Chairman's Statement

The Group's operations performed very well during 2011 despite global economic uncertainty that affected all of the markets and sectors in which we operate to varying degrees. The Group also substantially strengthened its balance sheet during the year through successful equity capital markets transactions. In addition, the Group completed one major infrastructure acquisition and continued to explore merger and acquisition opportunities to expand our asset and earnings base for the future.

The resilience of the Group's businesses was clearly demonstrated by strong recurring revenue, earnings and cashflow growth. All core operating divisions reported increases in their recurring contributions.

Results

The Group's profit attributable to ordinary shareholders for the year was HK$56,019 million, a 178% increase compared to last year's restated profit of HK$20,179 million. Earnings per share were HK$13.14 as compared to 2010 restated of HK$4.73.

Excluding the profits on investment property revaluation after tax of HK$590 million and the disposal of investments and others of HK$32,868 million, profit attributable to ordinary shareholders totalled HK$22,561 million in 2011, 36% higher than the restated results in 2010 and recurring earnings per share were HK$5.29.

Dividends

The Board recommends the payment of a final dividend of HK$1.53 per share, an 8.5% increase (2010 – HK$1.41 per share), payable on Monday, 11 June 2012 to those persons registered as shareholders of the Company on Thursday, 31 May 2012, being the record date for determining the shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.55 per share, the full year dividend amounts to HK$2.08 per share (2010 – HK$1.92 per share), an 8.3% increase.

Ports and Related Services

The ports and related services division handled 75.1 million twenty-foot equivalent units during the year. Although throughput growth was flat, total revenue of HK$32,518 million, EBITDA of HK$11,745 million and EBIT of HK$8,226 million were 12%, 14% and 14% higher respectively than last year when analysed on a like-for-like basis [(1)].

In the first quarter of 2011, the ports division successfully executed the establishment and IPO of the HPH Trust, resulting in a gain of HK$44,290 million and a significant strengthening of the Group's overall balance sheet and liquidity profile. In the second quarter of 2011, following the IPO of the HPH Trust, a strategic review of its ports portfolio, and assessment of the market opportunities, the Group recognised impairment charges on certain port assets totalling HK$7,110 million.

In the second half of 2011, the division started commercial operation of two new deep-water berths in the Port of Felixstowe, the UK's largest container port, and acquired operating rights to four berths in Ajman Port in the United Arab Emirates under a ten-year concession agreement.

Going forward, the division will continue to invest in increased productivity and cost efficiency, as well as in selective expansion of its global footprint. In 2012, the division will open six new berths including the first three of five berths in the first phase of Terminal Catalunya's new Muelle Prat terminal in Barcelona, Spain, which will be one of the most modern semi-automated facilities in the world and will serve Southern Europe in addition to Spain. It will also bring into service the first of two berths at the new Huizhou International Container Terminal in the Mainland and one additional berth in Westports Malaysia. The division's greenfield port in Brisbane, Australia will commence operation in the fourth quarter of 2012. In addition to the six new berths to be opened in 2012, nine berths are expected to come into operation in 2013, including two berths from the division's greenfield port in Sydney, Australia.

Note 1: To enable a better comparison of underlying performance, revenue, EBITDA and EBIT for 2010 only reflect the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 so that the year-on-year changes can be calculated on a like-for-like basis.

Property and Hotels

The property and hotels division reported total revenue of HK$17,226 million, a 7% increase compared to 2010. EBITDA and EBIT increased 7% and 8% to HK$9,903 million and HK$9,517 million respectively.

The division's 12.0 million square foot portfolio of rental properties in Hong Kong, together with our attributable share of 1.8 million square foot portfolio in the Mainland and overseas, reported a solid occupancy profile and steady rental growth although reported revenue declined by 2% due to the sale of Beijing Oriental Plaza to Hui Xian REIT. Together these contributed HK$3,859 million in revenue, HK$3,526 million in EBITDA and HK$3,478 million in EBIT. Our portfolio is of a high quality and is well located, and I expect, will continue to perform well in 2012 despite some increasing pressure on office rentals in Hong Kong.

The division's hotel portfolio of 9,370 rooms in 12 hotels, which includes over 6,000 rooms in 8 hotels in Hong Kong, reported strong revenue growth and very strong earnings growth. This reflects both healthy tourist arrivals in Hong Kong as well as a strong focus on productivity and cost efficiency which has resulted in some of our hotels achieving the highest average returns per square foot among all our investment properties.

