presented as part of fixed assets in the consolidated balance sheet. With effect from 1 January 2005, in order to comply with HKAS 1, investment properties are presented on the face of the consolidated balance sheet. This change in presentation has been applied retrospectively.

(e) Recognition of losses of handsets delivered to dealers (HKAS 2, Inventories)

In prior years, losses related to handsets delivered to dealers were deferred to match to the economic benefits arising from customer acquisition through the dealers. This deferral and matching treatment as prescribed under SSAP 22, Inventories has been eliminated by HKAS 2. With effect from 1 January 2005, in order to comply with HKAS 2, such losses are recognised when the handsets are delivered to dealers. This change in accounting policy has been applied retrospectively.

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(f) Deferred tax assets (HKAS 12, Income taxes)

The Group recognises deferred tax assets for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Because there is no quantification of likelihood provided in HKFRS on the term "probable" it is subject to a varying degree of interpretations. In prior years, probable was interpreted as a more-than-50% likelihood. On transition to HKFRS and on adoption of HKAS 12, the Group has adopted the current interpretation of probable which require a higher hurdle of recognition after assessing all available evidence for the recognition of deferred tax assets for the carry forward of unused tax losses. This change in accounting policy has been applied retrospectively.

(g) Site restoration cost (HKAS 16, Property, plant and equipment)

In accordance with HKAS 16 and its current interpretation, site restoration costs incurred as a consequence of acquiring or using the site are included in the cost of an asset. In prior years, such costs were accounted for to the extent it was recognised as a provision. This change in accounting policy has been applied retrospectively.

(h) Hotel properties and golf courses (Hong Kong Interpretation 2 "HK-INT 2", The appropriate policies for hotel properties)

Hotel properties and golf courses are accounted for at cost less accumulated depreciation. The depreciable amount of the hotel and golf course buildings are depreciated over their remaining useful life and, when the hotel property and golf course are located on leasehold land, the carrying amount of the leasehold land is amortised over the shorter of the remaining term of the lease and the remaining useful life. In prior years, hotel properties and golf courses with unexpired lease term of more than 20 years were accounted for at cost, and when the unexpired lease term was 20 years or less, depreciation was provided on the then carrying value over the remaining term of the lease. This change in accounting policy has been applied retrospectively.

(i) Leasehold land prepayments (HKAS 17, Leases)

The adoption of HKAS 17, Leases has resulted in a change to the accounting policy relating to the reclassification of leasehold land separate from fixed assets to prepaid operating leases. The up-front prepayments made for the leasehold land are presented on the face of the balance sheet as leasehold land prepayments and expensed in the profit or loss on a straight-line basis over the period of the lease. In prior years, the leasehold land prepayments was accounted for at cost or valuation less accumulated depreciation. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the accounts. This change in accounting policy has been applied retrospectively.

(j) Actuarial gains and losses (Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures)

Amendment to HKAS 19 provides an option of recognising actuarial gains and losses in full in the year in which they occur, outside profit or loss, in reserves. The Group has elected to take the option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the transitional unrecognised liabilities on initial adoption of SSAP 34, Employee benefits. In prior years, cumulative unrecognised net actuarial gains and losses, to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets, were recognised in the profit or loss over the average remaining service lives of employees. This change in accounting policy has been applied retrospectively.

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(k) Translation of goodwill relating to a net investment in a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate at each balance sheet date. The previous treatment of goodwill as a non-monetary item which was translated at historic exchange rate is not allowed by HKAS 21. This change in accounting policy has been applied retrospectively.

(l) Recognition of losses of associated companies (HKAS 28, Investments in associates)

Share of loss of an associated company is recognised to the extent of the Group's interest in the associated company. The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term receivables and loans that, in substance, form part of the Group's net investment in the associated company. In prior years, the share of loss of an associated company is recognised to the extent of the carrying amount of the investment in the associated company under the equity method. This change in accounting policy has been applied retrospectively.

(m) Telecommunications licences, other rights (HKAS 38, Intangible assets, HKAS 17 and HKAS 32, Financial instruments: disclosure and presentation)

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. The methods of payment for these rights vary from country to country and include fixed upfront payment and/or periodic payments comprising fixed and/or variable elements in subsequent years.

In prior years, fixed periodic payments made subsequent to the commercial launch of services were charged to the profit or loss as incurred. On transition to HKFRS the Group's listed associated company (formerly a subsidiary) Hutchison Telecommunications International ("HTIL") has adopted the current interpretation of HKAS 38 and HKAS 17 which considers telecommunications licences to be assets representing the right to provide a telecommunications service rather than a right to use an identifiable asset, being the radio spectrum allocated to HTIL under the terms of the licence. In measuring the asset, HTIL has applied HKAS 32 for recognition of the fixed periodic payments as these payments constitute a contractual obligation to deliver cash and hence are considered a financial liability. With effect from 1 January 2005, HTIL has changed its policy in accounting for telecommunications licences whereby upfront payments made for acquiring the telecommunications spectrum licences plus capitalised present value of fixed periodic payments to be made in subsequent years, together with interest accrued prior to the date of first commercial usage of the spectrum, are capitalised and disclosed as non-current assets in the consolidated balance sheet. Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the spectrum over the remaining licence period and are stated net of accumulated amortisation. Interest accrued on the present value of fixed periodic payments is charged to interest expense in the profit or loss after the commercial launch. Variable periodic payments made subsequent to the commercial launch of services continue to be recognised in the profit or loss as incurred. This change in accounting policy has been applied retrospectively.

On adoption of HKAS 38, certain other rights that were presented in prior years as part of other non-current assets are presented within brand names and other rights in the consolidated balance sheet with effect from 1 January 2005. This change in presentation has been applied retrospectively.

2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(n) Financial instruments (HKAS 32 and HKAS 39, Financial instruments: recognition and measurement)

HKAS 32 prescribes disclosure requirements of financial instruments and these disclosure requirements have been applied, where applicable, retrospectively. HKAS 39 deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, does not require the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarised in notes 3(m), 3(n) and 3(s).

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the fair value (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method. In prior years, borrowings and debt instruments were stated at the nominal principal balance and the initial transaction costs incurred were capitalised and included under other non-current assets. The transaction costs were amortised on a straight-line basis over the period of the borrowings.

The Group applied the SSAP 24, Accounting for investments in securities for the 2004 comparative information. No comparatives have been restated and the transitional reclassification adjustments are determined and recorded as at 1 January 2005 and are shown in note 33 as "Adjustments in respect of changes in accounting policies for financial instruments" and new accounting policies and reclassification of the financial assets and liabilities resulting from the adoption of HKAS 39 are effective from 1 January 2005.

(o) Employee share option scheme (HKFRS 2, Share-based payment)

The Company has no share option schemes. Certain of the Company's subsidiary companies and associated companies which have share option schemes recognise the fair value of share options granted to employees as an expense in the profit or loss and a corresponding increase in other reserves within equity. As a transitional provision, the cost of share options granted after 7 November 2002 and had not vested on 1 January 2005 was expensed retrospectively in the profit or loss of the respective years. In the prior years, the provision of share options to employees did not result in an expense in the profit or loss.

At the date of authorisation of these accounts, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital disclosures
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HKFRS Interpretation 4	Determining whether an arrangement contains a lease
HKFRS Interpretation 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HKFRS Interpretation 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment

Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKFRS 3 (Amendment)	Business combinations

The adoption of the above standards and interpretations in future periods is not expected to result in substantial changes to the Group's accounting policies.

3 Significant accounting policies

The accounts have been prepared in accordance with HKFRS issued by HKICPA. The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out below.

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2005 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 3(c) and 3(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2005 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity in which the Group, directly or indirectly, controls more than 50% of the equity voting rights or holds more than 50% of the issued share capital or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 3(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

An associate is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities are joint venture which involves the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

3 Significant accounting policies (continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Motor vehicles	20 - 25%
Plant, machinery and equipment	$3^1/_3$ - $33^1/_3$%
Container terminal equipment	5 - 20%
Telecommunications equipment	2.8 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit or loss.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in the profit or loss.

(g) Leasehold land prepayments

The upfront prepayments made for the leasehold land are presented on the face of the balance sheet as leasehold land prepayments and expensed in the profit or loss on a straight-line basis over the period of the lease.

(h) Telecommunications licences

Telecommunications licences are comprised of the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date of first commercial usage of the spectrum. Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence periods ranging from approximately 11 to 19 years.

(i) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties ("Telecommunications postpaid CACs") are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12-24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, ("Telecommunications prepaid CACs") are expensed in the period incurred.

3 Significant accounting policies (continued)

(j) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the profit or loss.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Brand names and other rights

The payments made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with definite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(m) Liquid funds and other listed investments and other unlisted investments

Liquid funds and other listed investments are investments in listed debt securities, listed equity securities, long term deposits and cash and cash equivalents. Other unlisted investments, disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and infrastructure projects. These investments are recognised and derecognised on the date the Group commits to purchase or sell the investments or when they expire.

The accounting policies for these investments, other than cash and cash equivalents, in prior years up to 31 December 2004, and up to adoption of HKAS 32 and HKAS 39 on 1 January 2005 are as follows:

Listed debt securities

In prior years, listed debt securities were presented in the balance sheet under liquid funds and other listed investments as listed held-to-maturity debt securities and were measured at cost less provision for impairment in value. From 1 January 2005, investments in listed debt securities are classified as either held-to-maturity investments or available-for-sale investments, which are accounted for as described below.

3 Significant accounting policies (continued)

(m) Liquid funds and other listed investments and other unlisted investments (continued)

Listed equity securities

Listed equity securities represent investments in listed companies which are not subsidiary companies nor associated companies nor joint ventures. In prior years, listed equity securities were presented in the balance sheet under liquid funds and other listed investments as listed equity securities, Hong Kong or listed equity securities, outside Hong Kong and were measured at fair value. From 1 January 2005, investments in listed equity securities are either classified as available-for-sale investments or designated as financial assets at fair value through profit or loss, which are accounted for as described below.

Long term deposits

In prior years, long term deposits were carried at cost less impairment. From 1 January 2005, long term deposits are classified as loans and receivables, which are accounted for as described below.

Unlisted debt securities

In prior years, unlisted debt securities were presented in the balance sheet under other non-current assets as other unlisted investments – held-to-maturity debt securities and were measured at cost less provision for impairment in value. From 1 January 2005, investments in unlisted debt securities are classified as loans and receivables, which are accounted for as described below.

Unlisted equity securities

Unlisted equity securities represent investments in unlisted companies which are not subsidiary companies nor associated companies nor joint ventures. In prior years, unlisted equity securities were presented in the balance sheet under other non-current assets as other unlisted investments – equity securities and advances and were measured at cost less provision for impairment in value. From 1 January 2005, investments in unlisted equity securities are classified as available-for-sale investments, which are accounted for as described below.

Infrastructure projects investments

Interests in infrastructure project investments represent investments where the Group's return is predetermined as a fixed percentage of investment costs in accordance with the provisions of the relevant agreements. In prior years, these investments were presented as other joint ventures under interests in joint ventures and were carried at cost less repayment of capital and provision for impairment in value. Cost included capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which was attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income was recognised on the accrual basis throughout the joint venture period. From 1 January 2005, interests in infrastructure project investments are classified as loans and receivables, which are accounted for as described below.

With effect from 1 January 2005, the Group has adopted HKAS 32 and HKAS 39 and classified these investments, other than cash and cash equivalents, under these categories and account for them as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

3 Significant accounting policies (continued)

(m) Liquid funds and other listed investments and other unlisted investments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised in the balance sheet at fair value plus transaction costs and subsequently carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets designated at fair value through profit or loss upon initial recognition. These investments are initially recognised in the balance sheet at fair value. Changes in fair value are included in profit or loss.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These investments are initially recognised in the balance sheet at fair value plus transaction costs and measured at each subsequent reporting date at fair value. Changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in the investment revaluation reserve is recognised in profit or loss.

As explained in note 2(n), HKAS 39 does not require retrospective application and therefore adjustments made with respect to the changes in accounting policies under this standard are only recorded as at 1 January 2005 with no retrospective adjustments made to prior year comparatives.

(n) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivatives, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the profit or loss as interest and other finance costs.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contacts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivatives are dealt with as movements in hedging reserve.

3 Significant accounting policies (continued)

(n) Derivative financial instruments and hedging activities (continued)

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the profit or loss. In prior years, derivative financial instruments for hedging the foreign currency risk of a committed future transaction were recognised on a cash basis. For foreign currency swap agreements entered into for managing exchange rate exposures on certain foreign currency debt instruments, these debt instruments were translated at the contracted swap rates. For interest rate swap agreements entered into for managing the fixed and floating interest rate mix of the Group's total debt portfolio, these derivatives were not recognised on the balance sheet.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(p) Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans.

(q) Inventories

Inventories consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other inventories are stated at the lower of cost and net realisable value.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Share capital

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

3 Significant accounting policies (continued)

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Leases payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit or loss. All other leases are accounted for as operating leases and the rental payments are charged to the profit or loss on accrual basis.

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit or loss so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full in the period in which they occur, outside profit or loss, in reserves.

The Group's contributions to the defined contribution plans are charged to the profit or loss in the year incurred.

Pension costs are charged against the profit or loss within staff costs.

The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

3 Significant accounting policies (continued)

(z) Share-based payments (continued)

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of profit or loss.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in exchange reserve.

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Port and related services
Revenue from the provision of ports and related services is recognised when the service is rendered.

Property and hotels
Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the occupation permit, whichever is later.
Rental income is recognised on a straight-line basis over the period of the lease.
Revenue from provision of hotel management, consultancy and technical service is recognised when the service is rendered.

Retail
Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Energy and infrastructure
Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded on a gross basis when title passes to an external party.
Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the services is rendered.
Income from infrastructure projects is recognised on a time proportion basis, using the effective interest rate method.
Income from long-term contracts is recognised according to the stage of completion.

Finance and investments
Dividend income from investments in securities is recognised when the Group's right to receive payment is established.
Interest income is recognised on a time proportion basis using the effective interest rate method.

3 Significant accounting policies (continued)

(ab) Revenue recognition (continued)

Mobile and fixed line telecommunications services

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the services are rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.
Revenue from the sales of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.
Monthly access charge on the provision of fixed line telecommunications services is recognised on a straight-line basis over the respective period.
Other service income is recognised when services are rendered.

4 Critical accounting policies, estimates and judgements

Note 3 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The selection and disclosure of the critical accounting policies, estimates and judgements have been discussed with the Group's Audit Committee. The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

(a) Long-lived assets

The Group has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed line telecommunications networks and licences, container terminals, and properties. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management.

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the profit or loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

4 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment reviews were undertaken as at 31 December 2005 and 31 December 2004 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the reviews undertaken as at 31 December 2005 and 31 December 2004 indicated that no impairment charge was necessary.

The future cash flow projections for the 3G businesses reflect growing recurring revenue and margins derived from an accumulating customer base and diminishing ongoing investments in network infrastructure and in customer acquisitions.

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in the customer operations and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the new 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the review were based on country specific pre-tax weighted average cost of capital percentages and ranged from 11% to 13%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications licences

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. The methods of payment for these rights vary from country to country and include fixed upfront payment and/or periodic payments comprising fixed and/or variable elements in subsequent years.

In prior years, fixed periodic payments made subsequent to the commercial launch of services were charged to the profit or loss as incurred. As disclosed in note 2(m), on transition to HKFRS, the Group's listed associated company (formerly a subsidiary), HTIL has changed its policy in accounting for telecommunications licences, in accordance with current interpretation of HKFRS, whereby upfront payments made for acquiring the telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with interest accrued prior to the date of first commercial usage of the spectrum, are capitalised and disclosed as non-current assets in the balance sheet. Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence period and are stated net of accumulated amortisation. This change in accounting policy on adoption of HKFRS has been applied retrospectively and the comparative figures have been restated accordingly.

The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted licence periods, which could impact the amount of amortisation expense charged to the profit or loss.

(iii) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12-24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, are expensed in the period incurred.

4 Critical accounting estimates and judgements (continued)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment review described above. The results of the reviews undertaken as at 31 December 2005 and 31 December 2004 indicated that no impairment charge was necessary.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates, to reflect the risks involved, ranging from 6% to 13% and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in the profit or loss.

(e) Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Because there is no quantification of likelihood provided in HKFRS on the term "probable" it is subject to a varying degree of interpretations. In prior years, probable was interpreted as a more-than-50% likelihood. On transition to HKFRS and on adoption of HKAS 12 the Group has adopted the current interpretation of probable which requires a higher hurdle of recognition after assessing all available evidence for the recognition of deferred tax assets for the carry forward of unused tax losses. This change in accounting policy on adoption of HKFRS has been applied retrospectively and the comparative figures have been restated accordingly.

Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the profit or loss.

