

# Chairman's Statement

While there was a sharp slowdown in the global economy in the fourth quarter, the Group's full year revenue in 2008 grew 13% to HK\$348,365 million. Total earnings before interest expense and other finance costs, taxation and minority interests ("EBIT") grew 19% to HK\$44,742 million. Revenue from the Group's established businesses grew 16% to HK\$287,993 million and EBIT from these businesses totalled HK\$55,599 million, in line with 2007. The Group reported a 1% increase in revenue to HK\$60,372 million and a 39% reduction in LBIT to HK\$10,857 million.

## Results

The Group's profit attributable to shareholders for the year amounted to HK\$17,664 million, a 42% reduction compared to last year's profit of HK\$30,600 million. Excluding the one-time items in both years described below, profit attributable to shareholders improved by 429%. Earnings per share were HK\$4.14 (2007 - HK\$7.18).

The results include a profit on property revaluation arising in the first half of the year of HK\$824 million (2007 - HK\$1,995 million), a HK\$2,764 million adjustment to deferred tax, and profits on disposal of investments totalling HK\$6,580 million (2007 - HK\$24,638 million), comprised of the following:

	HK\$ millions
Group's share of a gain on partial disposal of Husky Energy Inc's ("Husky") interest in a resource property	3,122
Gain on disposal of minority equity interests in certain ports to strategic partners	2,037
Profit on disposal of telecommunications tower assets in Indonesia	1,421

## Dividends

The Board recommends the payment of a final dividend of HK\$1.22 per share (2007 - HK\$1.22 per share) to those persons registered as shareholders on 21 May 2009. This, together with the interim dividend of HK\$0.51 per share paid on 3 October 2008, gives a total dividend of HK\$1.73 per share for the year (2007 - HK\$1.73 per share). The proposed final dividend will be paid on 22 May 2009 following approval at the Annual General Meeting. The register of members will be closed from 14 May 2009 to 21 May 2009, both days inclusive.

## Established Businesses

### Ports and Related Services

While global trade declined sharply in the fourth quarter, the ports and related services division reported overall growth for the year. Total throughput for the year increased 2% to 67.6 million twenty-foot equivalent units ("TEUs"), total revenue grew 4% to HK\$39,594 million and EBIT increased 3% to HK\$13,236 million. This division is facing reducing global trade volumes, including in Hong Kong and other Asian ports, and therefore 2009 is expected to be a more challenging year.

### Property and Hotels

The property and hotels division reported total revenue of HK\$10,467 million and EBIT of HK\$8,087 million, a 10% and a 99% increase respectively over last year. Gross rental income of HK\$3,399 million was 12% higher than last year, with the rental properties portfolio 97% let. Development profits for the year were 307% higher than last year mainly due to the successful sale of residential property units in Mainland China. In addition, a profit of HK\$2,141 million was realised on the disposal of an investment property.

### Retail

Although difficult market conditions in the UK and France resulted in worse than expected results from these operations, all of the Group's other significant retail operations in Western and Eastern Europe, Asia and Mainland China reported improved results for the year. Overall, the retail division increased total revenue by 8% to HK\$118,487 million and increased EBIT by 18% to HK\$4,374 million.

### Cheung Kong Infrastructure

Cheung Kong Infrastructure ("CKI") announced its group turnover and its share of jointly controlled entities' turnover of HK\$7,486 million, 27% above last year. The financial results were negatively impacted by mark-to-market adjustments arising from fluctuations in currency and financial markets. Profit attributable to shareholders was HK\$4,423 million compared to HK\$4,772 million in 2007.

Subsequent to the year end, CKI and Hongkong Electric Holdings ("HEH") announced an agreement for HEH to purchase from CKI its 45% equity interest in three power plants in the Mainland for a consideration of HK\$5,680 million. Subject to completion of this transaction, CKI expects to report a gain on disposal of approximately HK\$1,348 million in its 2009 interim results, which after asset valuation consolidation adjustments will amount to approximately HK\$880 million in the Group's consolidated interim results.

### Husky Energy

Husky announced sales and operating revenues of C\$24,701 million and net earnings of C\$3,754 million, 59% and 17% above last year respectively. Average total production during the year was 355,900 barrels of oil equivalent per day ("BOEs per day"), compared to 376,600 BOEs per day in 2007. With oil prices remaining about 65% below highs reached in 2008, Husky is expected to continue to be profitable in 2009, although its contribution to the Group's earnings will inevitably be materially lower than in 2008.