Our residential property development activities are principally focused on the Mainland, where Government initiatives aimed at preventing residential property price inflation resulted in a slowdown in 2011. During 2011, we sold an attributable interest of approximately 6 million square feet of developed properties and we also added an attributable interest of approximately 6 million square feet to our landbank. The division's current attributable interest in landbank is approximately 99 million developable square feet, largely held through jointly controlled entities with Cheung Kong (Holdings) Ltd. Together, market conditions permitting, we expect to complete an attributable share of approximately 13.2 million square feet in gross floor area of residential and commercial properties during 2012 in Hong Kong and Singapore as well as in 13 cities in the Mainland including Chengdu, Shenzhen, Guangzhou, Xian and Dongguan.

Retail

The retail division delivered a very strong contribution to revenue, cashflow and earnings growth in 2011. Total revenue of HK$143,564 million was 17% higher than last year. EBITDA increased 16% to HK$11,724 million and EBIT increased 19% to HK$9,330 million.

The division's performance in Europe, despite the uncertain economic conditions there, was particularly satisfying. The division's operations in Europe overall maintained both total sales and like-for-like sales growth and operating margin growth in difficult environments.

The division also reported very strong growth in Asia, and in the Mainland, where it opened its 1,000th store, and now has a presence in 180 cities. Total store numbers worldwide exceeded 10,000 for the first time in 2011, a major milestone for the Group.

Looking into 2012 and beyond, I expect the A S Watson Group to continue to grow its retail store number, particularly in Asia and the Mainland, where economic growth is expected to be robust.

Cheung Kong Infrastructure

Cheung Kong Infrastructure Holdings Limited ("CKI"), our Hong Kong listed subsidiary, announced revenues (including its share of jointly controlled entities' revenue) of HK$5,025 million and profit attributable to shareholders of HK$7,745 million, a growth of 21% and 54% respectively over last year.

CKI's investments in UK Power Networks Holdings Limited, which completed in the last quarter of 2010 and Northumbrian Water Group Limited which completed in October 2011 provided positive profit contributions, resulting in a very significant year-on-year increase in CKI's reported earnings and earnings per share, and a corresponding increased contribution to the Group. Looking forward, CKI's earnings in 2012 will benefit from the first full year of profit contribution from Northumbrian Water in 2012.

Husky Energy

Husky Energy, our associated company listed in Canada, announced revenues, net of royalties, of C$23,364 million, 37% above last year, driven by strong production growth, higher realised crude oil prices and stronger refinery margins. Average production in 2011 was 312,500 barrels of oil equivalent per day ("BOEs per day") compared to 287,100 BOEs per day in 2010, a reversal of the trend of declining production in the last few years. Net earnings of C$2,224 million in 2011 were 135% higher than last year and correspondingly, Husky Energy's contribution to the Group increased significantly compared to 2010.

Husky Energy is currently undertaking two very substantial capital projects in Deep Water Natural Gas development (Liwan 29/26 project) in the South China Sea and Oil Sands development (Sunrise Energy Project) in Canada. The Liwan project is expected to begin production in late 2013 / early 2014. Sunrise Energy Project will begin production mid 2014. Both projects are presently on schedule and on budget. Production from the Liwan 3-1 and Liuhua 34-2 fields of the Liwan 29/26 project is expected to ramp up through 2014 towards approximately 300 million cubic feet per day; while the first phase of the Sunrise Energy Project is expected to produce approximately 60,000 barrels per day (30,000 barrels per day net to Husky Energy). Husky Energy estimates the total petroleum-initially-in-place for Block 29/26 to be in the range of 2.6 to 3.0 trillion cubic feet of gas of which Husky Energy's share is 49% and the Sunrise Energy Project to have approximately 3.7 billion barrels of proved, probable and possible bitumen reserves of which Husky Energy's share is 50%.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and in Macau announced revenue of HK$13,407 million, an increase of 36% over last year. EBITDA of HK$2,616 million and EBIT of HK$1,435 million, increased 20% and 32% respectively over last year. The announced net profit attributable to shareholders was HK$1,020 million and earnings per share was 21.17 HK cents, an increase of 35% compared to last year.

HTHKH has established leading market shares in its mobile businesses, particularly in the smartphone segment. As of 31 December 2011, active mobile customers were over 3.5 million in Hong Kong and Macau. Fixed line operations have also continued to grow in line with increasing data traffic across all networks in Hong Kong.