4 Critical accounting estimates and judgements (continued)

(e) Taxation (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's 3G operation in the UK where, among other things, taxation losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. No deferred tax assets have been recognised for the unused tax losses carried-forward by the Group's 3G other operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for **3** UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the profit or loss if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are using the projected unit credit method in accordance with HKAS 19, Employee benefits. Under this method, the cost of providing pensions is charged to the profit or loss so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. On adoption of HKAS 19 and Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures, actuarial gains and losses are recognised in full in the year in which they occur, outside the profit or loss, in reserves. Previously, cumulative unrecognised net actuarial gains and losses to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets were recognised over the average remaining service lives of employees. This change in accounting policy on adoption of HKFRS has been applied retrospectively and the comparative figures have been restated accordingly.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

5 Financial risk management

The Group's major financial instruments include liquid funds and other listed investments and borrowings. Details of these financial instruments are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by its Executive Directors, which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transaction for speculative purposes.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

(b) Interest rate exposure

The Group's main interest risk exposures relate to US dollar, Euro and HK dollar borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively, as described in note 29.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. During the year, the HK dollar strengthened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised charge of HK$13,904 million (2004 - unrealised gain of HK$7,983 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist, as described in note 29.

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments expose the Group to credit risk of the counterparty. The Group controls its credit risk to non-performance by its counterparties through the setting of approved counterparty credit limits which are regularly reviewed and by monitoring their credit ratings.

6 Turnover and revenue

Turnover comprises revenues from the sales of goods and development properties, provision of services and rental income from investment properties, interest income and finance charges earned, and dividend income from equity investments. An analysis of revenue of the Company and subsidiary companies is as follows:

	2005 HK$ millions	2004 HK$ millions
Sales of goods	**83,271**	70,029
Rendering of services	**93,315**	58,975
Interest	**5,495**	5,302
Dividends	**503**	289
	182,584	134,595

7 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information. (See notes 21 and 22)

Telecommunications – **3** Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland and the 2G and 3G operations in Australia.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Property and hotels is HK$308 million (2004 – HK$330 million), Finance & investments and others is HK$306 million (2004 – HK$188 million) and Hutchison Telecommunications International is HK$17 million (2004 – HK$71 million).

Business segment

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2004 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	26,561	3,356	29,917	15%	23,847	3,133	26,980	16%
Property and hotels	4,275	5,990	10,265	5%	4,909	4,208	9,117	5%
Retail	78,850	9,930	88,780	44%	64,303	3,996	68,299	41%
Cheung Kong Infrastructure	2,508	14,082	16,590	8%	2,683	12,109	14,792	9%
Husky Energy	–	22,879	22,879	11%	–	17,524	17,524	11%
Finance & investments and others	8,527	2,003	10,530	5%	8,178	2,759	10,937	7%
Hutchison Telecommunications International	24,480	919	25,399	12%	14,933	3,473	18,406	11%
Subtotal – established businesses	145,201	59,159	204,360	100%	118,853	47,202	166,055	100%
TELECOMMUNICATIONS – 3 Group	37,383	119	37,502		15,742	–	15,742	
	182,584	59,278	241,862		134,595	47,202	181,797	

7 Segment information (continued)

Business segment (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2004 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	8,978	1,241	10,219	17%	7,704	1,252	8,956	16%
Property and hotels	1,994	1,945	3,939	7%	2,275	728	3,003	5%
Retail	2,761	500	3,261	6%	2,908	294	3,202	6%
Cheung Kong Infrastructure	1,088	5,587	6,675	11%	759	5,162	5,921	10%
Husky Energy	–	6,140	6,140	10%	–	2,793	2,793	5%
Finance & investments and others	5,009	482	5,491	9%	8,287	702	8,989	16%
Hutchison Telecommunications International	2,586	203	2,789	5%	(669)	831	162	–
	22,416	16,098	38,514		21,264	11,762	33,026	
Change in fair value of investment properties	3,685	1,540	5,225	9%	5,244	58	5,302	9%
Profit on disposal of investments and others[c]	15,717	–	15,717	26%	19,181	–	19,181	33%
EBIT - established businesses	41,818	17,638	59,456	100%	45,689	11,820	57,509	100%
TELECOMMUNICATIONS - 3 Group[d]								
EBIT (LBIT) before depreciation, amortisation and telecommunications prepaid CACs	1,825	–	1,825		(7,906)	–	(7,906)	
Telecommunications prepaid CACs	(11,444)	–	(11,444)		(8,423)	–	(8,423)	
LBIT before depreciation and amortisation and after telecommunications prepaid CACs	(9,619)	–	(9,619)		(16,329)	–	(16,329)	
Depreciation	(9,086)	–	(9,086)		(8,399)	–	(8,399)	
Amortisation of licence fees and other rights	(6,060)	–	(6,060)		(6,055)	–	(6,055)	
Amortisation of telecommunications postpaid CACs	(11,515)	–	(11,515)		(7,666)	–	(7,666)	
Profit on elimination of minority interests[c]	9,400	–	9,400		–	–	–	
LBIT - Telecommunications - 3 Group	(26,880)	–	(26,880)		(38,449)	–	(38,449)	
EBIT	14,938	17,638	32,576		7,240	11,820	19,060	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(2,751)				(2,327)		
Current taxation		(1,608)				(1,390)		
Deferred taxation		(1,285)				(417)		
Share of profits less losses of associated companies and jointly controlled entities		11,994				7,686		

7 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JCE	2005 Total	Company and Subsidiaries	Associates and JCE	2004 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES						
Ports and related services	2,649	456	3,105	2,610	387	2,997
Property and hotels	301	204	505	295	142	437
Retail	1,769	80	1,849	1,419	57	1,476
Cheung Kong Infrastructure	209	2,668	2,877	234	2,318	2,552
Husky Energy	–	3,196	3,196	–	2,810	2,810
Finance & investments and others	135	76	211	153	101	254
Hutchison Telecommunications International	4,003	98	4,101	3,896	335	4,231
Subtotal - established businesses	9,066	6,778	15,844	8,607	6,150	14,757
TELECOMMUNICATIONS - 3 Group	26,661	–	26,661	22,120	–	22,120
	35,727	6,778	42,505	30,727	6,150	36,877

	Capital expenditure							
	Fixed assets, investment properties, leasehold land prepayments		Telecommunications licences		Telecommunications postpaid customer acquisition costs		Brand names and other rights	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	4,951	4,654	–	–	–	–	796	25
Property and hotels	226	794	–	–	–	–	–	–
Retail	2,454	2,249	–	–	–	–	–	–
Cheung Kong Infrastructure	78	77	–	–	–	–	–	–
Husky Energy	–	–	–	–	–	–	–	–
Finance & investments and others	422	104	–	–	–	–	–	–
Hutchison Telecommunications International	4,824	4,876	–	182	533	722	–	–
Subtotal - established businesses	12,955	12,754	–	182	533	722	796	25
TELECOMMUNICATIONS - 3 Group	14,051	21,428	221	–	12,099	12,082	–	5
	27,006	34,182	221	182	12,632	12,804	796	30

7 Segment information (continued)

Business segment (continued)

	Total assets							
	Company and Subsidiaries		Investments in associated		Company and Subsidiaries		Investments in associated	
	Segment assets [f]	Deferred tax assets	companies and interests in joint ventures	2005 Total assets	Segment assets [f]	Deferred tax assets	companies and interests in joint ventures	2004 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	69,622	215	9,856	79,693	66,666	98	6,817	73,581
Property and hotels	45,050	12	20,717	65,779	41,687	1	20,018	61,706
Retail	37,383	282	1,520	39,185	29,952	296	1,166	31,414
Cheung Kong Infrastructure	15,918	287	38,995	55,200	16,772	5	40,387	57,164
Husky Energy	–	–	21,892	21,892	–	–	17,662	17,662
Finance & investments and others	116,461	32	2,676	119,169	137,019	24	2,271	139,314
Hutchison Telecommunications International	–	–	6,759	6,759	32,395	774	2,322	35,491
Subtotal - established businesses	284,434	828	102,415	387,677	324,491	1,198	90,643	416,332
TELECOMMUNICATIONS - 3 Group [e]	194,264	14,895	203	209,362	219,802	11,061	–	230,863
	478,698	15,723	102,618	597,039	544,293	12,259	90,643	647,195

	Total liabilities							
	Segment liabilities [g]	Current & long term borrowings and other non-current liabilities	Current & deferred tax liabilities	2005 Total liabilities	Segment liabilities [g]	Current & long term borrowings and other non-current liabilities	Current & deferred tax liabilities	2004 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	11,980	27,057	6,532	45,569	11,394	23,505	6,010	40,909
Property and hotels	2,319	815	3,874	7,008	2,500	921	3,353	6,774
Retail	9,059	25,761	463	35,283	13,086	21,283	694	35,063
Cheung Kong Infrastructure	1,203	9,068	2,112	12,383	1,246	13,413	1,947	16,606
Husky Energy	–	–	1,651	1,651	–	–	879	879
Finance & investments and others	13,831	77,406	864	92,101	5,781	66,963	484	73,228
Hutchison Telecommunications International	–	–	–	–	6,840	18,654	168	25,662
Subtotal - established businesses	38,392	140,107	15,496	193,995	40,847	144,739	13,535	199,121
TELECOMMUNICATIONS - 3 Group	20,804	128,277	334	149,415	27,822	140,421	37	168,280
	59,196	268,384	15,830	343,410	68,669	285,160	13,572	367,401

7 Segment information (continued)

Geographical segment

	Revenue					
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2004 Total HK$ millions
Hong Kong	36,459	13,154	49,613	36,081	11,290	47,371
Mainland China	13,256	6,310	19,566	10,794	6,666	17,460
Asia and Australia	36,055	7,108	43,163	23,521	8,352	31,873
Europe	89,028	9,645	98,673	57,091	3,225	60,316
Americas and others	7,786	23,061	30,847	7,108	17,669	24,777
	182,584	59,278	241,862	134,595	47,202	181,797

	EBIT (LBIT) [(b)]					
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2004 Total HK$ millions
Hong Kong	2,801	5,419	8,220	5,139	4,440	9,579
Mainland China	4,078	1,988	6,066	3,276	1,805	5,081
Asia and Australia	2,663	1,734	4,397	(1,030)	2,455	1,425
Europe	(26,906)	755	(26,151)	(28,795)	244	(28,551)
Americas and others	3,500	6,202	9,702	4,225	2,818	7,043
Change in fair value of investment properties	3,685	1,540	5,225	5,244	58	5,302
Profit on disposal of investments, elimination of minority interests and others	25,117	–	25,117	19,181	–	19,181
EBIT	14,938	17,638	32,576	7,240	11,820	19,060
Group's share of the following profit and loss items of associated companies and jointly controlled entities:						
Interest and other finance costs		(2,751)			(2,327)	
Current taxation		(1,608)			(1,390)	
Deferred taxation		(1,285)			(417)	
Share of profits less losses of associated companies and jointly controlled entities		11,994			7,686	

7 Segment information (continued)

Geographical segment (continued)

	Capital expenditure							
	Fixed assets, investment properties, leasehold land prepayments		Telecommunications licences		Telecommunications postpaid customer acquisition costs		Brand names and other rights	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions	**HK$ millions**	HK$ millions	**HK$ millions**	HK$ millions
Hong Kong	**1,789**	2,609	**–**	–	**477**	429	**–**	–
Mainland China	**2,355**	2,010	**–**	–	**–**	–	**–**	25
Asia and Australia	**6,500**	6,481	**–**	182	**617**	1,367	**–**	–
Europe	**15,418**	21,955	**221**	–	**11,538**	11,008	**–**	5
Americas and others	**944**	1,127	**–**	–	**–**	–	**796**	–
	27,006	34,182	**221**	182	**12,632**	12,804	**796**	30

	Total assets							
	Company and Subsidiaries		Investments in associated		Company and Subsidiaries		Investments in associated	
	Segment assets [f]	**Deferred tax assets**	**companies and interests in joint ventures**	**2005 Total assets**	Segment assets [f]	Deferred tax assets	companies and interests in joint ventures	2004 Total assets
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	**81,827**	**78**	**37,561**	**119,466**	98,399	414	29,301	128,114
Mainland China	**28,031**	**301**	**25,649**	**53,981**	19,001	31	24,259	43,291
Asia and Australia	**36,221**	**141**	**9,894**	**46,256**	52,806	439	16,276	69,521
Europe	**251,776**	**15,165**	**5,369**	**272,310**	271,921	11,341	1,905	285,167
Americas and others	**80,843**	**38**	**24,145**	**105,026**	102,166	34	18,902	121,102
	478,698	**15,723**	**102,618**	**597,039**	544,293	12,259	90,643	647,195

(a) The percentages shown represent the contributions to total revenues and EBIT of established businesses.

(b) Earnings (losses) before interest expense and taxation ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and taxation. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(c) See note 8 for further details on respective items.

(d) Included in LBIT of Telecommunications – **3** Group for year ended 31 December 2004 were contributions from key suppliers totalling HK$3,381 million which resulted from discussions with some of our key 3G suppliers regarding the adverse effects of delays and the small beginning of the year customer base on revenue and costs.

(e) Included in this amount is an unrealised foreign currency exchange loss arising in 2005 of HK$18,979 million (2004 – gain of HK$13,099 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(f) Segment assets comprise fixed assets, investment properties, leasehold land prepayments, telecommunications licences, telecommunications postpaid customer acquisition costs, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.

(g) Segment liabilities comprise trade and other payables and pension obligations.

8 Profit on disposal of investments, elimination of minority interests and others

	2005 HK$ millions	2004 HK$ millions
ESTABLISHED BUSINESSES		
Profit on disposal of subsidiaries	**14,050**	5,400
Profit on disposal of associated companies	**3,699**	13,759
Impairment loss	**(2,032)**	(791)
Others	**–**	813
TELECOMMUNICATIONS - 3 Group		
Profit on elimination of minority interests	**9,400**	–
	25,117	19,181

Profit on disposal of subsidiaries for the year includes a profit of HK$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong), a profit of HK$1,150 million from issuance of new HTIL shares to privatise Hutchison Global Communications Holdings Limited ("HGC") and a profit of HK$7,400 million from the disposal of a 19.3% interest in HTIL.

Profit on disposal of associated companies of HK$3,699 million relates to the disposal of a 49% interest in the Australian electricity distribution businesses.

The impairment loss relates to certain infrastructure operations and projects of Cheung Kong Infrastructure. The impairment loss was primarily made against fixed assets of HK$769 million due to physical damage and technical obsolescence, against leasehold land prepayments, outside Hong Kong of HK$21 million by references to the latest market transaction prices and against investments in associated companies and jointly controlled entities of HK$1,116 million and other non-current assets of HK$126 million due to lower projected revenue from certain projects and operations.

Profit on elimination of minority interests of HK$9,400 million arises from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to their net asset value.

Profit on disposal of subsidiaries in 2004 included a profit of HK$1,300 million from the disposal of 47.4% of HGC and a profit of HK$4,100 million from the disposal of 29.8% in HTIL. Profit on disposal of associated companies in 2004 represented the profit arising from the disposal of Procter & Gamble-Hutchison. The impairment loss recognised in 2004 represents a write-off of the Group's premium on acquisition of certain infrastructure joint ventures in the Mainland. Others in 2004 represents a reversal of provisions previously made against equity securities.

9 Interest and other finance costs

	2005 HK$ millions	2004 HK$ millions
Bank loans and overdrafts	**6,332**	4,223
Other loans repayable within 5 years	**572**	723
Other loans not wholly repayable within 5 years	**387**	315
Notes and bonds repayable within 5 years	**1,798**	971
Notes and bonds not wholly repayable within 5 years	**5,818**	4,445
Interest bearing loans from minority interests wholly repayable within 5 years	**229**	749
Interest bearing loans from minority interests not wholly repayable within 5 years	**2**	1
	15,138	11,427
Notional non-cash interest accretion	**846**	662
	15,984	12,089
Less: interest capitalised	**(579)**	(869)
	15,405	11,220

The borrowing costs have been capitalised at a rate of 3% – 7% per annum (2004 – 5% – 7% per annum).

Notional non-cash interest accretion represents amortisation of upfront facility fees and other notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

10 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2004 and 2005 are as below:

	2005					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a)] [(g)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning [(b)]	0.10	9.83	119.00	2.03	–	130.96
CHOW WOO Mo Fong, Susan [(b)]	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT [(b)]	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic [(b)]	0.10	4.88	11.00	0.85	–	16.83
KAM Hing Lam [(b)]						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS [(b)] [(d)]	0.12	3.36	3.50	–	–	6.98
William SHURNIAK [(e)] [(f)]	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.10	–	–	–	–	0.10
Holger KLUGE [(c)] [(f)] [(g)]	0.24	–	–	–	–	0.24
Simon MURRAY [(c)]	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond [(c)]	0.10	–	–	–	–	0.10
Peter Alan Lee VINE [(c)] [(h)]	–	–	–	–	–	–
WONG Chung Hin [(c)] [(f)] [(g)]	0.24	–	–	–	–	0.24
Total	1.81	39.42	229.55	4.99	–	275.77

(a) No management remuneration was paid to Mr Li Ka-shing during the year other than director's fee of HK$50,000 (2004 - HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

(b) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as executive directors that have been paid to the Company are not included in the amounts above.