## Finance and Investments

The Group's EBIT from its finance and investments operations represents returns earned on the Group's holdings of cash and liquid investments. EBIT amounted to HK\$6,467 million, a 54% decrease, mainly due to higher profits on disposal of listed equity investments recognised in 2007 of HK\$9,754 million, compared to HK\$2,084 million in 2008. As interest rates declined sharply in the second half of 2008, the Group repaid debts as they matured, and also repaid early certain short term debts. Debt repaid in the year totalled HK\$83,729 million. As a result, both consolidated cash and cash equivalents and consolidated debt reduced during the period. The Group's consolidated cash and liquid investments totalled HK\$88,021 million as at 31 December 2008 and consolidated debt totalled HK\$253,884 million. Consolidated net debt (net of cash and liquid investments) amounted to HK\$165,863 million at 31 December 2008 compared to HK\$152,630 million at 30 June 2008.

## Hutchison Telecommunications International

Hutchison Telecommunications International Limited ("HTIL") announced turnover from continuing operations for the year of HK\$23,725 million, a 16% increase over last year, and profit attributable to shareholders of HK\$1,883 million, compared to HK\$66,884 million (including a gain on disposal of its Indian operations of HK\$69,343 million) reported for 2007. At 31 December 2008, HTIL had a consolidated mobile customer base of 12.1 million, a 28% increase over the comparable base last year.

In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), the holding company of the Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of The Stock Exchange of Hong Kong by way of introduction, involving no initial public offering of shares or raising of capital. Upon completion, HTHKH will become a separately listed subsidiary of the Group and its results will be consolidated in the Group's results.

## 3 Group

All 3 Group operations reported improved results for the year except 3 Italia. The Group's registered 3G customer base increased 17% during the year and currently stands at over 20.7 million customers. The 3 Group's customer base includes over 2.5 million mobile broadband access customers, a healthy 305% increase from last year. Sales of the 3 Group's extensive range of mobiles, including 3 Skype phones and the recently launched INQ<sup>1</sup> have been encouraging. The latter won the GSM Association global award for "Best Mobile Handset or Device" for 2009.

Average revenue per active user on a 12-month trailing average active customer basis ("ARPU") overall declined by 16% to €33.50 compared to 2007. This decline reflects reductions in regulated mobile termination and roaming rates in certain markets and the increase in the proportion of mobile broadband customers in the 3 Group's customer base. Although

ARPU declined, all operations reported increased gross margin as a percentage of revenues compared to 2007. Overall, total 3 Group revenue increased 1% to HK\$60,372 million and LBIT reduced 39% compared to last year, to HK\$10,857 million, with all operations achieving improved revenues and reduced LBIT except 3 Italia.

In February 2009, Hutchison Telecommunications (Australia) Limited ("HTAL") announced an agreement to combine its businesses with Vodafone's businesses in Australia. On completion of the transaction, which is subject to shareholders and regulatory approvals, HTAL and Vodafone will each have equal 50% interests in the combined businesses.

Barring any significant adverse market developments or regulatory developments, management expects the 3 Group to achieve a full year breakeven EBIT position in 2009.

## Outlook

In 2009, the Group is facing the most challenging environment in recent times with growth slowing in most markets and many of the world's major economies in recession. The financial crisis which originated in the United States has led to global economic activity slowing sharply in the last quarter of 2008 and through January and February of this year and this has already affected Hong Kong. However, with the support of Central Government's initiatives, the Mainland economy has to date maintained healthy domestic demand and the impact of external economic factors affecting Hong Kong should be mitigated to a large extent.

In the current global economic environment, the Group is focused on maintaining strict operational and financial discipline to successfully execute its business strategy. The Group's cash position remains healthy. Looking ahead, although the unprecedented economic environment will have differing adverse effects on the Group's various businesses around the world, overall the Group's established businesses are still expected to continue to perform satisfactorily and the 3 Group to continue to progress. I have full confidence in the long term future prospects of the Group.

I would like to thank the Board of Directors and all employees around the world for their loyalty, hardwork, professionalism and contributions to the Group.

## Li Ka-shing

*Chairman*

Hong Kong, 26 March 2009