In 2012, HTHKH's mobile operation in Hong Kong plans to launch Long Term Evolution service and has acquired additional spectrum to ensure that they are well positioned to continue to lead in providing customers' rapidly increasing requirements for high speed data.

Hutchison Asia Telecommunications

As of 31 December 2011, Hutchison Asia Telecommunications ("HAT") had a customer base of over 34.2 million and reported total revenue of HK$2,332 million, LBITDA of HK$142 million and LBIT of HK$1,181 million.

During 2011, HAT completed the disposal of its Thailand operation and completed major supplier agreements to significantly enhance its networks in Indonesia and Sri Lanka. In 2012, HAT expects to offer services to a larger addressable customer base, particularly in Indonesia.

The Group has also recognised a one-time impairment charge of HK$2,997 million in relation to HAT's assets in Vietnam in view of an ongoing reassessment of the business opportunity in that country.

3 Group

3 Group reported total revenue of HK$74,288 million, a 16% increase. The Group's registered 3G customer base increased 7% during the year and currently totals over 31.6 million customers. All **3** Group operations, except Hutchison Telecommunications (Australia) Limited ("HTAL"), achieved solid improvements in the underlying operating results for the year reporting a 21% growth in EBITDA to HK$10,524 million. **3** Group also achieved a second year of EBIT positive results and reported EBIT of HK$1,481 million. This represents a 49% reduction compared to last year due to lower one-off gains being recognised by **3** UK and **3** Italia in 2011. The improvement in **3** Group's underlying operating results reflects the increased contribution from its rapidly growing market share of the smartphone and mobile broadband market segments in all countries where **3** Group operates. However, the improvements in the profits of **3** Group were affected by HTAL's poor performance, as reported in the first half of 2011, due to network performance issues in late 2010 and early 2011. HTAL has invested a significant amount on capital expenditure in 2011, amounting to approximately A$400 million, driven by its accelerated network improvement plans. There will be a continuing focus in 2012 to improve HTAL's financial performance.

The Group also recognised a one-time write-off of HK$1,315 million as a result of a review process by **3** UK on its fixed asset base, following the near finalisation of network integration processes.

In February 2012, **3** Austria entered into a binding agreement to acquire a 100% interest of Orange Austria and a subsequent onward sale of the Yesss! brand and certain other assets to Telekom Austria Group for a net consideration of approximately €900 million. However, the completion of the transaction remains subject to regulatory approvals. If the transaction completes, **3** Austria will have a combined customer base of 2.8 million customers and the combined operations will generate revenues, together with operational synergies and efficiencies, which should result in corresponding increases in **3** Austria's contribution to **3** Group.

Despite Europe being affected by economic and financial uncertainties, **3** Group has maintained its growth momentum in the smartphone and mobile broadband market segments this year and will make an improved earnings contribution to the Group's results in 2012.

Finance & Investments and Others

Contribution from this division represents returns earned on the Group's holdings of cash and liquid investments as well as results of other small operating units. The decline in contribution in 2011 was mainly due to one-time treasury profits recognised in 2010 that included profits from the disposal of certain listed equity investments, partly offset by an increase in interest income as a result of rising market interest rates in 2011.

During 2011, the Group repaid debts as they matured and repaid early certain other long-term borrowings and notes totalling HK$42,014 million. The Group's consolidated net debt position benefited from the net cash proceeds of approximately HK$45,000 million arising from the IPO of HPH Trust on 18 March 2011. At 31 December 2011, the Group's consolidated cash and liquid investments totalled HK$86,778 million and consolidated debt amounted to HK$213,854 million, resulting in consolidated net debt of HK$127,076 million and net debt to net total capital ratio of 23.8% at 31 December 2011.

In 2012, the Group has continued to take precautionary steps to extend the maturity of its debts with two issues of 5 and 10 year notes totalling HK$19,500 million.

Outlook

In 2011, uncertain economic conditions affected most markets and geographies to varying degrees. Our core businesses and operations, which are spread over 53 countries, demonstrated resilience with revenue and earning contribution growth in the year. A measure of uncertainty is expected to remain in 2012. Monetary tightening in the Mainland, which has successfully curbed inflation, will slow the rate of growth in the short term but growth will continue to increase in the long term. However, given the nature and the geographical spread of our businesses and their track record, I expect, barring unforeseen material adverse developments in major markets, the Group will continue to grow its recurrent earnings and maintain a strong financial position and liquidity in 2012. I am confident of the Group's prospects.

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

Li Ka-shing
Chairman

Hong Kong, 29 March 2012