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$780,000 (2004 - HK$750,000).

(d) Re-designated as non-executive director on 1 November 2005.

(e) Non-executive director.

(f) Members of the Audit Committee.

(g) Members of the Remuneration Committee.

(h) Retired as director and member of the Audit Committee on 7 January 2005 and received director's fee and committee member's fees of HK$3,288 for the six day period.

10 Directors' emoluments (continued)

Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
	2004					
LI Ka-shing [(a)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	27.50	–	–	32.04
Paid by Cheung Kong Infrastructure	0.07	–	6.24	–	–	6.31
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	33.74	–	–	38.28
FOK Kin-ning, Canning [(b)]	0.10	9.76	124.85	1.93	–	136.64
CHOW WOO Mo Fong [(b)]	0.10	7.05	28.60	1.40	–	37.15
Frank John SIXT [(b)]	0.10	7.05	27.50	0.61	–	35.26
LAI Kai Ming, Dominic [(b)]	0.10	4.41	10.00	0.77	–	15.28
George Colin MAGNUS [(b)]	0.10	4.03	3.50	–	–	7.63
KAM Hing Lam						
Paid by the Company	0.10	2.25	6.93	–	–	9.28
Paid by Cheung Kong Infrastructure	0.07	4.20	2.64	–	–	6.91
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	9.57	–	–	11.92
William SHURNIAK [(e) (f)]	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.10	–	–	–	–	0.10
Holger KLUGE [(c) (f)]	0.05	–	–	–	–	0.05
Simon MURRAY [(c)]	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond [(c)]	0.10	–	–	–	–	0.10
Peter Alan Lee VINE [(c) (f)]	0.20	–	–	–	–	0.20
WONG Chung Hin [(c) (f)]	0.20	–	–	–	–	0.20
Total	1.70	38.99	237.76	4.71	–	283.16

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2004 – Nil).

In 2005, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$5.59 million; provident fund contribution – HK$0.44 million; and bonus – HK$26.0 million. In 2004, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$3.95 million; provident fund contribution – HK$0.48 million; and bonus – HK$55.0 million.

11 Taxation

	Current taxation HK$ millions	Deferred taxation HK$ millions	2005 Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	2004 Total HK$ millions
Hong Kong	532	554	1,086	747	1,060	1,807
Outside Hong Kong	1,979	(5,092)	(3,113)	1,639	(5,875)	(4,236)
	2,511	(4,538)	(2,027)	2,386	(4,815)	(2,429)

Hong Kong profits tax has been provided for at the rate of 17.5% (2004 – 17.5%) on the estimated assessable profits less estimated available tax losses. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, the Group recognised deferred tax assets related to the losses of 3G businesses in the UK amounting to HK$5,926 million (2004 – HK$6,249 million) (See note 23).

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	Established businesses HK$ millions	Telecom-munications - 3 Group HK$ millions	2005 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	1,947	(13,927)	(11,980)
Tax losses not recognised	1,801	8,112	9,913
Tax incentives	(899)	–	(899)
Income not subject to taxation	(1,478)	(166)	(1,644)
Expenses not deductible for taxation purposes	2,904	38	2,942
Recognition of previously unrecognised tax losses	(131)	–	(131)
Utilisation of previously unrecognised tax losses	(568)	–	(568)
Under provision in prior years	119	83	202
Deferred tax assets written off	2	–	2
Other temporary differences	206	(84)	122
Effect of change in tax rate	(6)	20	14
Total taxation for the year	3,897	(5,924)	(2,027)

11 Taxation (continued)

	Established businesses	Telecom-munications – **3** Group	2004 Total
	HK$ millions	HK$ millions	HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	3,316	(12,830)	(9,514)
Tax losses not recognised	911	6,624	7,535
Tax incentives	(573)	–	(573)
Income not subject to taxation	(801)	(230)	(1,031)
Expenses not deductible for taxation purposes	808	–	808
Recognition of previously unrecognised tax losses	(38)	–	(38)
Utilisation of previously unrecognised tax losses	(190)	–	(190)
Under provision in prior years	20	186	206
Deferred tax assets written off	439	–	439
Other temporary differences	(48)	3	(45)
Effect of change in tax rate	(26)	–	(26)
Total taxation for the year	3,818	(6,247)	(2,429)

12 Dividends

	2005	2004
	HK$ millions	HK$ millions
Interim, paid of HK$0.51 per share (2004 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.22 per share (2004 – HK$1.22)	**5,201**	5,201
	7,375	7,375

13 Earnings per share for profit attributable to shareholders of the Company

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$14,343 million (2004 – HK$12,978 million) and on 4,263,370,780 shares in issue during 2005 (2004 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options and convertible debts outstanding as at 31 December 2005. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2005 did not have any dilutive effect on earnings per share.

14 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2004	28,926	56,336	76,077	161,339
Additions	1,952	5,620	25,492	33,064
Disposals	(750)	(2,290)	(2,647)	(5,687)
Relating to subsidiaries acquired	264	5,519	2,249	8,032
Relating to subsidiaries disposed of	(17)	(1)	(86)	(104)
Transfer from (to) current assets	(586)	(1,529)	801	(1,314)
Transfer between categories / investment properties / leasehold land prepayments	724	23,717	(24,926)	(485)
Exchange translation differences	781	3,457	4,344	8,582
At 1 January 2005	**31,294**	**90,829**	**81,304**	**203,427**
Additions	**1,318**	**5,014**	**18,526**	**24,858**
Disposals	**(106)**	**(707)**	**(2,092)**	**(2,905)**
Relating to subsidiaries acquired	**595**	**5,720**	**5,805**	**12,120**
Relating to subsidiaries disposed of	**(166)**	**(34,612)**	**(7,968)**	**(42,746)**
Revaluation upon transfer to investment properties	**5**	**–**	**–**	**5**
Transfer from (to) current assets	**25**	**(180)**	**88**	**(67)**
Transfer between categories / investment properties / leasehold land prepayments	**(677)**	**13,135**	**(13,257)**	**(799)**
Exchange translation differences	**(1,077)**	**(8,099)**	**(6,708)**	**(15,884)**
At 31 December 2005	**31,211**	**71,100**	**75,698**	**178,009**

14 Fixed assets (continued)

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Accumulated depreciation and impairment				
At 1 January 2004	5,176	6,407	26,248	37,831
Charge for the year	747	6,927	7,011	14,685
Impairment recognised	31	1,157	265	1,453
Disposals	(114)	(517)	(2,044)	(2,675)
Relating to subsidiaries acquired	70	2,062	723	2,855
Relating to subsidiaries disposed of	(2)	–	(82)	(84)
Transfer from (to) current assets	(1)	(708)	148	(561)
Transfer between categories / investment properties/ leasehold land prepayments	79	32	(131)	(20)
Exchange translation differences	243	519	1,578	2,340
At 1 January 2005	**6,229**	**15,879**	**33,716**	**55,824**
Charge for the year	**751**	**8,259**	**7,047**	**16,057**
Impairment recognised	**282**	**57**	**589**	**928**
Impairment reversed	**–**	**–**	**(25)**	**(25)**
Disposals	**(61)**	**(682)**	**(1,606)**	**(2,349)**
Relating to subsidiaries acquired	**43**	**2,120**	**2,510**	**4,673**
Relating to subsidiaries disposed of	**(44)**	**(12,591)**	**(3,985)**	**(16,620)**
Transfer from (to) current assets	**(5)**	**(148)**	**9**	**(144)**
Transfer between categories / investment properties / leasehold land prepayments	**38**	**(898)**	**851**	**(9)**
Exchange translation differences	**(338)**	**(1,163)**	**(3,103)**	**(4,604)**
At 31 December 2005	**6,895**	**10,833**	**36,003**	**53,731**
Net book value				
At 31 December 2005	**24,316**	**60,267**	**39,695**	**124,278**
At 31 December 2004	25,065	74,950	47,588	147,603

Land and buildings include projects under development in the amount of HK$1,339 million (2004 – HK$2,003 million).

Cost and net book value of fixed assets include HK$98,810 million (2004 – HK$95,283 million) and HK$78,808 million (2004 – HK$81,611 million) respectively relating to 3G businesses. Impairment reviews were undertaken as at 31 December 2005 and 31 December 2004 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 4(a) contains information about the estimates, assumptions and judgements relating to the impairment reviews. The results of the reviews undertaken as at 31 December 2005 and 31 December 2004 indicated that no impairment charge was necessary.

15 Investment properties

	2005 HK$ millions	2004 HK$ millions
Valuation		
At 1 January	**31,741**	25,892
Additions	**30**	53
Disposals	**(94)**	(24)
Relating to subsidiaries acquired	**2,574**	23
Relating to subsidiaries disposed of	**(23)**	–
Change in fair value of investment properties	**3,685**	5,244
Transfer from fixed assets and leasehold land prepayments	**634**	553
Exchange translation differences	**10**	–
At 31 December	**38,557**	31,741

Investment properties have been fair valued as at 31 December 2005 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2005 HK$ millions	2004 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**14,983**	13,177
Medium leasehold (less than 50 years but not less than 10 years)	**20,167**	17,661
Outside Hong Kong		
Freehold	**212**	206
Medium leasehold	**3,195**	697
	38,557	31,741

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2005 HK$ millions	2004 HK$ millions
Within 1 year	**1,679**	1,312
After 1 year, but within 5 years	**2,618**	2,156
After 5 years	**235**	394

16 Leasehold land prepayments

	2005 HK$ millions	2004 HK$ millions
Net book value		
At 1 January	**31,037**	31,027
Additions	**2,118**	1,065
Disposals	**–**	(4)
Relating to subsidiaries acquired	**37**	18
Relating to subsidiaries disposed of	**(16)**	(4)
Revaluation upon transfer to investment properties	**183**	–
Depreciation for the year	**(982)**	(1,174)
Impairment recognised	**(21)**	–
Transfer to investment properties	**(505)**	(135)
Transfer from fixed assets	**661**	47
Exchange translation differences	**(138)**	197
At 31 December	**32,374**	31,037

The Group's leasehold land prepayments comprise:

	2005 HK$ millions	2004 HK$ millions
Hong Kong		
Long leasehold	**1,600**	1,900
Medium leasehold	**14,024**	14,387
Outside Hong Kong		
Long leasehold	**1,076**	406
Medium leasehold	**15,614**	14,064
Short leasehold (less than 10 years)	**60**	280
	32,374	31,037

Leasehold land prepayments represent interests in leasehold land held for own use under operating leases.

17 Telecommunications licences

	2005	2004
	HK$ millions	HK$ millions
Net book value		
At 1 January	**102,907**	98,943
Additions	**221**	182
Relating to subsidiaries acquired	**2,402**	1,653
Relating to subsidiaries disposed of	**(4,682)**	–
Amortisation for the year	**(5,989)**	(5,884)
Exchange translation differences	**(10,235)**	8,166
At 31 December	**84,624**	103,060
Cost	**97,608**	112,383
Accumulated amortisation	**(12,984)**	(9,323)
	84,624	103,060

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment reviews were undertaken as at 31 December 2005 and 31 December 2004 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 4(a) contains information about the estimates, assumptions and judgements relating to the impairment reviews. The results of the reviews undertaken as at 31 December 2005 and 31 December 2004 indicated that no impairment charge was necessary.

18 Telecommunications postpaid customer acquisition costs

	2005 HK$ millions	2004 HK$ millions
Net book value		
At 1 January	**6,823**	1,647
Additions to telecommunications postpaid CACs	**12,632**	12,804
Relating to subsidiaries disposed of	**(261)**	–
Amortisation and write off for the year	**(12,013)**	(8,583)
Exchange translation differences	**(1,009)**	955
At 31 December	**6,172**	6,823
Cost	**21,260**	13,647
Accumulated amortisation	**(15,088)**	(6,824)
	6,172	6,823

19 Goodwill

	2005 HK$ millions	2004 HK$ millions
Cost		
At 1 January	**10,577**	8,583
Relating to subsidiaries acquired	**10,426**	1,308
Relating to increase in interests in subsidiaries	**4,814**	478
Relating to subsidiaries disposed	**(5,838)**	–
Relating to partial disposal of subsidiaries	**(169)**	(349)
Exchange translation differences	**(1,856)**	557
At 31 December	**17,954**	10,577

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €651 million (2004 - nil); Kruidvat of €600 million (2004 - €600 million); Merchant Retail Group of £136 million (2004 - nil) and Superdrug of £78 million (2004 - £78 million); increased shareholdings in **3** Italia of €229 million (2004 - €62 million); and Hutchison Harbour Ring of HK$410 million (2004 - HK$410 million).

Note 4(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment reviews.

20 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2005	**–**	**1,559**	**1,559**
Additions	**–**	**796**	**796**
Relating to subsidiaries acquired	**2,497**	**3,362**	**5,859**
Relating to subsidiaries disposed of	**(651)**	**(2,894)**	**(3,545)**
Amortisation for the year	**(30)**	**(656)**	**(686)**
Exchange translation differences	**(191)**	**(213)**	**(404)**
At 31 December 2005	**1,625**	**1,954**	**3,579**
Cost	**1,625**	**2,995**	**4,620**
Accumulated amortisation	**–**	**(1,041)**	**(1,041)**
	1,625	**1,954**	**3,579**

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2004	–	1,929	1,929
Additions	–	30	30
Amortisation for the year	–	(401)	(401)
Exchange translation differences	–	1	1
At 31 December 2004	–	1,559	1,559
Cost	–	2,223	2,223
Accumulated amortisation	–	(664)	(664)
	–	1,559	1,559

The brand names as at 31 December 2005 primarily resulted from the retail chain acquisition in the current year and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development. Overall, these factors provided evidence that the brand names are expected to generate long term net cash inflows to the Group indefinitely.

The carrying value of brand names as at 31 December 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005.

Other rights, which include operating and service content rights, have finite useful lives.

21 Associated companies

	2005 HK$ millions	2004 HK$ millions
Unlisted shares	**7,481**	1,646
Listed shares, Hong Kong	**20,806**	9,512
Listed shares, outside Hong Kong	**10,341**	10,928
Share of undistributed post acquisition reserves	**17,561**	19,664
	56,189	41,750
Amounts due from associated companies	**9,145**	13,137
	65,334	54,887

The market value of the above listed investments at 31 December 2005 was HK$117,222 million (2004 – HK$67,676 million).

Particulars regarding the principal associated companies are set forth on pages 204 to 208.

The aggregate amounts of revenues, results, assets and liabilities of the Group's associated companies are as follows:

	2005 HK$ millions	2004 HK$ millions
Revenues	**124,717**	93,585
Profit for the year	**24,666**	17,030
Non-current assets	**301,297**	228,731
Current assets	**43,401**	25,795
Total assets	**344,698**	254,526
Non-current liabilities	**165,020**	134,483
Current liabilities	**50,233**	27,372
Total liabilities	**215,253**	161,855

21 Associated companies (continued)

The Group's share of the revenues, expenses, results and contingent liabilities of associated companies are as follows:

	2005 HK$ millions	2004 HK$ millions
Revenues	**37,957**	34,543
Expenses	**(20,361)**	(20,116)
EBITDA [(a)]	**17,596**	14,427
Depreciation and amortisation	**(5,516)**	(5,171)
Change in fair value of investment properties	**177**	192
EBIT [(b)]	**12,257**	9,448
Interest and other finance costs	**(2,333)**	(2,076)
Current taxation	**(1,111)**	(1,127)
Deferred taxation	**(746)**	(324)
Profit after taxation	**8,067**	5,921
Contingent liabilities	**1,000**	876

(a) EBITDA is defined as earnings before interest expense and other finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments and other earnings of a cash nature but excludes changes in the fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and taxation.

22 Interests in joint ventures

	2005 HK$ millions	2004 HK$ millions
Jointly controlled entities		
Unlisted shares	**18,293**	15,253
Share of undistributed post acquisition reserves	**(2,797)**	(2,932)
	15,496	12,321
Amounts due from jointly controlled entities	**21,788**	21,036
	37,284	33,357
Other joint ventures		
Cost of investments	**–**	2,174
Amounts due from other joint ventures	**–**	225
	–	2,399
	37,284	35,756

There are no material contingent liabilities relating to the Group's interest in the joint ventures, save as for those disclosed under note 37.

Particulars regarding the principal jointly controlled entities are set forth on pages 204 to 208.

22 Interests in joint ventures (continued)

The aggregate amounts of revenues, results, assets and liabilities related to the Group's interest in its jointly controlled entities are as follows:

	2005 HK$ millions	2004 HK$ millions
Revenues	**46,829**	27,741
Profit for the year	**9,248**	4,455
Non-current assets	**105,150**	81,649
Current assets	**39,503**	42,406
Total assets	**144,653**	124,055
Non-current liabilities	**81,065**	86,187
Current liabilities	**36,898**	25,171
Total liabilities	**117,963**	111,358

The Group's share of the revenues, expenses, results, contingent liabilities and capital commitments of jointly controlled entities are as follows:

	2005 HK$ millions	2004 HK$ millions
Revenues	**21,321**	12,659
Expenses	**(16,041)**	(9,174)
EBITDA [(a)]	**5,280**	3,485
Depreciation and amortisation	**(1,262)**	(979)
Change in fair value of investment properties	**1,363**	(134)
EBIT [(b)]	**5,381**	2,372
Interest and other finance costs	**(418)**	(251)
Current taxation	**(497)**	(263)
Deferred taxation	**(539)**	(93)
Profit after taxation	**3,927**	1,765
Contingent liabilities	**2,698**	2,712
Capital commitments	**1,088**	126

(a) EBITDA is defined as earnings before interest expense and other finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments and other earnings of a cash nature but excludes changes in the fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and taxation.

23 Deferred taxation

	2005 HK$ millions	2004 HK$ millions
Deferred tax assets	**15,723**	12,259
Deferred tax liabilities	**13,750**	11,674
Net deferred tax assets	**1,973**	585

Movements in net deferred tax assets are as follows:

	2005 HK$ millions	2004 HK$ millions
At 1 January	**617**	(4,985)
Relating to subsidiaries acquired	**(1,386)**	46
Relating to subsidiaries disposed of	**45**	–
Transfer to current tax	**(745)**	321
Net credit (charge) to reserves	**62**	(26)
Net credit (charge) for the year		
Unused tax losses	**6,066**	7,882
Accelerated depreciation allowances	**(591)**	(2,138)
Fair value adjustments arising from acquisitions	**396**	387
Revaluation of investment properties and other investments	**(631)**	(942)
Withholding tax on unremitted earnings	**(471)**	(312)
Other temporary differences	**(231)**	(62)
Exchange translation differences	**(1,158)**	414
At 31 December	**1,973**	585

Analysis of net deferred tax assets:

	2005 HK$ millions	2004 HK$ millions
Unused tax losses	**15,783**	12,568
Accelerated depreciation allowances	**(1,998)**	(2,343)
Fair value adjustments arising from acquisitions	**(5,938)**	(6,018)
Revaluation of investment properties and other investments	**(4,311)**	(2,903)
Withholding tax on unremitted earnings	**(1,451)**	(938)
Other temporary differences	**(112)**	219
	1,973	585

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated balance sheet are determined after appropriate offset.

At 31 December 2005, the Group has recognised deferred tax assets amounting to HK$15,723 million (2004 – HK$12,259 million) of which HK$14,895 million (2004 – HK$11,061 million) relates to the Group's 3G businesses.

23 Deferred taxation (continued)

Note 4(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

As shown below, the Group has not recognised deferred tax assets arising from unutilised tax losses amounting to HK$26,592 million at 31 December 2005 (2004 – HK$22,278 million) where it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses.

The potential deferred tax assets (liabilities) which have not been provided for in the accounts are as follows:

	2005 HK$ millions	2004 HK$ millions
Arising from unutilised tax losses	**26,592**	22,278
Arising from accelerated depreciation allowances	**(3,840)**	(3,234)
Arising from deductible temporary differences	**131**	15

The unrecognised tax losses carried forward amounted to HK$91,196 million at 31 December 2005 (2004 – HK$78,641 million), out of which HK$74,822 million (2004 – HK$56,009 million) is attributable to the start up 3G businesses. Of these, HK$42,953 million (2004 – HK$38,540 million) can be carried forward indefinitely. The remaining HK$48,243 million (2004 – HK$40,101 million) expires in the following years:

	2005 HK$ millions	2004 HK$ millions
In the first year	**157**	134
In the second year	**5,985**	210
In the third year	**11,950**	6,965
In the fourth year	**17,843**	14,791
In the fifth to tenth years inclusive	**12,308**	18,001
	48,243	40,101

24 Other non-current assets

	2005 HK$ millions	2004 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**2,197**	–
Infrastructure project investments	**754**	–
	2,951	–
Available-for-sale investments		
Unlisted equity securities	**1,383**	–
Held-to-maturity debt securities	**–**	175
Equity securities and advances	**–**	5,814
Forward foreign exchange contracts – cash flow hedges	**92**	–
Others	**–**	2,241
	4,426	8,230

From 1 January 2005 onwards, the Group's other unlisted investments, included under other non-current assets, have been reclassified in accordance with the measurement categories of HKAS 39. No comparatives have been reclassified as HKAS 39 does not require retrospective application.

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The remaining unlisted equity securities are carried at cost less impairment, if any, because there is no active market to determine their fair market value and the amounts are not significant to the Group.

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six months period at the prevailing market interest rates.

Others as at 31 December 2004 mainly represent deferred loan facility fees.

Weighted average effective interest rate of unlisted debt securities as at 31 December 2005 is 5.2%.

25 Liquid funds and other listed investments

	2005 HK$ millions	2004 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**42,153**	–
Listed debt securities	**5,067**	–
Listed equity securities, Hong Kong	**5,260**	–
Listed equity securities, outside Hong Kong	**3,345**	–
	55,825	–
Loans and receivables		
Long term deposits	**3,733**	–
Financial assets at fair value through profit or loss	**1,111**	–
Managed funds, outside Hong Kong	**–**	46,349
Listed held-to-maturity debt securities	**–**	6,684
Long term deposits	**–**	3,840
Equity securities		
Listed equity securities, Hong Kong	**–**	5,010
Listed equity securities, outside Hong Kong	**–**	4,620
Liquid funds and other listed investments	**60,669**	66,503

Components of Managed funds, outside Hong Kong are as follows:		
Listed debt securities	**40,696**	–
Listed held-to-maturity debt securities	**–**	43,615
Cash and cash equivalents	**1,457**	2,734
	42,153	46,349

From 1 January 2005 onwards, the Group's liquid funds and other listed investments have been reclassified in accordance with the measurement categories of HKAS 39. No comparatives have been reclassified as HKAS 39 does not require retrospective application.

The fair value of the available-for-sale investments and financial assets at fair value through profit or loss are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2005 was HK$56,936 million (2004 – HK$61,898 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2005 was 4.9% (2004 – 2.9%).

25 Liquid funds and other listed investments (continued)

As at 31 December 2005, liquid funds and other listed investments are denominated in the following currencies:

	Financial assets at fair value through profit or loss Percentage	Available-for-sale Percentage	Loans and receivables Percentage
HK dollars	–	10%	–
US dollars	–	78%	98%
Euro	–	8%	–
Others	100%	4%	2%
	100%	100%	100%

Listed debt securities as at 31 December 2005 and listed held-to-maturity debt securities as at 31 December 2004 presented above are analysed as follows:

	2005 Percentage	2004 Percentage
Credit ratings		
Aaa/AAA	**83%**	83%
Aa1/AA+	**4%**	4%
Aa2/AA	**5%**	4%
Aa3/AA-	**7%**	9%
A3/A-	**1%**	–
	100%	100%
Sectorial		
US Treasury notes	**48%**	45%
Government issued guaranteed notes	**23%**	24%
Supranational notes	**15%**	16%
Others	**14%**	15%
	100%	100%
Weighted average maturity	**3.1 years**	4.0 years
Weighted average effective interest rate, inclusive of the effects of hedging transactions	**3.03%**	3.03%

26 Cash and cash equivalents

	2005 **HK$ millions**	2004 HK$ millions
Cash at bank and in hand	**15,706**	26,711
Short term bank deposits	**34,011**	47,087
	49,717	73,798

The carrying amount of cash and cash equivalents approximates their fair value.

27 Trade and other receivables

	2005 **HK$ millions**	2004 HK$ millions
Trade receivables	**14,818**	19,002
Other receivables and prepayments	**21,193**	26,871
	36,011	45,873

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value.

At 31 December, the ageing analysis of the trade receivables is as follows:

	2005 **HK$ millions**	2004 HK$ millions
Current	**10,338**	14,807
31 – 60 days	**1,840**	2,007
61 – 90 days	**678**	848
Over 90 days	**1,962**	1,340
	14,818	19,002

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed. The Group's 5 largest customers contributed less than 5% of the Group's turnover for the years ended 31 December 2005 and 2004.

28 Trade and other payables

	2005 HK$ millions	2004 HK$ millions
Trade payables	**17,141**	16,860
Other payables and accruals	**36,310**	47,441
Interest free loans from minority interests	**3,159**	1,944
Cross currency interest rate swap – cash flow hedges	**231**	–
Forward foreign exchange contracts – cash flow hedges for forecast payments and obligations	**32**	–
	56,873	66,245

At 31 December, the ageing analysis of the trade payables is as follows:

	2005 HK$ millions	2004 HK$ millions
Current	**11,009**	11,436
31 – 60 days	**2,550**	3,299
61 – 90 days	**3,033**	857
Over 90 days	**549**	1,268
	17,141	16,860

The Group's 5 largest suppliers accounted for less than 15% of the Group's cost of purchases for the years ended 31 December 2005 and 2004.

29 Borrowings

	2005 HK$ millions	2004 HK$ millions
Bank loans		
Repayable within 5 years	**89,003**	91,226
Not wholly repayable within 5 years	**33,578**	51,194
	122,581	142,420
Other loans		
Repayable within 5 years	**289**	3,281
Not wholly repayable within 5 years	**7,818**	7,275
	8,107	10,556
Notes and bonds		
US$750 million notes-Series A, 6.95% due 2007	**5,736**	5,807
US$500 million notes-Series B, 7.45% due 2017	**3,715**	3,871
US$500 million notes-Series C, 7.5% due 2027	**3,715**	3,871
US$250 million notes-Series D, 6.988% due 2037	**1,921**	1,935
US$175 million notes, LIBOR + 0.45% due 2008	**1,361**	1,365
US$1,500 million notes, 7% due 2011	**11,308**	11,700
US$3,500 million notes, 6.5% due 2013	**26,187**	27,300
US$1,500 million notes, 5.45% due 2010	**11,296**	11,700
US$2,000 million notes, 6.25% due 2014	**15,201**	15,600
US$1,500 million notes, 7.45% due 2033	**11,342**	11,700
EUR500 million bonds, 5.5% due 2006	**4,614**	5,225
EUR93 million bonds, 2.5% due 2008	**854**	–
EUR1,000 million notes, 5.875% due 2013	**9,140**	10,450
EUR1,000 million notes, 4.125% due 2015	**9,142**	–
GBP325 million bonds, 6.75% due 2015	**4,340**	4,852
AUD425 million notes, 6.5% due 2006	**2,404**	2,533
AUD800 million notes, BBSW + 0.65% due 2008	**4,523**	4,768
JPY30,000 million notes, 3.5% due 2032	**1,995**	2,244
	128,794	124,921
Interest bearing loans from minority interests		
Repayable within 5 years	**4,816**	4,172
Not wholly repayable within 5 years	**613**	924
	5,429	5,096
	264,911	282,993
Borrowings analysed as:		
Current portion	**26,028**	23,118
Long term portion	**238,883**	259,875
	264,911	282,993

29 Borrowings (continued)

Borrowings are repayable as follows:

	2005 HK$ millions	2004 HK$ millions
Bank loans		
Current portion	**18,828**	21,458
After 1 year, but within 2 years	**7,544**	17,242
After 2 years, but within 5 years	**81,456**	61,703
After 5 years	**14,753**	42,017
Other loans		
Current portion	**182**	1,660
After 1 year, but within 2 years	**103**	970
After 2 years, but within 5 years	**5,250**	3,344
After 5 years	**2,572**	4,582
Notes and bonds		
Current portion	**7,018**	–
After 1 year, but within 2 years	**5,736**	7,758
After 2 years, but within 5 years	**18,034**	11,940
After 5 years	**98,006**	105,223
Interest bearing loans from minority interests		
After 1 year, but within 2 years	**2,647**	–
After 2 years, but within 5 years	**2,169**	4,172
After 5 years	**613**	924
	264,911	282,993

The borrowings include financing for 3G businesses totalling HK$127,615 million (2004 – HK$139,476 million) of which HK$107,852 million (2004 – HK$106,353 million) were guaranteed by the Group.

The bank and other loans of the Group are secured to the extent of HK$36,967 million (2004 – HK$57,009 million) of which HK$15,653 million (2004 – HK$29,044 million) and HK$20,047 million (2004 – HK$22,990 million) are non guaranteed and guaranteed loans respectively for 3G businesses.

The US$250 million notes – Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

Borrowings amounting to HK$141,049 million (2004 – HK$162,347 million) bear interest at floating interest rates and borrowings amounting to HK$123,862 million (2004 – HK$120,646 million) bear interest at fixed interest rates.

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2005, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$96,706 million (2004 – HK$97,458 million).

In addition, interest rate swap agreements with notional amount of HK$7,838 million (2004 – HK$10,956 million) were entered to swap floating interest rate borrowings to fixed interest rate borrowings to mitigate interest rate exposures to certain infrastructure project related borrowings. The agreements have fixed interest payments ranging from 3.4% to 6.7% and were entered for a period ranging from 5 to 6 years.

29 Borrowings (continued)

As at 31 December 2005, the Group had entered into currency swap arrangements with banks to swap US dollar borrowings principal amount of HK$1,365 million to non US dollar borrowings to match currency exposure of the underlying businesses.

As at 31 December 2004, the Group had entered into currency swap arrangements with banks to swap non HK dollar borrowings of HK$650 million to US dollar borrowings, US dollar borrowings of HK$1,365 million to non US dollar borrowings and non US dollar borrowings of HK$3,606 million to non US dollar borrowings to match currency exposure of the underlying businesses.

The following table sets out the effective interest rates of the borrowings at the balance sheet date and the periods in which they reprice or mature, whichever is earlier (inclusive of the effects of hedging transactions):

	Weighted average effective interest rate	Less than 1 month	Within 1 to 12 months	Within 1 to 5 years	Over 5 years	Total
	%	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
2005						
Bank loans	**4.1%**	**38,162**	**80,917**	**97**	**3,405**	**122,581**
Other loans	**6.3%**	**–**	**7,504**	**87**	**516**	**8,107**
Notes and bonds	**6.3%**	**15,201**	**84,276**	**2,750**	**26,567**	**128,794**
Interest bearing loan from minority interests	**5.3%**	**–**	**4,849**	**–**	**580**	**5,429**
		53,363	**177,546**	**2,934**	**31,068**	**264,911**
2004						
Bank loans	3.6%	57,404	83,213	1,437	366	142,420
Other loans	5.4%	–	9,811	126	619	10,556
Notes and bonds	5.1%	15,600	87,894	1,943	19,484	124,921
Interest bearing loan from minority interests	5.2%	–	4,082	31	983	5,096
		73,004	185,000	3,537	21,452	282,993

29 Borrowings (continued)

The carrying amounts and fair values of the borrowings are as follows:

	Carrying amounts		Fair values	
	2005	2004	**2005**	2004
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**122,581**	142,420	**122,538**	141,297
Other loans	**8,107**	10,556	**8,092**	10,576
Notes and bonds	**128,794**	124,921	**140,837**	133,450
Interest bearing loans from minority interests	**5,429**	5,096	**5,429**	5,098
	264,911	282,993	**276,896**	290,421

The fair values of the long term borrowings are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The carrying amounts of current portion of the long term borrowings approximate their fair value.

Borrowings are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2005	2004
	Percentage	Percentage
HK dollars	**16%**	16%
US dollars	**35%**	34%
Euro	**32%**	31%
British Pounds	**3%**	3%
Other currencies	**14%**	16%
	100%	100%

30 Pension obligations

	2005 HK$ millions	2004 HK$ millions
Defined benefit plans		
Plan obligations	**2,323**	2,424

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2005 and 31 December 2004 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2005	2004
Discount rate applied to defined benefit plan obligations	**4.0% - 9.0%**	3.5% - 10.0%
Expected return on plan assets	**4.0% - 9.0%**	4.5% - 11.0%
Future salary increases	**2.0% - 5.0%**	2.0% - 4.9%
Interest credited on plan accounts	**5.0% - 6.0%**	5.0% - 6.0%

The expected return on plan assets is based on market expectations for returns and long-term benchmark allocation of equities and bonds in each Plan and allowing for administration fees and other expenses charged to the Plans.

The amount recognised in the consolidated balance sheet is determined as follows:

	2005 HK$ millions	2004 HK$ millions
Present value of defined benefit obligations	**10,545**	10,401
Fair value of plan assets	**8,222**	7,977
Net defined benefit plan obligations	**2,323**	2,424

Fair value of plan assets of HK$8,222 million (2004 - HK$7,977 million) includes investments in the Company's shares with a fair value of HK$51 million (2004 - HK$57 million).

30 Pension obligations (continued)

(a) Defined benefit plans (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2005 HK$ millions	2004 HK$ millions
At 1 January	**10,401**	8,282
Current service cost	**571**	500
Actual employee contributions	**112**	118
Interest cost	**464**	446
Past service cost	**29**	–
Actuarial loss on obligation	**590**	417
Gains on curtailments	**(48)**	–
Relating to subsidiaries acquired	**211**	–
Relating to subsidiaries disposed	**(206)**	–
Benefits paid on settlements	**(120)**	–
Actual benefits paid	**(418)**	(287)
Exchange differences	**(1,041)**	925
At 31 December	**10,545**	10,401

Changes in the fair value of the plan assets are as follows:

	2005 HK$ millions	2004 HK$ millions
At 1 January	**7,977**	6,339
Expected return on plan assets	**522**	463
Actuarial gains on plan assets	**463**	74
Actual company contributions	**509**	499
Actual employee contributions	**112**	118
Relating to subsidiaries acquired	**135**	–
Relating to subsidiaries disposed	**(194)**	–
Assets distributed on settlements	**(120)**	–
Actual benefits paid	**(418)**	(287)
Exchange differences	**(764)**	771
At 31 December	**8,222**	7,977

30 Pension obligations (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated profit and loss account is as follows:

	2005 HK$ millions	2004 HK$ millions
Current service cost	**571**	500
Past service cost	**29**	–
Interest cost	**464**	446
Gains on curtailment	**(48)**	–
Expected return on plan assets	**(522)**	(463)
Total expense	**494**	483
Less: expense capitalised	**(15)**	(22)
Total, included in staff costs	**479**	461

The actuarial losses recognised in the statement of recognised income and expense in current year was HK$127 million (2004 – HK$343 million). The cumulative actuarial losses recognised in the statement recognised income and expense amounted to HK$1,393 million (2004 – HK$1,352 million).

Fair value of the plan assets are analysed as follows:

	2005 Percentage	2004 Percentage
Equity instruments	**63%**	61%
Debt instruments	**33%**	31%
Other assets	**4%**	8%
	100%	100%

The experience adjustments are as follows:

	2005 HK$ millions	2004 HK$ millions
Present value of defined benefit obligations	**10,545**	10,401
Fair value of plan assets	**8,222**	7,977
Deficit	**2,323**	2,424
Experience adjustments on defined benefit obligations	**(308)**	(69)
Experience adjustments on plan assets	**429**	51

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2005. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

30 Pension obligations (continued)

(a) Defined benefit plans (continued)

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 29 February 2004 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 28 February 2007 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2005 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$40 million (2004 – HK$36 million) were used to reduce the current year's level of contributions and HK$3 million was available at 31 December 2005 (2004 – HK$4 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2004, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. The sponsoring employer's contributions have been increased from August 2004 to finance the increased cost of accrual of benefits and to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.5% per annum, pensionable salary increases of 3.0% per annum and pension increases of 2.75% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt LLP.

The Group's defined benefit pension plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The first formal valuation for funding purposes was carried out at 31 March 2003. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer's contributions have been increased from April 2003 to fund the deficit over a period of 12 years. The main assumptions in the valuation are an investment return of 5.5% to 6.5% per annum and pensionable salary increases of 4% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited. The funding of the plan will be reviewed within three years of the last formal valuation.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

The Group's defined benefit retirement plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2005. The plan is final salary in nature with a money purchase underpin arrangement. The scheme is not open to new entrants since 1 April 2001. The latest formal valuation of the scheme was undertaken at 1 April 2003 by Ian W H Pope, a Fellow of the Faculty of Actuaries, of Kerr & Co. using the projected unit method. The principal long term assumptions were that the annual rate of return on investments would exceed the annual increase in earnings by 3% and the annual increase in pension would be 2.5%.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$683 million (2004 – HK$637 million). Forfeited contributions totalling HK$7 million (2004 – HK$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2005 (2004 – nil) to reduce future years' contributions.

31 Other non-current liabilities

	2005 HK$ millions	2004 HK$ millions
Interest rate swaps – cash flow hedges	**10**	–
Interest rate swaps – fair value hedges	**2,801**	–
Obligations for telecommunications licences and other rights	**662**	2,167
	3,473	2,167

32 Share capital

	2005 Number of shares	2004 Number of shares	2005 HK$ millions	2004 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7 1/2% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

33 Equity

	Share capital HK$ millions	Share premium[(a)] HK$ millions	Exchange reserve HK$ millions	Other reserves[(b)] HK$ millions	Retained profit HK$ millions	Shareholders' funds HK$ millions	Minority interests[(c)] HK$ millions	Total equity HK$ millions
At 31 December 2004, as previously reported	1,066	28,359	21,602	(884)	210,698	260,841	30,013	290,854
Prior year adjustments in respect of the adoption of new and revised HKFRS accounting policies (note 2(a))	–	–	(629)	89	(9,130)	(9,670)	(1,390)	(11,060)
At 31 December 2004, as restated	1,066	28,359	20,973	(795)	201,568	251,171	28,623	279,794
Adjustments in respect of financial instruments (note 2(a))	–	–	49	2,044	(2,739)	(646)	(229)	(875)
At 1 January 2005, as restated	1,066	28,359	21,022	1,249	198,829	250,525	28,394	278,919
Fair value changes in available-for-sale investments	–	–	–	(116)	–	(116)	(1)	(117)
Fair value changes arising from business combination	–	–	–	786	–	786	447	1,233
Fair value adjustment upon transfer from other properties to investment properties	–	–	–	186	–	186	2	188
Deferred tax effect on fair value adjustment upon transfer from other properties to investment properties	–	–	–	(31)	–	(31)	–	(31)
Valuation released upon disposal of available-for-sale investments	–	–	–	(847)	–	(847)	2	(845)
Gain on cash flow hedges	–	–	–	305	–	305	52	357
Exchange translation differences	–	–	(13,904)	–	–	(13,904)	(1,511)	(15,415)
Actuarial gains and losses of defined benefit plans	–	–	–	–	(284)	(284)	1	(283)
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	93	93	–	93
Net income (expense) recognised directly in equity	–	–	(13,904)	283	(191)	(13,812)	(1,008)	(14,820)
Profit (loss) after taxation	–	–	–	–	14,343	14,343	(789)	13,554
Total recognised income and expense	–	–	(13,904)	283	14,152	531	(1,797)	(1,266)
Dividends paid relating to 2004	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2005	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(2,374)	(2,374)
Equity contribution from minority interests	–	–	–	–	–	–	749	749
Shares issued by a subsidiary to acquire minority interests of HGC	–	–	–	–	–	–	1,919	1,919
Capitalisation of loan from minority interests	–	–	–	–	–	–	1,138	1,138
Purchase of minority interests in subsidiary companies	–	–	–	–	–	–	(11,348)	(11,348)
Share option scheme	–	–	–	89	–	89	61	150
Relating to subsidiary companies acquired	–	–	–	–	–	–	2,436	2,436
Relating to disposal of subsidiary and associated companies	–	–	–	(216)	–	(216)	(9,103)	(9,319)
At 31 December 2005	1,066	28,359	7,118	1,405	205,606	243,554	10,075	253,629

33 Equity (continued)

	Share capital HK$ millions	Share premium[a] HK$ millions	Exchange reserve HK$ millions	Other reserves[b] HK$ millions	Retained profit HK$ millions	Shareholders' funds HK$ millions	Minority interests[c] HK$ millions	Total equity HK$ millions
At 1 January 2004, as previously reported	1,066	28,359	13,570	(923)	201,945	244,017	33,916	277,933
Prior year adjustments in respect of the adoption of new and revised HKFRS accounting policies (note 2(a))	–	–	(580)	35	(5,665)	(6,210)	(882)	(7,092)
At 1 January 2004, as restated	1,066	28,359	12,990	(888)	196,280	237,807	33,034	270,841
Fair value changes in other listed equity investments	–	–	–	659	–	659	13	672
Valuation released upon disposal of other listed equity investments	–	–	–	(587)	–	(587)	2	(585)
Deferred tax effect on revaluation of other listed equity investments	–	–	–	(33)	–	(33)	(6)	(39)
Exchange translation differences	–	–	7,983	–	–	7,983	1,064	9,047
Actuarial gains and losses of defined benefit plans	–	–	–	–	(328)	(328)	(12)	(340)
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	13	13	–	13
Net income (expense) recognised directly in equity	–	–	7,983	39	(315)	7,707	1,061	8,768
Profit (loss) after taxation	–	–	–	–	12,978	12,978	(6,843)	6,135
Total recognised income and expense	–	–	7,983	39	12,663	20,685	(5,782)	14,903
Dividends paid relating to 2003	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2004	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(2,555)	(2,555)
Equity contribution from minority interests	–	–	–	–	–	–	376	376
Purchase of minority interests in subsidiary companies	–	–	–	–	–	–	234	234
Share option scheme	–	–	–	54	–	54	22	76
Relating to subsidiary companies acquired	–	–	–	–	–	–	(110)	(110)
Relating to partial disposal of subsidiary companies	–	–	–	–	–	–	3,404	3,404
At 31 December 2004	1,066	28,359	20,973	(795)	201,568	251,171	28,623	279,794

(a) Capital redemption reserve of HK$404 million was included in share premium in all reporting years.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2005, revaluation reserve surplus amounted to HK$1,291 million (1 January 2005 – surplus of HK$1,534 million and 1 January 2004 – deficit of HK$923 million), hedging reserve deficit amounted to HK$40 million (1 January 2005 – deficit of HK$374 million and 1 January 2004 – nil) and other capital reserves surplus amounted to HK$154 million (1 January 2005 – HK$89 million and 1 January 2004 – HK$35 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cashflow hedges are included in the hedging reserve.

(c) Amount shown excludes interest free and interest bearing loans from minority interests which have been reclassified and included under trade and other payables (note 28) and borrowings (note 29) respectively.

(d) The Group's share of exchange translation differences of associated companies and jointly controlled entities are gains of HK$252 million (2004 – gain of HK$444 million) and HK$120 million (2004 – loss of HK$183 million) respectively. The Group's share of actuarial gains and losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to a loss of HK$166 million (2004 – loss of HK$2 million) and a gain of HK$10 million (2004 – gain of HK$5 million) respectively.

34 Notes to consolidated cash flow statement

(a) Reconciliation of profit after taxation to cash generated from operating activities before interest and other finance costs, profits tax paid, telecommunications prepaid CACs[a] and changes in working capital

	2005 HK$ millions	2004 HK$ millions
Profit after taxation	**13,554**	6,135
Adjustments for:		
Current taxation charge	**2,511**	2,386
Deferred taxation credit	**(4,538)**	(4,815)
Interest and other finance costs	**15,405**	11,220
Change in fair value of investment properties	**(3,685)**	(5,244)
Depreciation and amortisation	**35,727**	30,727
Non-cash items included in profit on disposal of investments, elimination of minority interests and others	**(8,518)**	(22)
Share of associated companies' and jointly controlled entities'		
Current taxation charge	**1,608**	1,390
Deferred taxation charge	**1,285**	417
Interest and other finance costs	**2,751**	2,327
Change in fair value of investment properties	**(1,540)**	(58)
Depreciation and amortisation	**6,778**	6,150
EBITDA[b]	**61,338**	50,613
Telecommunications prepaid CACs	**11,954**	8,423
EBITDA before telecommunications prepaid CACs	**73,292**	59,036
Share of EBITDA of associated companies and jointly controlled entities	**(22,876)**	(17,912)
Loss (profit) on disposal of unlisted investments	**(11)**	8
Profit on disposal of fixed assets	**(144)**	(277)
Dividends received from associated companies and jointly controlled entities	**4,705**	3,936
Distribution from property jointly controlled entities	**4,479**	2,674
Decrease in properties under development	**18**	675
Profit on disposal of subsidiary and associated companies and jointly controlled entities	**(17,182)**	(19,427)
Other non-cash items	**418**	1,484
	42,699	30,197

a CACs represents customer acquisition costs

b EBITDA, included as a subtotal as supplementary information, represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments, elimination of minority interests and others and other earnings of a cash nature but excludes changes in the fair value of investment properties. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles in Hong Kong.

34 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

	2005 HK$ millions	2004 HK$ millions
Increase in inventories	(2,808)	(6,386)
Decrease (increase) in debtors and prepayments	722	(11,398)
Increase (decrease) in creditors	(1,300)	9,669
Other non-cash items	(3,443)	(779)
	(6,829)	(8,894)

(c) Purchase of subsidiary companies

	2005 Book value HK$ millions	2005 Fair value HK$ millions	2004 Fair value HK$ millions
Aggregate net assets acquired at acquisition date (excluding cash and cash equivalents):			
Fixed assets	6,399	7,447	5,177
Investment properties	2,340	2,574	23
Leasehold land prepayments	37	37	18
Telecommunications licences	2,402	2,402	1,653
Brand names and other rights	–	5,859	–
Associated companies	273	273	3
Liquid funds and other listed investments	1	1	71
Inventories	2,960	2,960	95
Trade and other receivables	4,258	4,953	1,362
Bank and other loans	(10,608)	(10,718)	(4,489)
Pension obligations	(76)	(76)	–
Creditors and taxation	(9,024)	(9,024)	(843)
Deferred taxation	142	(1,386)	46
Loans from minority interests	(3)	(3)	–
Minority interests	(1,050)	(2,436)	110
	(1,949)	2,863	3,226
Goodwill arising on acquisition		10,426	1,308
		13,289	4,534
Less: Cost of investments just prior to purchase		(4,405)	(2,240)
Less: Excess of the Group's interest in the net fair value over acquisition cost		(47)	(5)
		8,837	2,289
Discharged by:			
Cash payment		9,459	3,026
Less: Cash and cash equivalents purchased		(829)	(762)
Total net cash consideration		8,630	2,264
Deferred consideration		207	25
Total consideration		8,837	2,289

34 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

Included in the net assets acquired above are acquisitions of Partner Communications Company Limited ("Partner") and Marionnaud Parfumeries SA ("Marionnaud"). The contribution to the Group's revenue and profit after taxation from each of these subsidiaries acquired since the respective date of acquisition is immaterial.

Acquisition of Partner

The Group's interest in Partner was held indirectly through HTIL. In April 2005, HTIL increased its interest in Partner from 42.9% to 52.2% following the completion of a buyback of shares by Partner from certain of its shareholders. Subsequent to the completion of the share buyback Partner ceased to be an associated company and became a subsidiary of the Group. As disclosed in note (d) below, the Group disposed of a 19.3% interest in HTIL in December 2005 and as a result of this disposal both HTIL and Partner ceased to be a subsidiary and became an associated company of the Group with effect from 21 December 2005. The assets and liabilities of Partner have been deconsolidated from the Group before the balance sheet date and the incremental contribution by Partner to the Group's profit for the period from the date of acquisition to the date of disposal is not material to the Group.

The net assets of Partner acquired in the April 2005 transaction, and the goodwill arising, are as follows:

	At acquisition date	
	Fair value HK$ millions	Acquiree's carrying amount HK$ millions
Net assets acquired (excluding cash and cash equivalents):		
Fixed assets	4,425	4,425
Telecommunications licences	2,402	2,402
Brand names and other rights	4,088	–
Inventories	168	168
Trade and other receivables	1,523	1,523
Bank and other loans	(5,354)	(5,244)
Creditors and taxation	(1,624)	(1,624)
Deferred taxation	(581)	523
Minority interests	(2,416)	(1,041)
	2,631	1,132
Goodwill arising on acquisition	839	
	3,470	
Less: Cost of investments just prior to purchase	(3,478)	
	(8)	
Discharged by:		
Cash payment	–	
Less: Cash and cash equivalents purchased	(8)	
Total net cash consideration	(8)	

The goodwill can be attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

(c) Purchase of subsidiary companies (continued)

Acquisition of Marionnaud

In April 2005, the Group acquired more than 95% interest in Marionnaud. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	At acquisition date	
	Fair value HK$ millions	**Acquiree's carrying amount HK$ millions**
Net assets acquired (excluding cash and cash equivalents):		
Fixed assets	993	993
Associated companies	273	273
Brand names and other rights	1,491	–
Liquid funds and other listed investments	1	1
Inventories	2,547	2,547
Trade and other receivables	3,199	2,489
Bank and other loans	(5,311)	(5,311)
Creditors and taxation	(6,548)	(6,548)
Deferred taxation	98	98
	(3,257)	(5,458)
Goodwill arising on acquisition	6,636	
	3,379	
Discharged by:		
Cash payment	3,722	
Cash and cash equivalents purchased	(343)	
Total net cash consideration	3,379	

The goodwill can be attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

34 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies

	2005 HK$ millions	2004 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**26,126**	20
Investment properties	**23**	–
Leasehold land prepayments	**16**	4
Telecommunications licences	**4,682**	–
Telecommunications postpaid customer acquisition costs	**261**	–
Brand names and other rights	**3,545**	–
Associated companies	**2**	–
Liquid funds and other listed investments	**416**	–
Inventories	**695**	7
Trade and other receivables	**11,702**	2
Bank and other loans	**(26,693)**	–
Pension obligations	**(12)**	–
Creditors and taxation	**(10,809)**	(40)
Other non-current liabilities	**(1,184)**	–
Deferred taxation	**(45)**	–
Minority interests	**(7,010)**	(5)
Loans from minority interests	**(312)**	28
Reserves	**(55)**	–
Goodwill	**5,838**	–
	7,186	16
Profit on disposal	**7,390**	32
	14,576	48
Less: Investments retained subsequent to disposal	**(6,826)**	–
	7,750	48
Satisfied by:		
Cash and cash equivalents received as consideration	**10,192**	79
Less: Cash and cash equivalents sold	**(2,442)**	(31)
Total net cash consideration	**7,750**	48

Included in the net assets disposed above are disposal of HTIL. On 21 December 2005, the Group disposed of a 19.3% interest in HTIL to an independent party. Subsequent to the completion, the Group's interest in HTIL has been reduced from 69.1% to 49.8%. The transaction resulted in HTIL ceasing to be a subsidiary and becoming an associated company of the Group.

34 Notes to consolidated cash flow statement (continued)

(e) Disposal of associated companies

	2005 HK$ millions	2004 HK$ millions
Net proceeds from disposal of:		
ETSA Utilities and CHEDHA Holdings Pty Limited	**12,013**	–
Procter & Gamble-Hutchison	**–**	14,600
Others	**35**	11
	12,048	14,611

The effect on the Group's results from the disposal of associated companies is immaterial for the years ended 31 December 2005 and 2004.

35 Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

36 Pledge of assets

At 31 December 2005, the Group's share of H3G S.p.A. and its respective assets were pledged as security for 3G project financing facilities and amounted to HK$66,845 million (2004 – HK$73,781 million) as at 31 December 2005. In addition, HK$8,554 million (2004 – HK$40,633 million) of assets were pledged as security for bank and other loans of the Group. Included in the above amount of assets pledged, HK$29,477 million (2004 – HK$35,953 million) relates to the pledge of fixed assets and HK$1,766 million (2004 – HK$1,060 million) relates to the pledge of inventories.

37 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	2005 HK$ millions	2004 HK$ millions
To associated companies		
Telecommunications businesses	**6,373**	–
Other businesses	**–**	1,257
	6,373	1,257
To jointly controlled entities		
Property businesses	**5,232**	4,916
Other businesses	**3,520**	1,269
	8,752	6,185

At 31 December 2005 the Group had provided performance and other guarantees of HK$6,165 million (2004 – HK$5,994 million) primarily for telecommunications businesses.

38 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2005 are as follows:

Capital commitments

1. Contracted for:
   - i. Container terminals, Hong Kong – HK$349 million (2004 – HK$520 million)
   - ii. Container terminals, Mainland China – HK$6,614 million (2004 – HK$340 million)
   - iii. Container terminals, others – HK$2,707 million (2004 – HK$1,879 million)
   - iv. Telecommunications, **3** Group – HK$7,546 million (2004 – HK$8,081 million)
   - v. Hutchison Telecommunications International Limited – nil (2004 – HK$2,037 million)
   - vi. Investment properties in Hong Kong – nil (2004 – HK$2 million)
   - vii. Investment properties outside Hong Kong – HK$20 million (2004 – nil)
   - viii. Investment in Joint Venture in Hong Kong – nil (2004 – HK$869 million)
   - ix. Investment in Joint Venture outside Hong Kong – HK$1,328 million (2004 – HK$6,914 million)
   - x. Other fixed assets – HK$356 million (2004 – HK$231 million)

2. Authorised but not contracted for:

   The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.
   - i. Container terminals, Hong Kong – HK$2,154 million (2004 – HK$916 million)
   - ii. Container terminals, Mainland China – HK$6,454 million (2004 – HK$14,882 million)
   - iii. Container terminals, others – HK$17,623 million (2004 – HK$6,040 million)
   - iv. Telecommunications, **3** Group – HK$14,462 million (2004 – HK$13,550 million)
   - v. Hutchison Telecommunications International Limited – nil (2004 – HK$7,908 million)
   - vi. Investment properties outside Hong Kong – HK$1,288 million (2004 – HK$1,202 million)
   - vii. Investment in Joint Venture outside Hong Kong – HK$146 million (2004 – HK$956 million)
   - viii. Other fixed assets – HK$4,225 million (2004 – HK$5,636 million)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

Established Businesses

1. In the first year – HK$6,172 million (2004 – HK$5,264 million)
2. In the second to fifth years inclusive – HK$16,154 million (2004 – HK$13,993 million)
3. After the fifth year – HK$31,485 million (2004 – HK$30,845 million)

Telecommunications – **3** Group

1. In the first year – HK$1,537 million (2004 – HK$1,585 million)
2. In the second to fifth years inclusive – HK$4,661 million (2004 – HK$4,093 million)
3. After the fifth year – HK$9,242 million (2004 – HK$10,718 million)

38 Commitments (continued)

Operating lease commitments – future aggregate minimum lease payments for other assets

Established Businesses

1. In the first year – HK$341 million (2004 – HK$428 million)
2. In the second to fifth years inclusive – HK$557 million (2004 – HK$740 million)
3. After the fifth year – HK$266 million (2004 – HK$1,215 million)

Telecommunications – **3** Group

1. In the first year – HK$31 million (2004 – HK$61 million)
2. In the second to fifth years inclusive – HK$69 million (2004 – HK$39 million)
3. After the fifth year – HK$42 million (2004 – HK$9 million)

Other commitments

3G handsets – HK$23,485 million (2004 – HK$16,679 million)

39 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The amount of outstanding balances with associated companies and jointly controlled entities are disclosed in notes 21 and 22. These balances are unsecured and of which HK$5,705 million (2004 – HK$10,512 million) are interest bearing.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2005, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$20,694 million (2004 – HK$20,520 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$5,232 million (2004 – HK$4,916 million) for the benefit of these same entities. During the year, the Group has entered into an agreement with certain of these entities to effectively purchase an investment property for a total consideration of approximately HK$2,197 million.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 10.

40 Legal proceedings

As at 31 December 2005, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

41 Subsequent events

Subsequent to the balance sheet date, the Group entered into a structured pre-IPO transaction with an investment bank involving a private placement of an effective of approximately 10% indirect interest held by the Company in **3** Italia S.p.A. ("**3** Italia") for cash consideration of €420 million (approximately HK$3,864 million). The placement price will reflect a premium to the Group's current carrying value for its investment in **3** Italia Holders of the placed shares will have the right to exchange them for **3** Italia's shares on an IPO, or to put them to the Group in certain defined circumstances. The Group will also have the right to repurchase the placed shares in certain circumstances. If the put or call option is exercised by the holders of the placed shares or by the Group in certain defined circumstances, the repurchase price will be at the initial purchase price plus a premium to be calculated by reference to 3-months Euribor interest rates plus 0.9% (subject to adjustments).

Due to the transaction nature, any profit which may result from the transaction will only be recognised by the Group upon the exchange of the placed shares for the shares of **3** Italia.

42 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2005, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into United States dollars at this or any other rate.

43 Approval of accounts

The accounts set out on pages 123 to 208 were approved by the Board of Directors on 23 March 2006.

44 Profit before taxation

In accordance with the disclosure requirements of the Companies Ordinance and the Listing Rules of Hong Kong, profit before taxation is shown after crediting and charging the following items:

	2005 HK$ millions	2004 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	7,032	4,895
Unlisted	1,035	1,026
	8,067	5,921
Share of gross rental income from associated companies and jointly controlled entities	672	571
Gross rental income from investment properties		
Listed subsidiary – Hutchison Harbour Ring Limited	64	–
Other subsidiaries (excluding Hutchison Harbour Ring Limited)	1,856	1,820
Less: intra group rental income	(246)	(256)
	1,674	1,564
Less: related outgoings	(67)	(51)
Net rental income of subsidiary companies	1,607	1,513
Dividend and interest income from managed funds and other investments		
Listed	2,141	2,139
Unlisted	166	172
Charges:		
Depreciation and amortisation		
Fixed assets	16,057	14,685
Telecommunications licences	5,989	5,884
Telecommunications postpaid customer acquisition costs	12,013	8,583
Leasehold land prepayments	982	1,174
Brand names and other rights	686	401
	35,727	30,727
Inventories write off	2,825	1,558
Operating leases		
Properties	9,796	7,942
Hire of plant and machinery	553	624
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	176	155
– other auditors	45	25
Non audit work – PricewaterhouseCoopers	22	27
– other auditors	57	20

45 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Companies Ordinance of Hong Kong, the balance sheet of the Company as at 31 December 2005 is set out as follows:

	2005 HK$ millions	2004 HK$ millions
Assets		
Non-current assets		
Subsidiary companies		
Unlisted shares [(a)]	728	728
Amounts due from subsidiary companies	57,647	49,556
	58,375	50,284
Current assets		
Dividends and other receivables from subsidiary companies	30,027	15,600
Current liabilities		
Bank overdrafts	2	2
Other payables and accruals	106	100
	108	102
Net current assets	29,919	15,498
Net assets	88,294	65,782
Capital and reserves		
Share capital (note 32)	1,066	1,066
Reserves [(b)]	87,228	64,716
Shareholders' funds	88,294	65,782

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

45 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 204 to 208.

(b) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2005	**28,359**	**36,357**	**64,716**
Profit for the year	**–**	**29,887**	**29,887**
2004 final dividend paid	**–**	**(5,201)**	**(5,201)**
2005 interim dividend paid	**–**	**(2,174)**	**(2,174)**
At 31 December 2005	**28,359**	**58,869**	**87,228**
At 1 January 2004	28,359	28,121	56,480
Profit for the year	–	15,611	15,611
2003 final dividend paid	–	(5,201)	(5,201)
2004 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2004	28,359	36,357	64,716

(c) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(d) Pursuant to the disclosure requirement of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its finance and subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated borrowings included in note 29 totalling HK$264,911 million (2004 – HK$282,993 million), the Company has guaranteed a total of HK$215,761 million (2004 – HK$217,138 million) which has been borrowed in the name of subsidiary companies.

(e) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities totalling HK$3,309 million (2004 – HK$1,110 million). This amount has been included in the Group's contingent liabilities disclosed in note 37.

(f) Pursuant to the disclosure requirement of the Companies Ordinance of Hong Kong, the net profit of the Company is HK$29,887 million (2004 – HK$15,611 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.

(g) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2005 amounting to HK$58,869 million (2004 – HK$36,357 million).

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2005

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services					
	Alexandria International Container Terminals Company S.A.E.	Egypt	US$	3,750,000	38	Container terminal operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	10,000,000	100	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HK$	40	33	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	100	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	100	Container terminal operating
	Europe Container Terminals B. V.	Netherlands	Euro	45,378,021	98	Container terminal operating
	Freeport Container Port Limited	Bahamas	B$	2,000	60	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	100	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HK$	20	67	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company Limited	Hong Kong	HK$	20,000,000	50	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HK$	76,000,000	50	Ship repairing & general engineering
	Hutchison Atlantic Limited	British Virgin Islands	US$	10,000	100	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	US$	2	100	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	US$	26,000,000	100	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	100	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	80	Container terminal operating
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	100	Finance
	Hutchison Ports Investments S.à r.l.	Luxembourg	Euro	12,500	100	Holding company
	Hutchison Westport Investments Limited	British Virgin Islands	US$	2	100	Holding company
	IIHC Limited	Cayman Islands	US$	74,870,807	100	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	100	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SR	2,000,000	51	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	US$	14,461,665	50	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	Rs	1,109,384,220	100	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	45,005,000,000	89	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	50,000,000	100	Container terminal operating
	Logistics Information Network Enterprise Limited	Cayman Islands	US$	2	100	e-logistic services
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	US$	25,400	100	Holding company & mid-stream container operating
✡ ⌘	Nanhai International Container Terminals Limited	China	US$	42,800,000	50	Container terminal operating
✡ ⌘	Ningbo Beilun International Container Terminals Limited	China	RMB	700,000,000	49	Container terminal operating
✡ ⌘	Shanghai Mingdong Container Terminal Limited	China	RMB	4,000,000,000	50	Container terminal operating
	Oman International Container Terminals L.L.C.	Oman	OMR	4,000,000	65	Container terminal operating
	Panama Ports Company, S. A.	Panama	US$	10,000,000	90	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	100	Container terminal operating
	PT Ocean Terminal Petikemas	Indonesia	IDR	130,000,000,000	100	Container terminal operating
	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,500	51	Container terminal operating
✡	River Trade Terminal Co. Ltd.	British Virgin Islands/ Hong Kong	US$	1	43	River trade terminal operation
✡ ⌘	Shanghai Container Terminals Limited	China	RMB	2,000,000,000	37	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	US$	88,000,000	70	Container terminal operating
†	Shenzhen Hutchison Inland Container Depots Co., Ltd.	China	HK$	92,000,000	71	Inland container depots services

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and Related Services (continued)					
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	88	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP	2	100	Container terminal operating
#	Westport Holdings Sdn. Bhd.	Malaysia	M$	117,000,000	31	Container terminal operating
✡ ⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	49	Container terminal operating
⌘	Yantian International Container Terminals Limited	China	HK$	2,400,000,000	48	Container terminal operating
⌘	Yantian International Container Terminals (Phase III) Limited	China	HK$	2,400,000,000	43	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Gaolan) Limited	China	US$	23,500,000	50	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Jiuzhou) Limited	China	US$	52,000,000	50	Container terminal operating
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
+	Consolidated Hotels Limited	Hong Kong	HK$	78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HK$	2	100	Property owning
	Foxton Investments Limited	Hong Kong	HK$	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HK$	1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HK$	100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	US$	2	50	Hotel management
	Harley Development Inc.	Panama/Hong Kong	US$	2	100	Property owning
	Hongville Limited	Hong Kong	HK$	2	100	Property owning
✡ †	Hutchison Enterprises (Chongqing) Limited	China	RMB	470,000,000	50	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HK$	50,000	100	Property management
	Hutchison Hotel Hong Kong Limited	Hong Kong	HK$	2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	US$	1	100	Holding company
✡	Hutchison LR Development Limited	British Virgin Islands	US$	100	45	Property investment
+	Hutchison Lucaya Limited	Bahamas	US$	5,000	100	Investment in hotel
	Hutchison Whampoa Properties Limited	Hong Kong	HK$	2	100	Holding company
✡ †	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	US$	27,193,000	50	Property developing & investment
✡ @	Hutchison Whampoa Properties (Changchun) Limited	China	US$	18,500,000	50	Property developing
✡ @	Hutchison Whampoa Properties (Changsha Wangcheng) Limited	China	RMB	149,000,000	50	Property developing
✡ @	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB	1,050,000,000	50	Property developing & investment
✡ ⌘	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB	230,000,000	48	Property developing & investment
✡ @	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB	250,000,000	50	Property developing
✡ †	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB	190,000,000	50	Property developing & investment
✡ †	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB	600,000,000	50	Property developing & investment
✡ @	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	US$	33,150,000	50	Property developing & investment
✡ @	Hutchison Whampoa Properties (Shenzhen) Company Limited	China	US$	54,000,000	50	Property developing & investment
✡ †	Hutchison Whampoa Properties (Tianjin) Limited	China	US$	47,500,000	40	Property developing & investment
✡ @	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	US$	34,900,000	50	Property developing & investment
✡ @	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	US$	59,300,000	50	Property developing

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2005

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Property and hotels (continued)					
✡ @	Hutchison Whampoa Properties (Xian) Limited	China	US$	59,600,000	50	Property developing
✡ @	Hutchison Whampoa Properties (Zhuhai) Company Limited	China	US$	15,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HK$	20	100	Property management & related services
	Hybonia Limited	Hong Kong	HK$	20	100	Property owning
✡ +	Konorus Investment Limited	Hong Kong	HK$	2	43	Property developing
✡ +	Marketon Investment Limited	Hong Kong	HK$	4	50	Property owning
#	Marunochi N. V.	Netherlands Antilles	US$	20,420	45	Property owning
	Matrica Limited	Hong Kong	HK$	20	70	Property owning
	Mossburn Investments Limited	Hong Kong	HK$	1,000	100	Property owning
	Omaha Investments Limited	Hong Kong	HK$	10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HK$	100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
# +	Randash Investment Limited	Hong Kong	HK$	110	39	Investment in hotel
	Rhine Office Investments Limited	Hong Kong	HK$	2	100	Property owning
✡ @	Shanghai Helian Property Development Company Limited	China	US$	74,700,000	50	Property developing
✡ †	Shanghai Westgate Mall Company Limited	China	US$	40,000,000	30	Property owning
✡ †	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB	620,000,000	40	Property developing & investment
✡ @	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB	250,000,000	50	Property developing
✡ @	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB	232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	US$	5	50	Investment in hotel
	Trillium Investment Limited	Bahamas/Hong Kong	US$	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HK$	2	100	Property owning
	Vember Lord Limited	Hong Kong	HK$	2	100	Property owning
	Retail					
	A.S. Watson & Company, Limited	Hong Kong	HK$	109,550,965	100	Holding company
	A.S. Watson (Europe) Holdings B.V.	Netherlands	Euro	18,200	100	Holding company
	A.S. Watson Group Holdings Limited	British Virgin Islands	US$	1	100	Holding company
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	US$	1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	A.S. Watson (France) SNC	France	Euro	37,000	100	Holding company
	A/S Drogras	Latvia	LVL	1,280,000	100	Retailing
#	Dirk Rossmann GmbH	Germany	Euro	12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HK$	20	100	Retailing
⌘	Guangzhou Watson's Food and Beverage Company Limited	China	US$	32,283,432	95	Beverage manufacturing & trading
	Kruidvat B.V.B.A.	Belgium	Euro	24,789	100	Retailing
	Kruidvat Retail B.V.	Netherlands	Euro	20,000	100	Retailing
	Marionnaud Parfumeries S A	France	Euro	55,574,288	100	Perfume retailing
	The Perfume Shop Limited	United Kingdom	GBP	11,249,337	100	Perfume retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HK$	20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd.	Singapore	S$	2	50	Operation of duty free shops
	Park'N Shop Limited	Hong Kong	HK$	1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP	1,400,000	100	Retailing

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Retail (continued)					
	Superdrug Stores plc	United Kingdom	GBP	22,000,000	100	Retailing
	Watson's Personal Care Stores (Taiwan) Co., Limited	Taiwan	NT$	711,000,000	100	Retailing
	Watson's Personal Care Stores Pte Ltd	Singapore	S$	5,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP	135,000,000	60	Retailing
	Watson's The Chemist Limited	Hong Kong	HK$	1,000,000	100	Retailing
	Energy and infrastructure					
❋ +	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HK$	2,254,209,945	85	Holding Company
❋ # +	Hongkong Electric Holdings Limited	Hong Kong	HK$	2,134,261,654	33	Electricity generating
❋ # +	Husky Energy Inc.	Canada	C$	3,522,998,643	35	Investment in oil and gas
	Finance & investments and others					
	Binion Investment Holdings Limited	Cayman Islands	US$	3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HK$	2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HK$	139,254,060	100	Holding company
	Hutchison International Finance (01/08) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Finance (03/08) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Limited	Hong Kong	HK$	446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	Euro	1,764,026,850	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP	1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance (05) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa International (01/11) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	US$	1	100	Finance
	Strategic Investments International Limited	British Virgin Islands	US$	1	67	Overseas portfolio investment
	Zeedane Investments Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
✡ ⌘ +	Guangzhou Aircraft Maintenance Engineering Company Limited	China	US$	27,500,000	50	Aircraft maintenance
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HK$	670,500,026	62	Trading & manufacturing of toys
	Hutchison Whampoa (China) Limited	Hong Kong	HK$	15,000,000	100	Investment holding & China services
#	Metro Broadcast Corporation Limited	Hong Kong	HK$	1,000,000	50	Radio broadcasting
❋ #	TOM Group Limited	Cayman Islands/ Hong Kong	HK$	389,327,056	24	Cross media

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2005

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Telecommunications					
❋ #	Hutchison Telecommunications International Limited	Cayman Islands/ Hong Kong	HK$	1,188,136,552	49.8	Holding company
	3 Italia S. p. A.	Italy	Euro	6,512,715,450	95	3G mobile multimedia services
	Hi3G Access Aktiebolag	Sweden	SEK	10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	Euro	35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP	1	100	3G mobile multimedia services
❋	Hutchison Telecommunications (Australia) Limited	Australia	A$	1,031,244,240	58	Holding company & telecommunications

The above table lists the principal subsidiary and associated companies and jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation. The activity of portfolio investment and e-commerce business is international, and not attributable to a principal place of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and jointly controlled entities are held indirectly.

❋ Company listed on the Stock Exchange of Hong Kong except Hutchison Telecommunications (Australia) Limited which is listed on the Australian Stock Exchange Limited, Husky Energy Inc which is listed on the Toronto Stock Exchange and Hutchison Telecommunications International Limited which is also listed on the New York Stock Exchange.

Associated companies

✡ Jointly controlled entities

⌘ Equity joint venture registered under PRC law

† Cooperative joint venture registered under PRC law

@ Wholly owned foreign enterprise (WOFE) registered under PRC law

+ The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets, turnover (excluding share of associated companies and jointly controlled entities) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 13.7% and 2.0% of the Group's respective items.

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2005

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Aberdeen Centre, Aberdeen, Hong Kong	AIL 302 & 304	Long	100%	345,026	C	Existing
Provident Centre, Wharf Road, Hong Kong	IL 8465	Long	100%	209,768	C	Existing
Hunghom Bay Centre, Hung Hom, Kowloon	RP of HHML 1	Long	100%	80,402	C	Existing
Whampoa Garden, Hung Hom, Kowloon	KIL 10750 Sec A - H & Sec J – L	Long	100%	1,713,990	C	Existing
Hutchison House, 10 Harcourt Road, Hong Kong	IL 8286	Long	100%	503,715	C	Existing
Aon China Building, 29 Queen's Road, Central, Hong Kong	IL 2317	Long	100%	258,751	C	Existing
Cheung Kong Center, 2 Queen's Road, Central, Hong Kong	IL 8887	Medium	100%	1,263,363	C	Existing
Trust Tower, 1/F-20/F, 68-74 Johnston Road, Wanchai, Hong Kong	IL 4280 & RP of Sec A of ML 64A	Long	43%	56,260	C	Existing
Victoria Mall Canton Road, Kowloon	RP of KIL 11086	Medium	43%	169,307	C	Existing
9 Chong Yip Street, Kwun Tong, Kowloon	KTIL 444	Medium	64%	124,724	C	Existing
Shopping Centre of Belvedere Garden,						
Phase 1	TWTL 308	Medium	100%	21,340	C	Existing
Phase 2	TWTL 316 (Plot A)	Medium	65%	120,039	C	Existing
Phase 3	TWTL 316 (Plot B)	Medium	100%	131,945	C	Existing
Castle Peak Road, Tsuen Wan, New Territories						
99 Cheung Fai Road at Container Terminal No 9, Tsing Yi, New Territories	TYTL 139	Medium	67%	359,981	C	Existing
Watson House, Wo Liu Hang Road, Shatin, New Territories	STTL 61	Medium	100%	280,900	C/W	Existing
Hutchison Logistics Centre Kwai Chung, New Territories	M/F to 6/F on KCL No 4	Medium	88%	4,705,141	C/W	Existing
	G/F on KCL No 4	Medium	66%	737,394	C/W	Existing
Sheraton Hong Kong Hotel & Towers, Salisbury Road, Tsimshatsui, Kowloon	KIL 9172	Long	39%	729,945	H	Existing
One and Two Harbourfront and The Harbour Plaza Hong Kong, Hung Hom, Kowloon	Sec A, B & RP of HHML 6 and extension thereto	Long	100%	862,988	C	Existing
		Long	100%	471,627	H	Existing
Harbour Plaza Metropolis, Hung Hom Bay, Kowloon	KIL 11077	Medium	50%	461,310	H	Existing
Harbour Plaza North Point 665 King's Road, North Point, Hong Kong	IL 8885	Medium	39%	343,081	H	Existing
Rambler Crest and Hotel Development, Tsing Yi, New Territories	TYTL 140	Medium	70%	485,206	H/C	Existing
Horizon Suite Hotel at Tolo Harbour, Ma On Shan, New Territories	STTL 461	Medium	49%	602,784	H	Existing
The Kowloon Hotel, 19-21 Nathan Road, Kowloon	KIL 10737	Medium	50%	267,686	H	Existing
Watson Centre, 16-24 Kung Yip Street, Kwai Chung, New Territories	KCTL 258	Medium	100%	687,200	I	Existing
Watson's Water Centre, 6 Dai Li Street, Tai Po Industrial Estate, New Territories	Tai Po Town Lot 1 Sec B SS2	Medium	100%	255,138	I	Existing
Cavendish Centre, 23 Yip Hing Street, Wong Chuk Hang, Hong Kong	AIL 399	Long	100%	342,868	I	Existing
One half of M/F, whole of 6/F-10/F & the roof, 1-11 Ka Ting Road, Kwai Chung, New Territories	RP of KCTL 129	Medium	100%	100,800	I	Existing

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2005

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Food distribution depot, Sheung Shui, New Territories	FSSTL 97	Medium	100%	142,394	I	Existing
Cement manufacturing plant, Tap Shek Kok, Tuen Mun, New Territories	TMTL 201	Medium	85%	1,645,331	I	Existing
Caribbean Coast,	TCTL 5	Medium	50%	429,623	R/C	Existing
Tung Chung, New Territories		Medium	50%	185,663	R	2007 (70%)
(site area approx 730,876 sq ft)		Medium	40%	474,575	R	2007 (70%)
		Medium	50%	113,022	R	2008 (60%)
Harbourfront Landmark, Wan Hoi Street, Hung Hom, Kowloon	KIL 11055	Medium	50%	43,902	R	Existing
A residential development at Hung Shui Kiu, Yuen Long, New Territories (site area approx 175,367 sq ft)	Lot No. 2064 in DD121	Medium	50%	536,855	R	2008 (1%)
Oriental Plaza,	Dong Chang An Jie, Beijing	Medium	18%	4,389,768	C	Existing
Dong Chang An Jie, Beijing, China		Medium	18%	1,777,222	H/SA	Existing
Great Wall Hotel, 10 North Dong Sang Hun Road, Chao Yang District, Beijing, China	Chaoyang District Beijing	Medium	49.8%	898,800	H	Existing
The Greenwich,	Chaoyang District, Beijing					
Yao Jia Yuan Lu Bei,	Phase 1	Long	50%	2,301,451	R/C	2006 (30%)
Chaoyang District, Beijing, China	Phase 2	Long	50%	1,650,026	R/C	2007 (1%)
(site area approx 2,848,728 sq ft)						
A residential development at Shisanling,	Shisanling, Beijing					
Beijing, China	Phase 1	Long	50%	216,622	R	2007 (1%)
(site area approx 2,742,003 st ft)	Phase 2	Long	50%	216,622	R	2008 (1%)
	Phase 3	Long	50%	216,622	R	2008 (1%)
	Phase 4	Long	50%	216,622	R	2009 (1%)
Metropolitan Plaza, Chongqing, China	Ba Yi Lu, Chongqing	Medium	50%	1,511,515	C	Existing
Harbour Plaza Chongqing, China	Ba Yi Lu, Chongqing	Medium	50%	482,765	H	Existing
Beverly Hills Jiangbei, Chongqing, China	Yubei, Chongqing Phases 1 – 2	Medium	50%	321,928	R	Existing
Nanan Development	Nanan, Chongqing					
Nanan, Chongqing, China	Phases 1 - 2	Medium	48%	3,405,247	R	2009 (1%)
(site area approx 1,381,462 sq ft)	Commercial Phase 1	Medium	48%	419,368	C	2006 (10%)
	Commercial Phase 2	Medium	48%	259,580	C	2009 (1%)
A residential development at Douxi,	Douxi, Chongqing	Long	50%	4,372,256	R	2009 (1%)
Chongqing, China		Medium	50%	26,910	C	2009 (1%)
(site area approx 4,741,389 sq ft)						
A residential development in Chengdu, China (site area approx 7,339,065 sq ft)	Chengdu High-Tech Zone	Long	50%	22,017,195	R/C	2016 (2%)
A commercial & residential development at Wenjiang, Chengdu, China (site area approx 4,018,482 sq ft)	Wenjiang, Chengdu	Long	50%	5,169,573	R/C	2009 (1%)
Huangsha underground railway development,	Huangsha MTR Station Podium					
Guangzhou, China	Phases 1 – 2	Long	50%	2,752,487	R	2007 (3%)
(site area approx 767,265 sq ft)	Commercial	Long	50%	936,644	C	2006 (7%)
Cape Coral, Panyu,	Da Shi, Panyu					
Guangzhou, China	Phase 1	Long	50%	202,912	R	Existing
(site area approx 4,621,147 sq ft)	Phase 2	Long	50%	1,010,796	R	2006 (60%)
	Phase 3	Long	50%	1,526,231	R	2007 (1%)
	Phase 4	Long	50%	1,446,870	R	2008 (1%)
	Commercial	Long	50%	19,805	C	2006 (95%)
Zengcheng Project, Guangzhou China (site area approx 21,879,037 sq ft)	Zengcheng Project, Guangzhou	Long	50%	12,956,064	R/C	2018 (1%)

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
International Toys & Gifts Center, Huang Pu District, Guangzhou (site area approx 3,461,864 sq ft)	Nangang Village Head of Lang Bridge, Huang Pu District, Guangzhou					
	Phase 1	Medium	30%	527,275	C	Existing
	Phases 2 & 3	Medium	30%	1,844,269	C	2007 (1%)
Laguna Verona, Dongguan, Guangdong, China (site area approx 35,954,838 sq ft)	Hwang Gang Lake, Dongguan					
	Phase A	Long	49.84%	11,617	R	Existing
	Phase B	Long	49.84%	93,667	R	Existing
	Phase C	Long	49.84%	58,469	R	Existing
	Commercial	Long	49.84%	9,326	C	Existing
	Phase E	Long	49.84%	536,791	R	2006 (2%)
	Phase G Stage 1	Long	49.84%	885,032	R	2006 (8%)
	Phase G Stage 1	Long	49.84%	149,778	C	2006 (8%)
	Phase G Stage 1(i), 2 & 3	Long	49.84%	1,220,432	R	2007 (1%)
	Other Phases	Long	49.84%	10,183,287	R/C	2011 (1%)
Harbour Plaza Golf Club	Hwang Gang Lake, Dongguan Golf course	Medium	50%	14,257,654	G	Existing
Le Parc (Huangpu Yayuan), Futian, Central District, Shenzhen, China	Central District, Shenzhen	Long	50%	102,953	C	Existing
A Residential development at Guanlan Baoan, Shenzhen, China (site area approx 4,045,594 sq ft)	Baoan District, Shenzhen	Long	50%	1,697,193	R	2008(1%)
A commercial & residential development at Feng Huang Shan, Shenzhen, China (site area approx 2,407,822 sq ft)	Ping Hu Longgang District Shenzhen	Long	50%	3,140,105	R/C	2008 (1%)
Huaqianbei Development Huaqianbei, Futian District, Shenzhen, China (site area approx 184,118 sq ft)	Shennan Road, Huaqianbei Futian District, Shenzhen	Medum	50%	1,165,676	C	2009 (1%)
		Medum	50%	444,652	R	2009 (1%)
Horizon Cove, Tang Jia Bay, Zhuhai, China (site area approx 4,797,169 sq ft)	Tang Jia Bay, Zhuhai					
	Phases 1, 2, 3A & 3B	Long	50%	490,272	R	Existing
	Phase 4	Long	50%	1,071,838	R	2006 (5%)
	Commercial	Long	50%	24,563	C	Existing
A residential development at Qiao Island, Zhuhai, China (site area approx 2,152,760 sq ft)	Qiao Island, Zhuhai	Long	50%	2,510,204	R	2009 (1%)
		Long	50%	10,764	C	2008 (1%)
The Center, Xuhui, Shanghai, China	Changshu Lu/Changle Lu Xuhui District, Shanghai	Medium	62%	963,336	C	Existing
Westgate Mall & Tower, Mei Long Zhen, Shanghai, China	Nanjing Xi Lu/ Jiang Ning Lu, Shanghai	Medium	30%	1,099,361	C	Existing
Seasons Villas, Pudong Huamu, Shanghai, China (site area approx 2,907,679 sq ft)	Huamu Road, Pudong Shanghai					
	Phases 1 – 4, 5 & 6A	Medium	50%	1,142,330	R	Existing
	Phases 4A & 6B	Medium	50%	24,843	R	2006 (80%)
Regency Park, Pudong Huamu, Shanghai, China (site area approx 4,936,832 sq ft)	Huamu Road, Pudong Shanghai					
	Phase 3	Medium	50%	136,481	R	Existing
	Phases 2A, 4 - 7	Medium	50%	1,021,255	R	2006 (50%)
	Phase 2B	Medium	50%	60,275	C	2007 (20%)
	Phase 8	Medium	50%	87,779	R	2007 (20%)
Maison d'artiste, Shanghai, China (site area approx 546,037 sq ft)	Gubei Road, Shanghai					
	Phase 1	Long	50%	105,119	R	2006 (60%)
	Phase 2 - 3B & Others	Long	50%	1,575,594	R/C	2008 (20%)

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2005

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Shanghai Century Avenue, China (site area approx 547,339 sq ft)	Pudong Century Avenue/ Dongfang Road, Shanghai	Medium	25%	2,331,665	C	2010 (1%)
A residential development at Maqiao, Shanghai, China (site area approx 2,800,611 sq ft)	Kun Yang Road (N), Maqiao Town Ming Hang Area, Shanghai	Long	42.5%	488,461	R	2007 (1%)
A commercial development at Xin Zha Road, Shanghai, China (site area approx 156,376 sq ft)	Xin Zha Road/Datian Road Jing An Area, Shanghai	Long	30%	625,505	C	2008 (1%)
A commercial & residential development in Xian, China (site area approx 5,549,406 sq ft)	Xian Hi-Tech Industrial Development Zone	Medium	50%	11,164,160	R/C	2010 (1%)
A residential development in Changsha, China (site area approx 5,992,296 sq ft)	Wangcheng Jinxing Dadao	Long	50%	6,972,251	R/C	2012 (1%)
A residential development in Changchun, China (site area approx 9,910,101 sq ft)	Jingyuetan, Changchun	Medium	50%	4,378,789	R/C	2011 (1%)
A residential development in Wuhan, China, (site area approx 1,137,099 sq ft)	Hualou Jie, Wuhan	Long	50%	3,929,949	R/C	2011 (1%)
A residential development in Wuhan, China (site area approx 317,209 sq ft)	Laopu Pian, Wuhan	Long	50%	1,427,441	R/C	2009 (1%)
A commercial & residential development in Tianjin, China (site area approx 211,153 sq ft)	Yingkoudao, Tianjin	Medium	40%	2,717,860	R/C	2008 (1%)
Albion Riverside, United Kingdom	Wandsworth, London	Freehold	45%	40,866*	R	Existing
		Freehold	45%	79,242*	C	Existing
A commercial & residential development at Lots Road, Chelsea, London, United Kingdom (site area approx 288,367 sq ft)	Chelsea/Fulham, London	Freehold	23%	579,785*	R	2012 (1%)
		Freehold	23%	73,002*	C	2012 (1%)
Chelsea Harbour, Phase II, Chelsea, London, United Kingdom (site area approx 95,832 sq ft)	Chelsea/Fulham, London	Freehold	23%	117,605*	R	2009 (1%)
Costa Del Sol, Bayshore Road, Singapore	MK 27 Lot LP525 Singapore	Long	24%	875,243	R	Existing
Cairnhill Crest at Cairnhill Circle, Singapore	Lots 874P & 601W Singapore	Freehold	50%	280,650	R	Existing
Marina Bay, Land Parcel A (Phase 1) at Marina Central Boulevard, Singapore (site area approx 220,716 sq ft)	Land Parcel 662 Singapore	Long	16.7%	2,626,416	C	2009 (1%)
Pacific Century Place Marunouchi, Tokyo, Japan	Marunouchi, Tokyo	Freehold	38%	786,000	C	Existing
The Westin and Sheraton at Our Lucaya Beach & Golf Resort in Freeport, Grand Bahama, Bahamas	Lucaya, Freeport, Grand Bahama Island	Freehold	100%	1,027,494	H	Existing
		Freehold	100%	320 acres	G	Existing
Container Terminal No 4, Kwai Chung, New Territories	KCL No 4	Medium	66.5%	70 acres	CT	Existing
Container Terminal No 6, Kwai Chung, New Territories	KCL No 6	Medium	66.5%	71 acres	CT	Existing
Container Terminal No 7, Kwai Chung, New Territories	KCL No 7 and extension	Medium	66.5%	85 acres	CT	Existing
Container Terminal No 8, East, Kwai Chung, New Territories	KCL No 8	Medium	66.5%	74 acres	CT	Existing

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Container Terminal No 9, Tsing Yi, New Territories	TYTTL 139 TYL 9 (co-grantee)	Medium	66.5%	47 acres	CT	Existing
Mid-Stream Terminal, Stonecutters Island, Hong Kong	KCTL No 479	Medium	100%	360,000	CT	Existing
River Trade Terminal, Tuen Mun, New Territories	TMTL No 393	Medium	43%	7,000,000	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases I & II)	Yantian, Shenzhen, Guangdong Province	Medium	48%	14,033,225	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases III & Expansion)	Yantian, Shenzhen, Guangdong Province	Medium	43%	24,310,000	CT	2010 (44%)
Inland Container Depot and Warehousing, Guanlan, Shenzhen, China	Guanlan, Shenzhen, Guangdong Province	Medium	71%	3,591,699	D/W	Existing
Container Terminal at Jiuzhou, Zhuhai, Guangdong, China	Lovers Avenue South Zhuhai Guangdong Province	Medium	50%	1,659,592	CT	Existing
Multi purpose Terminal at Zhuhai Port, Gaolan, Zhuhai, Guangdong, China	Zhuhai Port, Zhuhai Guangdong Province	Medium	50%	2,238,891	CT	Existing
Container Terminal at Zhuchi Port, Shantou, Guangdong, China	Zhuchi Port, Shantou Guangdong Province	Medium	70%	4,582,505	CT	Existing
Container Terminals at Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai, China	Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai	Medium	37%	8,983,662	CT	Existing
Container Terminal at Waigaoqiao, Phase V Pudong, Shanghai, China	Waigaoqiao, Phase V, Pudong, Shanghai	Medium	50%	17,534,372	CT	Existing
Container Terminals at Beilun, Ningbo, Zhejiang, China	Beilun, Ningbo, Zhejiang Province	Medium	49%	8,140,591	CT	Existing
Container Terminal at San Shan Port, Nanhai, Guangdong, China	San Shan Island, Nanhai Guangdong Province	Medium	50%	4,256,425	CT	Existing
Container Terminal at Gaosha Port, Jiangmen, Guangdong, China	Gaoshawei, Baishi Administration Area, Jiangmen Guangdong Province	Medium	50%	1,337,675	CT	Existing
Container Terminal at Haicang Port, Xiamen, Fujian, China	Haicang Port Zone, Xiamen, Fujian Province	Medium	49%	5,016,444	CT	Existing
Container Terminal at Laem Chabang, Thailand	A2, Laem Chabang	Medium	88%	1,829,825	CT	Existing
Multi purpose Terminal at Laem Chabang, Thailand	C0, Laem Chabang	Medium	80%	78 acres	CT	2007 (1%)
Container Terminal at Laem Chabang, Thailand	A3, C1, C2, D1, D2, D3, Laem Chabang	Medium	80%	359 acres	CT	2011 (7%)
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 1 & CT2 Tanjung Priok, Jakarta	Medium	51%	246 acres	CT	2010 (80%)
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 3 Tanjung Priok, Jakarta	Medium	48%	76 acres	CT	Existing
Container Terminal at Port Klang, Selangor, Malaysia	Wesports, Port Klang, Palau Indah	Medium	31%	1,450 acres	CT	Existing
Container Terminal at Karachi, Pakistan	Berth Nos 26 to 30 West Wharf	Medium	100%	2,540,283	CT	Existing
Container Terminal at 1116, Jwachon-dong, Dong-ku, Busan, South Korea	Busan, Busan-si	Medium	100%	160 acres	CT	Existing
Container Terminal at 624, Gamman-Dong Nam-ku, Busan, South Korea	Gamman, Busan-si	Medium	100%	37 acres	CT	Existing
Container Terminal at 775, Doi-dong, Gwangyang, Cheonnam, South Korea	Gwangyang, Gwangyang-si	Medium	100%	51 acres	CT	Existing
Container Terminal at 780-2 Doi-dong Gwangyang-si, Joellanam-do, South Korea	Gwangyang, Gwangyang-si					
	Phase II-1	Medium	89%	3,476,856	CT	Existing
	Phase II-2	Medium	89%	5,737,351	CT	Existing

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2005

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Container Terminal at Felixstowe, United Kingdom	Felixstowe, County of Suffolk	Long Freehold	100% 100%	540 acres 250 acres	CT CT	Existing Existing
Container Terminal at Thamesport, United Kingdom	Isle of Grain County of Kent	Long	100%	210 acres	CT	Existing
Multi purpose freight & passenger port & Bathside Bay Land, Harwich, United Kingdom	Harwich, County of Essex	Freehold Freehold	100% 100%	185 acres 250 acres	P CT	Existing 2010 (25%)
Container Terminal at Rotterdam, The Netherlands	Home Terminal, Rotterdam Delta Terminal, Rotterdam Hanno Terminal, Rotterdam	Long Long Long	98% 98% 98%	166 acres 613 acres 79 acres	CT CT CT	Existing Existing Existing
Inland Container Terminal at Venlo, The Netherlands	TCT Venlo Terminal	Freehold	98%	16 acres	CT, W	Existing
Inland Container Terminal at Willebroek, Belgium	TCT Belgium Terminal, Willebroek	Freehold	98%	25 acres	CT, D, W	Existing
Inland Container Terminal at Duisburg, Germany	DeCeTe Terminal, Duisburg	Long	50.53%	32 acres	CT	Existing
Container Terminal at Internacional de Contenedores Asociados de Veracruz, S. A. de C. V. Veracruz, Mexico	Recinio portuario, Zona II Puerto de Veracruz, Veracruz	Medium	100%	4,492,133	CT	Existing
Container Terminal at Ensenada International Terminal S. A. de C. V. Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	100%	1,552,508	CT	Existing
Cruise Port & Marina at Ensenada Cruiseport Village S. A. de C. V. Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	100%	2,043,011	P	Existing
Container Terminal at Terminal International de Manzanillo, S. A.de C. V.	Manzanillo, Mexico	Medium	100%	461,853	CT/D	Existing
Container Terminal at Lazaro Cardenas Michoacan, S.A. de C.V.	Recinto Portuario, Lazaro Cardenas, Michoacan	Freehold	100%	2,220,024	CT	Existing
Container Terminal at L.C. Terminal Portuaria de Contenedores S. A. de C. V.	Recinto Portuario, Lazaro Cardenas, Michoacan	Medium	100%	1,658,941	CT	Existing
Container Terminal at Buenos Aires, Argentina	Puerto Nuevo, Buenos Aires	Short	100%	53 acres	CT	Existing
Grand Bahama International Airport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	3,396 acres	A	Existing
Cruise Port at Freeport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	1,630 acres	P	Existing
Container Terminal at Freeport, Bahamas	Freeport, Grand Bahama Island	Long	60%	168 acres	CT	Existing
Container Terminal at Gdynia, Poland	Port of Gdynia Poland	Long	85.53%	46 acres	CT	2006 (33%)

Lease term: Long = lease not less than 50 years; Medium = lease less than 50 years but not less than 10 years; Short = lease less than 10 years.

* Total net floor area for UK projects

A = Airport C = Commercial CT = Container Terminal D = Depot G = Golf Course H = Hotel I = Industrial I/O = Industrial/Office

P = Cruise Port SA = Serviced Apartment R = Residential W = Warehouse

	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
CONSOLIDATED PROFIT AND LOSS ACCOUNT										
HK$millions										
Revenue	36,662	44,590	51,383	55,442	57,022	61,460	75,235	104,921	134,595	**182,584**
Profit attributable to shareholders of the Company	13,698	11,600	7,317	117,882	34,335	9,547	11,944	7,913	12,978	**14,343**
Dividends	5,703	6,123	4,962	6,318	7,375	7,375	7,375	7,375	7,375	**7,375**
CONSOLIDATED BALANCE SHEET										
HK$millions										
ASSETS										
Non-current assets										
Fixed assets	25,398	37,079	34,796	33,431	34,962	50,695	91,008	123,508	147,603	**124,278**
Investment properties	24,247	22,520	23,172	28,704	29,208	27,138	27,155	25,892	31,741	**38,557**
Leasehold land prepayments	14,820	18,635	20,930	24,790	24,628	29,200	29,968	31,027	31,037	**32,374**
Telecommunications licences	–	–	–	–	80,039	78,152	89,581	98,943	103,060	**84,624**
Telecommunications postpaid customer acquisition costs	–	–	–	–	–	–	–	1,647	6,823	**6,172**
Goodwill	–	–	–	–	–	333	7,838	8,583	10,577	**17,954**
Brand names and other rights	–	–	–	–	1,071	1,807	2,034	1,929	1,559	**3,579**
Associated companies	16,286	18,992	19,786	25,395	37,997	36,899	45,055	50,662	54,887	**65,334**
Interests in joint ventures	8,871	34,239	39,607	34,193	38,634	37,146	33,598	37,233	35,756	**37,284**
Deferred tax assets	51	53	80	425	720	974	1,725	5,372	12,259	**15,723**
Other non-current assets	730	1,547	3,335	3,261	7,645	7,851	6,550	7,682	8,230	**4,426**
Liquid funds and other listed investments	21,821	25,334	21,956	172,906	127,446	71,204	75,597	63,929	66,503	**60,669**
	112,224	158,399	163,662	323,105	382,350	341,399	410,109	456,407	510,035	**490,974**
Net current assets (liabilities)	1,651	14,978	4,298	17,108	9,632	41,805	(1,813)	65,209	45,899	**21,084**
Total assets less current liabilities	113,875	173,377	167,960	340,213	391,982	383,204	408,296	521,616	555,934	**512,058**
Non-current liabilities										
Long term borrowings	36,876	75,785	72,585	81,302	107,342	129,593	142,668	236,067	259,875	**238,883**
Deferred tax liabilities	4,236	6,939	7,263	8,204	8,675	10,259	10,237	10,357	11,674	**13,750**
Pension obligations	–	–	–	–	–	131	2,105	1,943	2,424	**2,323**
Other non-current liabilities	–	–	–	–	916	1,541	2,522	2,408	2,167	**3,473**
	41,112	82,724	79,848	89,506	116,933	141,524	157,532	250,775	276,140	**258,429**
Net assets	72,763	90,653	88,112	250,707	275,049	241,680	250,764	270,841	279,794	**253,629**
CAPITAL AND RESERVES										
Share capital	905	969	969	969	1,066	1,066	1,066	1,066	1,066	**1,066**
Reserves	68,370	83,219	80,494	243,222	245,915	210,055	216,202	236,741	250,105	**242,488**
Shareholders' funds	69,275	84,188	81,463	244,191	246,981	211,121	217,268	237,807	251,171	**243,554**
Minority interests	3,488	6,465	6,649	6,516	28,068	30,559	33,496	33,034	28,623	**10,075**
Total equity	72,763	90,653	88,112	250,707	275,049	241,680	250,764	270,841	279,794	**253,629**

TEN YEAR SUMMARY

	1996	1997	1998	1999	2000	2001	2002	2003	2004	**2005**
PERFORMANCE DATA										
Earnings per share for profit attributable to shareholders of the company – (HK$)	3.44	2.72	1.72	27.65	8.05	2.24	2.80	1.86	3.04	**3.36**
Dividends per share – (HK$)	1.36	1.44	1.16	1.48	1.73	1.73	1.73	1.73	1.73	**1.73**
Dividend cover	2.5	1.9	1.5	18.7	4.7	1.3	1.6	1.1	1.8	**1.9**
Return on average shareholders' funds (%)	21.5%	15.1%	8.8%	72.4%	14.0%	4.2%	5.6%	3.5%	5.3%	**5.8%**
Current ratio	1.1	1.5	1.2	1.5	1.2	1.8	1.0	1.7	1.5	**1.2**
Net debt/Net total capital (%) (2)	12.5%	24.6%	32.7%	0.3%	N/A	0.7%	16.7%	24.4%	33.8%	**37.9%**
Net assets attributable to shareholders of the Company per ordinary share – book value (HK$)	17.4	19.8	19.1	57.3	57.9	49.5	51.0	55.8	58.9	**57.1**
Number of shares (million)	3,617.8	3,874.9	3,875.8	3,875.8	4,263.3	4,263.3	4,263.3	4,263.3	4,263.3	**4,263.3**

(1) Prior years' figures are restated to reflect the Group's effect of the adoption of new and revised Hong Kong Financial Reporting Standards accounting policies in 2005. (See Note 1)

(2) Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total bank and other interest bearing borrowings plus total equity net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

Listing

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited and are traded on the London Stock Exchange. American Depositary Receipts representing ordinary shares are traded on the New York Stock Exchange.

Stock Codes

The Stock Exchange of Hong Kong Limited	013
London Stock Exchange	HWH
American Depositary Receipts	HUWHY
CUSIP Number	448415208

Financial Calendar

Closure of Register of Members	11 May 2006 - 18 May 2006
Annual General Meeting	18 May 2006
Payment of 2005 Final Dividend	19 May 2006
Interim Results Announcement	August 2006

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